

**BENSON COUNTY
MINNEWAUKAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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BENSON COUNTY
COUNTY OFFICIALS
AS OF DECEMBER 31, 2016

David Davidson	Commissioner- Chairman
Doris Griffin	Commissioner- Vice Chairman
Lowell Haagenson	Commissioner
Ron Carlson	Commissioner
Michael Steffan	Commissioner
Bonnie Erickson	Auditor/Treasurer
Steve Rohrer	Sheriff
Rhoda Pfeifer	Register of Deeds
James Wang	State's Attorney
Lucia Jacobson	Superintendent of Schools



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Benson County
Minnewaukan, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Benson County, Minnewaukan, North Dakota, as of and for the year ended December 31, 2016, 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 includes 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 County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Benson County, as of December 31, 2016, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of fund activity as listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of fund activity is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of fund activity is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The roster of county officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2018 on our consideration of the County's internal control over financial reporting and 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 the 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 Benson County's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

February 1, 2018

BENSON COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Water Resource District</u>
ASSETS		
Cash and investments	\$ 4,195,417	\$ 78,167
Accounts receivable	22,133	-
Taxes receivable	74,107	9,151
Road receivables	66,943	-
Intergovernmental receivable	48,766	-
Capital assets (net of accumulated depreciation):		
Land	180,036	-
Infrastructure	14,680,792	-
Buildings	100,663	-
Machinery and vehicles	2,668,218	-
Furniture and equipment	<u>75,273</u>	<u>-</u>
Total capital assets	<u>17,704,982</u>	<u>-</u>
Total assets	<u>22,112,348</u>	<u>87,318</u>
DEFERRED OUTFLOWS OF RESOURCES		
Cost sharing defined benefit pension plan-NDPERS Main	486,206	-
Cost sharing defined benefit pension plan-NDPERS Law Enforcement	<u>86,597</u>	<u>-</u>
Total deferred outflows of resources	<u>572,803</u>	<u>-</u>
LIABILITIES		
Accounts payable	226,393	-
Unearned income	412,466	-
Long-term liabilities:		
Due within one year:		
Compensated absences payable	85,000	-
Due after one year:		
Compensated absences payable	21,302	-
Net Pension Liability - Main	1,699,055	-
Net Pension Liability - Law Enforcement	<u>67,411</u>	<u>-</u>
Total liabilities	<u>2,511,627</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied - subs. years	206,029	-
Cost sharing defined benefit pension plan-NDPERS Main	168,858	-
Cost sharing defined benefit pension plan-NDPERS Law Enforcement	<u>28,819</u>	<u>-</u>
Total deferred inflows of resources	<u>403,706</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	17,704,982	-
Restricted for:		
Public safety	30,603	-
Highways	1,876,498	-
Health and welfare	727,671	-
Culture and recreation	166	-
Conservation of natural resources	21,927	87,318
Economic development	5,298	-
Special purposes	42,638	-
Unrestricted	<u>(639,965)</u>	<u>-</u>
Total net position	<u>\$ 19,769,818</u>	<u>\$ 87,318</u>

See Notes to the Basic Financial Statements

BENSON COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Component Unit Water Resource District</u>
<u>Governmental Activities:</u>					
General government	\$ 1,973,003	\$ 124,982	\$ 394,842	\$ (1,453,179)	\$ -
Public safety	631,925	34,335	16,265	(581,325)	-
Highways	5,083,300	508,301	4,360,084	(214,915)	-
Health and welfare	1,009,614	-	889,415	(120,199)	-
Culture and recreation	-	-	362	362	-
Conser. of natural resources	168,837	-	13,698	(155,139)	-
Economic development	-	-	1,428	1,428	-
Other	<u>154,580</u>	<u>5,688</u>	<u>25,083</u>	<u>(123,809)</u>	<u>-</u>
Total governmental activities	<u>\$ 9,021,259</u>	<u>\$ 673,306</u>	<u>\$ 5,701,177</u>	<u>(2,646,776)</u>	<u>-</u>
<u>Component Unit:</u>					
Water Resource Board	<u>\$ 66,172</u>	<u>\$ 942</u>	<u>\$ -</u>		<u>(65,230)</u>
<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes				2,138,827	101,453
Non restricted grants and contributions				353,220	-
Earnings on investments				17,667	10
Miscellaneous revenue				<u>131,495</u>	<u>501</u>
Total general revenues				<u>2,641,209</u>	<u>101,964</u>
Change in net position				<u>(5,567)</u>	<u>36,734</u>
Net position - January 1				<u>19,775,385</u>	<u>50,584</u>
Net position - December 31				<u>\$ 19,769,818</u>	<u>\$ 87,318</u>

