



Bottineau County

Bottineau, North Dakota

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

BOTTINEAU COUNTY
Bottineau, North Dakota

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For the Year Ended December 31, 2017

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BOTTINEAU COUNTY
Bottineau, North Dakota

At December 31, 2017

COUNTY OFFICIALS

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

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Heath Erickson, CPA	Audit In-Charge



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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Bottineau County
Bottineau, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County ("County"), Bottineau, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Bottineau County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate fund information of Bottineau County, Bottineau, North Dakota, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, Bottineau County adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension & OPEB schedules, and notes to the required supplementary information* on pages 35-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The *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 financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2018 on our consideration of Bottineau County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bottineau County's internal control over financial reporting and compliance.

/s/
Joshua C. Gallion
State Auditor

Fargo, North Dakota
August 29, 2018

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF NET POSITION
December 31, 2017

	Primary Governmental Activities	Component Units
ASSETS:		
Cash and Investments	\$ 8,462,233	\$ 463,037
Intergovernmental Receivable	915,153	-
Accounts Receivable	65,020	2,040
Interest Receivable	6,731	-
Taxes Receivable	114,154	6,323
Road Receivables	289,986	-
Special Assessments Receivable	-	8,562
Long-Term Receivable		
Uncertified Special Assessments Receivable	-	833,697
Capital Assets (not being depreciated):		
Land	155,004	-
Intangibles	174,434	-
Construction in Progress	4,877,685	1,062,525
Capital Assets (being depreciated, net):		
Furniture and Equipment	48,799	-
Vehicles and Equipment	2,705,369	274,259
Buildings	6,806,110	-
Infrastructure	38,000,261	1,314,329
Total Capital Assets	<u>\$ 52,767,662</u>	<u>\$ 2,651,113</u>
Total Assets	<u>\$ 62,620,939</u>	<u>\$ 3,964,772</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB	<u>\$ 2,453,564</u>	<u>\$ -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 65,074,503</u>	<u>\$ 3,964,772</u>
LIABILITIES:		
Accounts Payable	\$ 401,650	\$ 9,855
Salaries Payable	4,777	-
Payroll Liability	-	2,658
Grants Received in Advance	121,626	-
Retainages Payable	5,543	39,388
Interest Payable	21,150	10,402
Long-Term Liabilities:		
Due Within One Year:		
Capital Leases Payable	383,913	-
Bonds Payable		61,393
Loans Payable	2,000	-
Compensated Absences Payable	41,633	-
Due After One Year:		
Capital Leases Payable	1,167,339	-
Line of Credit Payable	3,943,966	-
Loans Payable	5,000	1,586,678
Bonds Payable	-	885,107
Compensated Absences Payable	374,704	-
Net Pension and OPEB Liability	5,242,345	-
Total Liabilities	<u>\$ 11,715,646</u>	<u>\$ 2,595,481</u>
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB	<u>\$ 226,029</u>	<u>\$ -</u>
Total Liabilities and Deferred Intflows of Resources	<u>\$ 11,941,675</u>	<u>\$ 2,595,481</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 47,265,444	\$ -
Restricted for:		
Capital Projects	953,139	-
Highways	4,202,266	-
Flood Repair	186,177	-
Culture and Recreation	393,010	-
Conservation of Natural Resources	259,481	1,369,291
Emergencies	427,186	-
Unrestricted	<u>(553,875)</u>	<u>-</u>
Total Net Position	<u>\$ 53,132,828</u>	<u>\$ 1,369,291</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	\$ 2,569,208	\$ 646,948	\$ 118,590	\$ -	\$ (1,803,670)	\$ -
Public Safety	1,727,904	706,955	-	-	(1,020,949)	-
Highways	5,900,468	939,456	2,424,773	831,299	(1,704,940)	-
Flood Repair	289,545	-	390,277	-	100,732	-
Health and Welfare	1,002,854	325	185,470	-	(817,059)	-
Culture and Recreation	290,996	38,669	63,903	-	(188,424)	-
Conserv. of Natural Resources	235,408	-	-	-	(235,408)	-
Emergency	98,154	-	-	-	(98,154)	-
Other	5,717	-	-	-	(5,717)	-
Interest Expense on Long-Term Debt	98,973	-	-	-	(98,973)	-
Total Primary Government	\$ 12,219,227	\$ 2,332,353	\$ 3,183,013	\$ 831,299	\$ (5,872,562)	\$ -
Total Component Units	\$ 621,522	\$ 9,775	\$ 668,434	\$ 664,147	\$ -	\$ 720,834
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes					\$ 1,625,701	\$ 196,600
Property taxes; levied for special purposes					1,874,097	-
Non Restricted Grants and Contributions					626,798	-
Earnings on Investments					47,862	418
Miscellaneous Revenue					225,039	16,661
Total General Revenues					\$ 4,399,497	\$ 213,679
Change in Net Position					\$ (1,473,065)	\$ 934,513
Net Position - January 1					\$ 55,015,507	\$ 364,373
Prior Period Adjustment					(409,614)	70,405
Net Position - January 1, as restated					\$ 54,605,893	\$ 434,778
Net Position - December 31					\$ 53,132,828	\$ 1,369,291

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2017

	Major Funds						Total Governmental Funds	
	General	County Road & Bridge	Highway Distribution	Oil Impact	FEMA	2016 Certificate Fund		
ASSETS								
Cash and Investments	\$ 916,928	\$ 2,598,424	\$ 1,996,515	\$ -	\$ 121,626	\$ 953,139	\$ 1,875,601	\$ 8,462,233
Intergovernmental Receivable	117,634	256,516	87,705	222,085	186,177	-	45,036	915,153
Accounts Receivable	49,356	-	9,844	-	-	-	5,820	65,020
Interest Receivable	-	-	-	-	-	-	6,731	6,731
Taxes Receivable	52,998	21,913	4,034	-	-	-	35,209	114,154
Road Receivables	-	289,986	-	-	-	-	-	289,986
Due from Other Funds	133,342	-	-	-	-	-	-	133,342
Total Assets	\$ 1,270,258	\$ 3,166,839	\$ 2,098,098	\$ 222,085	\$ 307,803	\$ 953,139	\$ 1,968,397	\$ 9,986,619
LIABILITIES, FUND BALANCE, AND DEFERRED INFLOWS OF RESOURCES								
<u>Liabilities:</u>								
Accounts Payable	\$ -	\$ 183,168	\$ 16,579	\$ 201,903	\$ -	\$ -	\$ -	\$ 401,650
Salaries Payable	4,777	-	-	-	-	-	-	4,777
Grants Received in Advance	-	-	-	-	121,626	-	-	121,626
Due to Other Funds	-	-	-	113,974	-	-	19,368	133,342
Total Liabilities	\$ 4,777	\$ 183,168	\$ 16,579	\$ 315,877	\$ 121,626	\$ -	\$ 19,368	\$ 661,395
<u>Deferred Inflows of Resources:</u>								
Taxes Receivable	\$ 52,998	\$ 21,913	\$ 4,034	\$ -	\$ -	\$ -	\$ 35,209	\$ 114,154
Road Receivables	-	289,986	-	-	-	-	-	289,986
Total Deferred Inflows of Resources	\$ 52,998	\$ 311,899	\$ 4,034	\$ -	\$