See Notes to the Basic Financial Statements

BENSON COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	County Road and Bridge	Social Service	County Poor Relief	Highway Tax Distribution	Law Enforcement	Federal Aid 6 Mill	Flood of 2011	Flood of 2014	Other Governmental Funds	Total Governmental Funds
ASSETS											
Cash and investments	\$ 818,044	\$ -	\$ 220,703	\$ 523,944	\$ 277,936	\$ -	\$ 977,540	\$ 185,964	\$ 61,112	\$ 1,130,174	\$ 4,195,417
Accounts receivable	1,083	-	-	-	-	-	-	-	-	21,050	22,133
Taxes receivable	26,723	5,232	-	8,799	-	8,949	4,542	-	-	19,862	74,107
Road receivables	-	66,943	-	-	-	-	-	-	-	-	66,943
Intergovernmental receivable	1,727	43,421	3,618	-	-	-	-	-	-	-	48,766
Due from other funds	256,242	-	-	-	-	-	-	-	-	-	256,242
Total assets	\$ 1,103,819	\$ 115,596	\$ 224,321	\$ 532,743	\$ 277,936	\$ 8,949	\$ 982,082	\$ 185,964	\$ 61,112	\$ 1,171,086	\$ 4,663,608
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES											
<u>Liabilities:</u>											
Accounts payable	\$ 15,926	\$ 28,524	\$ 956	\$ -	\$ -	\$ 13,955	\$ 141,292	\$ -	\$ -	\$ 25,740	\$ 226,393
Due to other funds	-	172,698	-	-	-	52,556	-	-	-	30,988	256,242
Unearned revenue	-	-	-	-	-	-	-	185,964	61,112	165,390	412,466
Total liabilities	15,926	201,222	956	-	-	66,511	141,292	185,964	61,112	222,118	895,101
<u>Deferred Inflows of Resources</u>											
Property taxes collected - subs. years	86,043	13,775	-	15,512	-	27,551	11,737	-	-	51,411	206,029
Property taxes collected - delinquent	26,723	5,232	-	8,799	-	8,949	4,542	-	-	19,862	74,107
Total deferred inflows of resources	112,766	19,007	-	24,311	-	36,500	16,279	-	-	71,273	280,136
<u>Fund Balances:</u>											
Restricted for:											
Public safety	-	-	-	-	-	-	-	-	-	27,192	27,192
Highways	-	-	-	-	277,936	-	824,511	-	-	809,166	1,911,613
Health and welfare	-	-	223,365	508,432	-	-	-	-	-	9,712	741,509
Culture and recreation	-	-	-	-	-	-	-	-	-	119	119
Conservation of natural resources	-	-	-	-	-	-	-	-	-	17,625	17,625
Economic development	-	-	-	-	-	-	-	-	-	5,298	5,298
Special purposes	-	-	-	-	-	-	-	-	-	41,939	41,939
Unassigned	975,127	(104,633)	-	-	-	(94,062)	-	-	-	(33,356)	743,076
Total fund balances	975,127	(104,633)	223,365	508,432	277,936	(94,062)	824,511	-	-	877,695	3,488,371
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,103,819	\$ 115,596	\$ 224,321	\$ 532,743	\$ 277,936	\$ 8,949	\$ 982,082	\$ 185,964	\$ 61,112	\$ 1,171,086	\$ 4,663,608

See Notes to the Basic Financial Statements

BENSON COUNTY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total *Fund Balances* for Governmental Funds \$ 3,488,371

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	\$ 62,375,468	
Less Accumulated Depreciation	<u>(44,670,486)</u>	
Net Capital Assets		17,704,982

Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources, and therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds. 375,126

Property taxes receivable 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. 74,107

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, 2016 are:

Compensated Absences	(106,302)	
Net Pension Liability	<u>(1,766,466)</u>	
Total Long-Term Liabilities		<u>(1,872,768)</u>

Total Net Position of Governmental Activities \$ 19,769,818

See Notes to the Basic Financial Statements

BENSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	County Road and Bridge	Social Service	County Poor Relief	Highway Tax Distribution	Law Enforcement	Federal Aid 6 Mill	Flood of 2011	Flood of 2014	Other Governmental Funds	Total Governmental Funds
Revenues:											
Taxes	\$ 789,786	\$ 147,954	\$ -	\$ 213,256	\$ -	\$ 295,889	\$ 127,745	\$ -	\$ -	\$ 545,110	\$ 2,119,740
Licenses, permits and fees	10	-	-	-	-	-	-	-	-	-	10
Intergovernmental	748,425	-	889,415	-	464,162	-	3,796,384	6,130	9,232	140,651	6,054,399
Charges for services	159,317	401,875	-	-	-	-	-	-	-	112,114	673,306
Interest income	17,667	-	-	-	-	-	-	-	-	-	17,667
Miscellaneous	71,709	26,961	805	-	-	1,615	-	-	-	30,395	131,485
Total revenues	1,786,914	576,790	890,220	213,256	464,162	297,504	3,924,129	6,130	9,232	828,270	8,996,607
Expenditures:											
Current:											
General government	1,277,531	-	-	-	-	-	-	-	-	-	1,277,531
Public safety	276,961	-	-	-	-	194,081	-	-	-	138,156	609,198
Highways	-	1,212,102	-	-	-	-	3,233,501	6,130	9,232	504,070	4,965,035
Health and welfare	20,170	-	961,335	-	-	-	-	-	-	27,653	1,009,158
Conser. of natural resources	-	-	-	-	-	-	-	-	-	168,837	168,837
Other	85,465	-	-	-	-	-	-	-	-	69,115	154,580
Capital outlay	22,499	525,500	-	-	-	-	-	-	-	-	547,999
Total expenditures	1,682,626	1,737,602	961,335	-	-	194,081	3,233,501	6,130	9,232	907,831	8,732,338
Excess (deficiency) of revenues over expenditures	104,288	(1,160,812)	(71,115)	213,256	464,162	103,423	690,628	-	-	(79,561)	264,269
Other financing sources (uses):											
Transfers in	-	1,171,490	207,677	-	-	-	-	-	-	19,300	1,398,467
Transfers out	(552,790)	-	-	(200,000)	(550,000)	-	-	-	-	(95,677)	(1,398,467)
Total other financing sources and uses	(552,790)	1,171,490	207,677	(200,000)	(550,000)	-	-	-	-	(76,377)	-
Net change in fund balances	(448,502)	10,678	136,562	13,256	(85,838)	103,423	690,628	-	-	(155,938)	264,269
Fund balance - January 1	1,423,629	(115,311)	86,803	495,176	363,774	(197,485)	133,883	-	-	1,033,633	3,224,102
Fund balance - December 31	\$ 975,127	\$ (104,633)	\$ 223,365	\$ 508,432	\$ 277,936	\$ (94,062)	\$ 824,511	\$ -	\$ -	\$ 877,695	\$ 3,488,371

See Notes to the Basic Financial Statements

BENSON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ 264,269

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

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

Current Year Capital Outlay	\$ 547,999	
Current Year Depreciation Expense	<u>(749,787)</u>	(201,788)

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

Net Increase in Compensated Absences		(13,658)
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Changes in deferred outflows and inflows of resources related to net pension liability		410,011
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Change in net pension liability		(483,486)
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of:

Net increase in taxes receivable		<u>19,085</u>
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Change in Net Position of Governmental Activities		<u>\$ (5,567)</u>
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See Notes to the Basic Financial Statements

BENSON COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2016

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 611,815</u>
 <u>Liabilities:</u>	
Due to other governments	<u>\$ 611,815</u>

See Notes to the Basic Financial Statements

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Component Unit

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

Discretely Presented Component Unit: The component unit column in the government-wide financial statements includes the financial data of the County's one component unit. The component unit is reported in a separate column to emphasize that it is legally separate from the County.

Benson County Water Resource District: The Benson County Water Resource District governing board is appointed by the County's governing body. The County's governing body has the County to disapprove, amend, or approve the water resource district budget.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Benson County and its component unit, Benson County Water Resource District. 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.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

County Road and Bridge Fund. This is the County's primary road maintenance fund. It accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund.

Social Service Fund. This is the County's primary health and welfare fund. It accounts for all financial resources related to health and welfare, except property taxes and those required to be accounted for in another fund.

County Poor Relief Fund. This is the County's fund used to levy property taxes for health and welfare purposes. These funds are transferred to the Social Service Fund.

Highway Tax Distribution Fund. This is the County's fund used for the Highway Tax Distribution from the state to be used for the maintenance and repair of roads within the county.

Law Enforcement Fund. This is the County's fund used to account for law enforcement expenditures for public safety purposes.

Federal Aid 6 Mill Fund. This is the County's fund used to account for graveling expenditures for county roadway maintenance, repairs and improvements.

Flood of 2011 Fund. This is the County's fund used to account for repairs and improvements of highways and bridges that are damaged due to natural disasters and paid for primarily by FEMA public assistance monies.

Flood of 2014 Fund. This is the County's fund used to account for repairs and improvements of highways and bridges that are damaged due to natural disasters and paid for primarily by FEMA public assistance monies.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Additionally, the County reports the following fund type:

The County reports the following fiduciary fund:

Agency Fund. This fund accounts for assets held by the County in a custodial capacity as an agent on behalf of others. The County's agency fund is used to account for various deposits of other governments.

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

Government-wide and Fiduciary Fund Financial Statements. The government-wide, and fiduciary fund financial statements are reported using the economic resources measurement focus. 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 are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments consist of certificates of deposits.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

E. Capital Assets

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

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

Buildings and Infrastructure	99 years
Machinery, Vehicles, Furniture and Equipment	5 – 30 years

F. Compensated Absences

Full time regular County employees are granted vacation benefits from 1 to 1.75 days per month depending on tenure with the County. Part time employees are granted vacation on the same scale, prorated for average hours worked per week. Vacation benefits may accrue to a total of 21 days. Social Service employees are granted vacation benefits from 1 to 2 days per month depending on tenure with the county and may accrue a maximum of 240 hours. All unused vacation will be paid out to all employees upon termination of employment. Unused sick leave benefits for regular County employees are allowed to accumulate up to 120 days. Once an employee has reached their maximum sick leave level, they are eligible to trade any additional sick leave awarded at a rate of one day of vacation for six days of sick leave. Upon termination of employment, sick leave will be converted to one fully compensated day for six sick leave days and paid to the employee. Vested or accumulated leave is reported in the government-wide statements.

G. Long-Term Obligations

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

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

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Pensions:

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 Employee 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.

H. 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.

I. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the Board of County Commissioners.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the County's intended use. These constraints are established by the Board of County Commissioners and/or management. Pursuant to Board Resolution, the County's management is authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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

When committed, assigned or unassigned resources are available for use, it is the County's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

J. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the County's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The County has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the NDPERS pension plan, as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has two types of items, one which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the NDPERS pension plan and is reported on the statement of net position.

BENSON COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Excess of Actual Expenditures over Budget

Expenditures exceeded budget in the following funds for the year ended December 31, 2016:

Fund	
General Fund	\$ 52,290
Federal Aid 6 Mill	3,033,501

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

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or 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 the year ended December 31, 2016, the County's carrying amount of deposits was \$4,807,232 and the bank balance was \$4,503,164. The bank balances at December 31, 2016 consisted of \$906,458 that was covered by Federal Depository Insurance. The remaining balance of \$3,596,706 was collateralized with securities held by the pledging financial institution's agent in the County's name.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

At the year ended December 31, 2016, the Benson County Water Resource District's (a discretely presented component unit of Benson County) carrying amount of deposits was \$78,167 and the bank balance was \$79,074. The bank balance at December 31, 2016 was covered by Federal Depository Insurance.

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, 2016, the County held certificates of deposit in the amount of \$1,494,726, which are all considered deposits.

Concentration of Credit Risk

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

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of money due from charges for services provided by various County offices and interest earned on bank deposits. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 5 ROAD RECEIVABLE

Road receivables consist of money due to the highway department for roadwork performed for townships, cities, etc. No allowance has been established for estimated uncollectible road receivables.

NOTE 6 TAXES RECEIVABLE

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for estimated 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.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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 7 INTERGOVERNMENTAL RECEIVABLE

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

NOTE 8 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2016:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 180,036	\$ -	\$ -	\$ 180,036
Capital assets being depreciated				
Infrastructure	57,640,200	-	-	57,640,200
Buildings	316,300	-	-	316,300
Machinery and vehicles	3,425,307	547,999	(43,500)	3,929,806
Furniture and equipment	309,126	-	-	309,126
Total capital assets being depreciated	<u>61,690,933</u>	<u>547,999</u>	<u>(43,500)</u>	<u>62,195,432</u>
Less accumulated depreciation				
Infrastructure	(42,377,236)	(582,172)	-	(42,959,408)
Buildings	(213,472)	(2,165)	-	(215,637)
Machinery and vehicles	(1,139,638)	(165,450)	43,500	(1,261,588)
Furniture and equipment	(233,853)	-	-	(233,853)
Total accumulated depreciation	<u>(43,964,199)</u>	<u>(749,787)</u>	<u>43,500</u>	<u>(44,670,486)</u>
Net capital assets being depreciated	<u>17,726,734</u>	<u>(201,788)</u>	-	<u>17,524,946</u>
Net capital assets for governmental activities	<u>\$ 17,906,770</u>	<u>\$(201,788)</u>	<u>\$ -</u>	<u>\$ 17,704,982</u>

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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

General government	\$	608,339
Public safety		22,727
Highways		118,265
Health and welfare		<u>456</u>
	\$	<u>749,787</u>

NOTE 9 ACCOUNTS PAYABLE

Accounts payable consists of amounts on open accounts for goods and services received prior to December 31, 2016 and chargeable to the appropriations for the years then ended, but paid for subsequent to that date.

NOTE 10 UNEARNED REVENUE

Unearned revenue consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Amounts unearned were for grant revenues in excess of grant expenditures in Flood funds.

NOTE 11 LONG-TERM DEBT

Changes in Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in liabilities for Benson County:

		Balance <u>1/1/2016</u>	<u>Additions</u>	<u>Retired</u>	Balance <u>12/31/2016</u>	Due Within <u>One Year</u>
Compensated absences	\$	92,644	\$ 13,658	\$ -	\$ 106,302	\$ 85,000
Net Pension Liability		<u>1,282,980</u>	<u>965,727</u>	<u>(482,241)</u>	<u>1,766,466</u>	<u>-</u>
Totals	\$	<u>1,375,624</u>	<u>\$ 979,385</u>	<u>\$ (482,241)</u>	<u>\$ 1,872,768</u>	<u>\$ 85,000</u>

Compensated absences are typically liquidated from the general fund. The net pension liability is liquidated by the respective fund being charged for the related pension expense.

NOTE 12 RELATED ORGANIZATION

Benson County is also responsible for levying a property tax for the Benson County Fair Board, Benson County Council on Aging and Benson County Job Authority but the County's accountability for these entities does not extend beyond the levying of the tax. In 2016, the County remitted \$73 to the Benson County Fair Board, \$7,835 to the Benson County Council on Aging and \$30,403 to the Benson County Job Authority.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 13 RISK MANAGEMENT

Benson 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. Benson County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability, two million dollars per occurrence for automobile, and \$2,696,459 for public assets.

Benson County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Benson 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 \$225,000,000 dollars per occurrence during a 12 month period. The State Bonding Fund currently provides Benson 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. Benson County has workers compensation with the North Dakota Workforce Safety and Insurance. The County provides health insurance benefits for all regular full and part-time employees. The County contributes up to \$638 per month per employee for insurance.

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

NOTE 14 DEFINED BENEFIT PENSION PLAN – STATEWIDE

Substantially, all employees of the County are required by state law to belong to a pension plan administered by the North Dakota Public Employees Retirement System (NDPERS), which is administered on a statewide basis.

Disclosures relating to this plan follow:

North Dakota Public Employees Retirement 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 (main plan) 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.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and fire-fighters. The Law Enforcement System 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

For the NDPERS main plan, 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.

For the NDPERS law enforcement plan, benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement 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 (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 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.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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 (main plan), 55 (law enforcement plan) or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS main plan are set by statute and are established as a percent of covered compensation. Member contribution rates for the Main System and the Law Enforcement plans are 7% and 5.5%, respectively, and employer contribution rates for the Main System and the Law Enforcement plans are 7.12% and 9.81%, respectively, of covered compensation.

Member and employer contributions paid to NDPERS are established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

<u>Plan</u>	<u>Member Contribution Rate</u>	<u>Employer Contribution Rate</u>
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	10.31%
National Guard (effective 8/1/2015)*	6.00%	9.81%
Law Enforcement without previous servi	5.50%	7.93%

*Effective 1/1/2016, the member contribution rate for the National Guard will be 5.50%.

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

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

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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

At December 31, 2016, the County reported a liability of \$1,766,466 for its proportionate share of the net pension liability. The net pension liability consisted of \$1,699,055 to the Main System pension plan and \$67,411 to the Law Enforcement pension plan with prior Main System Service. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of covered payroll in the Main System and Law Enforcement pension plan relative to the covered payroll of all participating Main System and Law Enforcement employers. At July 1, 2016, the County's proportion was 0.174334 percent for the Main System and 0.588308 percent for the Law Enforcement plan, which were decreases of 0.004596 and 0.502737, respectively, from the prior year.

For the year ended December 31, 2016, the County recognized pension expense of \$209,413 for the Main System plan and \$15,096 for the Law Enforcement plan. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the Main System plan:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,523	\$	(15,732)
Changes of assumptions	156,631		(84,409)
Net difference between projected and actual earnings on pension plan investments	237,043		-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-		(68,717)
subsequent to the measurement date	67,009		-
Total	\$ 486,206	\$	(168,858)

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

For the Law Enforcement plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,660	\$ -
Changes of assumptions	2,339	(4,542)
Net difference between projected and actual earnings on pension plan investments	12,423	-
differences between employer contributions and proportionate share of contributions	40,322	(24,277)
Employer contributions subsequent to the measurement date	7,853	-
Total	\$ 86,597	\$ (28,819)

For the Main System plan, \$67,009 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017.

For the Law Enforcement plan, \$7,853 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017.

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

For the Main System plan:

Year ending June 30:	Pension Expense Amount
2017	\$ 41,404
2018	41,404
2019	93,114
2020	54,139
2021	20,278

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

For the Law Enforcement plan:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2017	\$ 11,594
2018	11,828
2019	14,095
2020	12,481
2021	(73)

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table 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 2015. They are the same as the assumptions used in the July 1, 2016, 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%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. 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, 2016, 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, 2016. 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, 2016.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 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:

For the Main System plan:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$ 2,410,076	\$ 1,699,055	\$1,099,982

For the Law Enforcement plan:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$ 110,651	\$ 67,411	\$ 31,727

Pension Plan Fiduciary Net Position

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

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 DEFICIT BALANCES

The following funds were in a deficit position at December 31, 2016.

<u>Special Revenue Funds:</u>	
County Road and Bridge	\$ (104,633)
Law Enforcement	(94,062)
Emergency Disaster	(540)
Comprehensive Health	(8,846)
Veteran's Service Officer	(1,429)
Federal Aid - 4 mills	(937)
Homeland Security	(15,661)
Emergency Admin - 2011	(5,282)
Emergency Admin - 2013	(661)

Benson County plans to eliminate these deficits with transfers from another fund and future revenues.

NOTE 16 NEW PRONOUNCEMENTS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Management has not yet determined the effect these Statements will have on the County's financial statements.

NOTE 17 CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2016, is as follows:

Due to/from other funds:		
Receivable Fund	Payable Fund	Amount
General	County Road	\$ 172,698
General	Comprehensive Health	8,846
General	Law Enforcement	52,556
General	Emergency Administration 2013	660
General	Emergency Administration 2011	5,281
General	Homeland Security	15,661
General	Emergency Disaster	540
		<u>\$ 256,242</u>

Interfund Transfers:		
Transfer In	Transfer Out	Amount
Social Service	County Poor Relief	\$ 100,000
County Road and Bridge	Highway Tax Distribution	300,000
Other Governmental Funds	General	19,300
County Road and Bridge	General	533,490
Social Service	County Poor Relief	100,000
Social Service	Other Governmental Funds	7,677
County Road and Bridge	Highway Tax Distribution	250,000
County Road and Bridge	Other Governmental Funds	88,000
	Total	<u>\$ 1,398,467</u>

Interfund loans were made to compensate for funds with negative cash balances.

Property tax levies were transferred into the county road and bridge, social services, and other governmental funds to cover operating expenses.

NOTE 19 SUBSEQUENT EVENTS

No significant events occurred subsequent to the County's year end. Subsequent events have been evaluated through February 1, 2018, which is the date these financial statements were available to be issued.

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 814,372	\$ 814,372	\$ 789,786	\$ (24,586)
Licenses, permits and fees	-	-	10	10
Intergovernmental	1,071,222	1,071,222	748,425	(322,797)
Charges for services	148,816	148,816	159,317	10,501
Interest income	5,000	5,000	17,667	12,667
Miscellaneous	<u>14,500</u>	<u>14,500</u>	<u>71,709</u>	<u>57,209</u>
 Total revenues	 <u>2,053,910</u>	 <u>2,053,910</u>	 <u>1,786,914</u>	 <u>(266,996)</u>
 <u>Expenditures:</u>				
Current:				
General government	1,234,529	1,234,529	1,277,531	(43,002)
Public safety	276,443	276,443	276,961	(518)
Health and welfare	19,364	19,364	20,170	(806)
Other	100,000	100,000	85,465	14,535
Capital outlay	<u>-</u>	<u>-</u>	<u>22,499</u>	<u>(22,499)</u>
 Total expenditures	 <u>1,630,336</u>	 <u>1,630,336</u>	 <u>1,682,626</u>	 <u>(52,290)</u>
 Excess (deficiency) of revenues over expenditures	 <u>423,574</u>	 <u>423,574</u>	 <u>104,288</u>	 <u>(319,286)</u>
 <u>Other financing sources (uses):</u>				
Transfers out	<u>-</u>	<u>-</u>	<u>(552,790)</u>	<u>(552,790)</u>
 Total other financing sources and uses	 <u>-</u>	 <u>-</u>	 <u>(552,790)</u>	 <u>(552,790)</u>
 Net change in fund balances	 <u>423,574</u>	 <u>423,574</u>	 <u>(448,502)</u>	 <u>(872,076)</u>
 Fund balance - January 1	 <u>1,423,629</u>	 <u>1,423,629</u>	 <u>1,423,629</u>	 <u>-</u>
 Fund balance - December 31	 <u>\$1,847,203</u>	 <u>\$ 1,847,203</u>	 <u>\$ 975,127</u>	 <u>\$ (872,076)</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – COUNTY ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 156,972	\$ 156,972	\$ 147,954	\$ (9,018)
Charges for services	330,000	330,000	401,875	71,875
Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>26,961</u>	<u>6,961</u>
Total revenues	<u>506,972</u>	<u>506,972</u>	<u>576,790</u>	<u>69,818</u>
<u>Expenditures:</u>				
Current:				
Highways	1,777,966	1,777,966	1,212,102	565,864
Capital outlay	<u>-</u>	<u>-</u>	<u>525,500</u>	<u>(525,500)</u>
Total expenditures	<u>1,777,966</u>	<u>1,777,966</u>	<u>1,737,602</u>	<u>40,364</u>
Excess (deficiency) of revenues over expenditures	<u>(1,270,994)</u>	<u>(1,270,994)</u>	<u>(1,160,812)</u>	<u>110,182</u>
<u>Other financing sources (uses):</u>				
Proceeds on Disposal of Capital Assets	390,000	390,000	-	(390,000)
Transfers in	<u>-</u>	<u>-</u>	<u>1,171,490</u>	<u>1,171,490</u>
Total other financing sources and uses	<u>390,000</u>	<u>390,000</u>	<u>1,171,490</u>	<u>781,490</u>
Net change in fund balances	<u>(880,994)</u>	<u>(880,994)</u>	<u>10,678</u>	<u>891,672</u>
Fund balance - January 1	<u>(115,311)</u>	<u>(115,311)</u>	<u>(115,311)</u>	<u>-</u>
Fund balance - December 31	<u>\$ (996,305)</u>	<u>\$ (996,305)</u>	<u>\$ (104,633)</u>	<u>\$ 891,672</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – SOCIAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$ 721,886	\$ 721,886	\$ 889,415	\$ 167,529
Miscellaneous	<u>1,560</u>	<u>1,560</u>	<u>805</u>	<u>(755)</u>
Total revenues	<u>723,446</u>	<u>723,446</u>	<u>890,220</u>	<u>166,774</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>1,080,673</u>	<u>1,080,673</u>	<u>961,335</u>	<u>119,338</u>
Excess (deficiency) of revenues over expenditures	<u>(357,227)</u>	<u>(357,227)</u>	<u>(71,115)</u>	<u>286,112</u>
<u>Other financing sources (uses):</u>				
Transfers in	<u>-</u>	<u>-</u>	<u>207,677</u>	<u>207,677</u>
Net change in fund balances	<u>(357,227)</u>	<u>(357,227)</u>	<u>136,562</u>	<u>493,789</u>
Fund balance - January 1	<u>86,803</u>	<u>86,803</u>	<u>86,803</u>	<u>-</u>
Fund balance - December 31	<u><u>\$ (270,424)</u></u>	<u><u>\$ (270,424)</u></u>	<u><u>\$ 223,365</u></u>	<u><u>\$ 493,789</u></u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – COUNTY POOR RELIEF FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 228,467	\$ 228,467	\$ 213,256	\$ (15,211)
Total revenues	<u>228,467</u>	<u>228,467</u>	<u>213,256</u>	<u>(15,211)</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Excess (deficiency) of revenues over expenditures	<u>227,967</u>	<u>227,967</u>	<u>213,256</u>	<u>(14,711)</u>
<u>Other financing sources (uses):</u>				
Transfers out	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>
Net change in fund balances	<u>227,967</u>	<u>227,967</u>	<u>13,256</u>	<u>(214,711)</u>
Fund balance - January 1	<u>495,176</u>	<u>495,176</u>	<u>495,176</u>	<u>-</u>
Fund balance - December 31	<u>\$ 723,143</u>	<u>\$ 723,143</u>	<u>\$ 508,432</u>	<u>\$ (214,711)</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – HIGHWAY TAX DISTRIBUTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	<u>\$ 569,517</u>	<u>\$ 569,517</u>	<u>\$ 464,162</u>	<u>\$ (105,355)</u>
Total revenues	<u>569,517</u>	<u>569,517</u>	<u>464,162</u>	<u>(105,355)</u>
Excess (deficiency) of revenues over expenditures	<u>569,517</u>	<u>569,517</u>	<u>464,162</u>	<u>(105,355)</u>
<u>Other financing sources (uses):</u>				
Transfers out	<u>-</u>	<u>-</u>	<u>(550,000)</u>	<u>(550,000)</u>
Net change in fund balances	<u>569,517</u>	<u>569,517</u>	<u>(85,838)</u>	<u>(655,355)</u>
Fund balance - January 1	<u>363,774</u>	<u>363,774</u>	<u>363,774</u>	<u>-</u>
Fund balance - December 31	<u>\$ 933,291</u>	<u>\$ 933,291</u>	<u>\$ 277,936</u>	<u>\$ (655,355)</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – LAW ENFORCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 308,899	\$ 308,899	\$ 295,889	\$ (13,010)
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,615</u>	<u>1,615</u>
Total revenues	<u>308,899</u>	<u>308,899</u>	<u>297,504</u>	<u>(11,395)</u>
<u>Expenditures:</u>				
<u>Current:</u>				
Public safety	<u>203,420</u>	<u>203,420</u>	<u>194,081</u>	<u>9,339</u>
Excess (deficiency) of revenues over expenditures	<u>105,479</u>	<u>105,479</u>	<u>103,423</u>	<u>(2,056)</u>
Net change in fund balances	<u>105,479</u>	<u>105,479</u>	<u>103,423</u>	<u>(2,056)</u>
Fund balance - January 1	<u>(197,485)</u>	<u>(197,485)</u>	<u>(197,485)</u>	<u>-</u>
Fund balance - December 31	<u>\$ (92,006)</u>	<u>\$ (92,006)</u>	<u>\$ (94,062)</u>	<u>\$ (2,056)</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – FEDERAL AID 6 MILL
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 135,201	\$ 135,201	\$ 127,745	\$ (7,456)
Intergovernmental	<u>-</u>	<u>-</u>	<u>3,796,384</u>	<u>3,796,384</u>
Total revenues	<u>135,201</u>	<u>135,201</u>	<u>3,924,129</u>	<u>3,788,928</u>
<u>Expenditures:</u>				
Current:				
Highways	<u>200,000</u>	<u>200,000</u>	<u>3,233,501</u>	<u>(3,033,501)</u>
Excess (deficiency) of revenues over expenditures	<u>(64,799)</u>	<u>(64,799)</u>	<u>690,628</u>	<u>755,427</u>
Net change in fund balances	<u>(64,799)</u>	<u>(64,799)</u>	<u>690,628</u>	<u>755,427</u>
Fund balance - January 1	<u>133,883</u>	<u>133,883</u>	<u>133,883</u>	<u>-</u>
Fund balance - December 31	<u>\$ 69,084</u>	<u>\$ 69,084</u>	<u>\$ 824,511</u>	<u>\$ 755,427</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – FLOOD OF 2011 FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 6,130	\$ 6,130
<u>Expenditures:</u>				
<u>Current:</u>				
Highways	<u>229,805</u>	<u>229,805</u>	<u>6,130</u>	<u>223,675</u>
Excess (deficiency) of revenues over expenditures	<u>(229,805)</u>	<u>(229,805)</u>	<u>-</u>	<u>229,805</u>
Fund balance - January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - December 31	<u>\$ (229,805)</u>	<u>\$ (229,805)</u>	<u>\$ -</u>	<u>\$ 229,805</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – FLOOD OF 2014 FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 9,232	\$ 9,232
Total revenues	-	-	9,232	9,232
<u>Expenditures:</u>				
Current:				
Highways	150,000	150,000	9,232	140,768
Total expenditures	150,000	150,000	9,232	140,768
Excess (deficiency) of revenues over expenditures	(150,000)	(150,000)	-	150,000
Net change in fund balances	(150,000)	(150,000)	-	150,000
Fund balance - January 1	-	-	-	-
Fund balance - December 31	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>	<u>\$ -</u>	<u>\$ 150,000</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE NDPERS RETIREMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

Main System

For The Year Ended <u>December 31</u>	Statutorily Required <u>Contribution</u>	Contributions in Relation to the Statutorily Required <u>Contributions</u>	Contribution <u>Deficiency (Excess)</u>	County's Covered-employee <u>Payroll</u>	Contributions as a Percentage of Covered <u>Employee Payroll</u>
2016	\$ 127,195	\$ 127,195	\$ -	\$ 1,756,875	7.24%
2015	121,081	121,081	-	1,594,046	7.60%

Law Enforcement

For The Year Ended <u>December 31</u>	Statutorily Required <u>Contribution</u>	Contributions in Relation to the Statutorily Required <u>Contributions</u>	Contribution <u>Deficiency (Excess)</u>	County's Covered-employee <u>Payroll</u>	Contributions as a Percentage of Covered <u>Employee Payroll</u>
2016	\$ 14,026	\$ 14,026	\$ -	\$ 166,053	8.45%
2015	17,270	17,270	-	159,912	10.80%

The amounts presented for each fiscal year were determined as of the County's year end which is December 31.

See Notes to the Required Supplementary Information

BENSON COUNTY
 SCHEDULE OF EMPLOYER AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED DECEMBER 31, 2016

Main System

For The Year Ended <u>December 31</u>	County's Proportion of the Net Pension <u>Liability (Asset)</u>	County's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	County's Covered Employee <u>Payroll</u>	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee <u>Payroll</u>	Plan Fiduciary Net Position as a Percentage of the <u>Total Pension Liability</u>
2016	0.174334%	\$ 1,699,055	\$ 1,756,875	96.71%	70.46%
2015	0.178930%	1,216,693	1,594,046	76.33%	77.15%

Law Enforcement

For The Year Ended <u>December 31</u>	County's Proportion of the Net Pension <u>Liability (Asset)</u>	County's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	City's Covered Employee <u>Payroll</u>	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee <u>Payroll</u>	Plan Fiduciary Net Position as a Percentage of the <u>Total Pension Liability</u>
2016	0.588308%	\$ 67,411	\$ 166,053	40.60%	78.73%
2015	1.091045%	66,287	159,912	41.45%	83.61%

The amounts presented for each fiscal year were determined as of the measurement date of the County's net pension liability which is June 30, of the previous year for PERS.

See Notes to the Required Supplementary Information

BENSON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

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 of America (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 NDPERS

Changes of Assumptions

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2016 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.

BENSON COUNTY
SCHEDULE OF FUND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
Major Funds:						
General fund	\$ 1,448,721	\$ 1,786,914	\$ 3,316	\$ 581,198	\$ 1,682,626	\$ 975,127
County road and bridge	(115,311)	576,790	1,171,490	-	1,737,602	(104,633)
Social services	86,803	890,220	207,677	-	961,335	223,365
County poor relief	495,176	213,256	-	200,000	-	508,432
Highway tax distribution	363,774	464,162	-	550,000	-	277,936
Law enforcement	(197,485)	297,504	-	-	194,081	(94,062)
Federal aid-6 mills	133,883	3,924,129	-	-	3,233,501	824,511
Flood - 2011	-	6,130	-	-	6,130	-
Flood - 2014	-	9,232	-	-	9,232	-
Total Major Funds	2,215,561	8,168,337	1,382,483	1,331,198	7,824,507	2,610,676
Nonmajor Funds:						
Road and bridge unorganized	45,488	14,045	-	-	3,008	56,525
Federal aid-5 mills	308,439	149,599	-	88,000	-	370,038
Federal aid-10 mills	167,051	2,117	-	-	107,487	61,681
Emergency poor	7,677	-	-	7,677	-	-
Emergency fund	193,323	-	-	-	-	193,323
Emergency disaster	4,868	16,265	19,300	-	40,973	(540)
Emergency medical	5,794	97,635	-	-	97,184	6,245
Food pantry	9,087	625	-	-	-	9,712
Insurance reserve	10,676	870	-	-	83	11,463
Oasis and social security	(28,408)	-	28,408	-	-	-
Comprehensive health	(10,939)	2,093	-	-	-	(8,846)
Veteran's service officer	1,366	24,858	-	-	27,653	(1,429)
County agent	17,078	68,309	-	-	83,281	2,106
Extension fund	6,061	836	-	-	1,019	5,878
Noxious weed	43,875	51,321	-	-	85,555	9,641
County fair	31	88	-	-	-	119
County park	3,316	-	-	3,316	-	-
Federal aid-4 mills	105,679	119,678	-	-	226,294	(937)
Senior citizens	336	33,111	-	-	32,814	633
Hazardous chemical	6,664	688	-	-	-	7,352
UCC maintenance	26,399	5,974	-	-	2,530	29,843
Homeland security	(15,661)	-	-	-	-	(15,661)
Job authority	2,147	32,813	-	-	29,662	5,298
Benson County transportation	69,018	187,711	-	-	151,218	105,511
Emergency disaster matching	1,211	-	-	-	-	1,211
Emergency administration	5,956	-	-	-	-	5,956
Emergency administration - 2009	7,760	-	-	-	1,501	6,259
Emergency administration - 2010	687	-	-	-	-	687
Emergency administration - 2011	(5,282)	-	-	-	-	(5,282)
Emergency administration - 2013	(661)	-	-	-	-	(661)
Emergency administration - 2014	3,930	-	-	-	1,093	2,837
Flood - 2005	6,349	-	-	-	-	6,349
Flood - 2009	-	7,680	-	-	7,680	-
Flood - 2013	-	8,798	-	-	8,798	-
States Attorney Special	880	2,048	-	-	-	2,928
Sheriffs grant	5,303	-	-	-	-	5,303
Sheriffs special	3,043	1,110	-	-	-	4,153
Total nonmajor funds	1,008,541	828,272	47,708	98,993	907,833	877,695
Total governmental funds	3,224,102	8,996,609	1,430,191	1,430,191	8,732,340	3,488,371

BENSON COUNTY
SCHEDULE OF FUND ACTIVITY - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
<u>Agency Funds:</u>						
Payroll tax	67,840	29	-	-	4,927	62,942
State tax	2,256	29,656	-	-	15,320	16,592
Game and fish licenses	3,535	25,602	-	-	27,749	1,388
Domestic violence	35	105	-	-	105	35
Clerk of court special trust	78,028	600	-	-	6,915	71,713
State sales tax	93	64	-	-	68	89
Soil conservation	4,266	61,626	-	-	56,808	9,084
Airport	8,626	116,083	-	-	109,634	15,075
Advance real estate payments	8	3,194	-	-	3,202	-
District health	5,568	104,901	-	-	102,566	7,903
Water resource	7,728	104,683	-	-	100,002	12,409
Garrison diversion	2,270	34,322	-	-	32,668	3,924
Total cities	21,830	245,700	-	-	244,822	22,708
Total city park districts	2,353	32,411	-	-	31,358	3,406
Total school districts	180,432	2,630,784	-	-	2,494,653	316,563
Total townships	26,910	809,390	-	-	784,606	51,694
Water resource district	-	-	-	-	-	-
Total irrigation districts	-	-	-	-	-	-
Total rural fire protection districts	9,615	131,921	-	-	125,246	16,290
Total agency funds	421,393	4,331,071	-	-	4,140,649	611,815
Total primary government	3,645,495	13,327,680	1,430,191	1,430,191	12,872,989	4,100,186
<u>Component Unit:</u>						
Benson County Water Resource District	50,584	102,906	-	-	66,172	87,318
Total reporting entity	<u>\$ 3,696,079</u>	<u>\$ 13,430,586</u>	<u>\$ 1,430,191</u>	<u>\$ 1,430,191</u>	<u>\$ 12,939,161</u>	<u>\$ 4,187,504</u>



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S 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

Board of County Commissioners
Benson County
Minnewaukan, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Benson County, Minnewaukan, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 1, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2016-001, 2016-002 and 2016-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benson County of Minnewaukan, North Dakota'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*.

Benson County's Response to Finding

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Benson County's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

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.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

February 1, 2018

BENSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

2016-001 Finding Material Weakness

Criteria

The County does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The County's personnel prepare periodic financial information for internal use that meets the needs of management and the County Commissioners. For the year ended December 31, 2016, the County's personnel assisted in the preparation of the year-end journal entries and reviewed a disclosure checklist. However, the County does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements for external reporting. The County Commissioners are aware of this significant deficiency and address it by obtaining our assistance in the preparation of the County's annual financial statements.

Cause

The County does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The Commissioners are aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

Recommendation

For entities of the County's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. The County should establish an internal control policy to document the annual review of the financial statements, disclosures and schedules.

Views of responsible officials and planned corrective action:

Due to the small size of the County, it is currently not cost effective for the County personnel to obtain the level of training necessary to completely eliminate this internal control finding. The County will review training options and determine what level of training can be obtained on a cost effective basis.

BENSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

2016-002 Finding Material Weakness
Criteria

The County did not prepare bank reconciliations in a timely manner.

Condition

During our audit, we noted that a bank reconciliation was not being timely prepared to reconcile to the general ledger. This resulted in errors occurring that were not detected until the audit.

Cause

The County did not prepare bank reconciliations in a timely manner. Failure to prepare bank reconciliations resulted in several items not being tracked or properly recorded throughout the year.

Effect

Cash was significantly understated at year end, resulting in a large adjusting journal entry.

Recommendation

The County should establish a process in which it prepares monthly bank reconciliations soon after month-end and once all monthly bank statements are available. Bank reconciliations should also be reviewed by another individual and signed on approval, for internal control purposes.

Views of responsible officials and planned corrective action:

The County Auditor had a discussion with the employee responsible for doing the bank statement reconciliation informing them of the audit finding and the importance that these be completed on a monthly basis. They indicated they will prepare them in the future on a monthly basis as requested.

BENSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

2016-003 Finding Material Weakness

Criteria

To provide reasonable assurance that segregation of duties take place while also taking into account the size of the Water Resource District.

Condition

The Water Resource District has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the District, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

The areas should be reviewed periodically and consideration given to improving the segregation of duties.

Views of responsible officials and planned corrective action:

Due to the small size of the District, it is currently not cost effective for the Water Resource District to hire additional personnel effectively separate all necessary duties. The District will consider implementing controls within other County departments to help mitigate the risk.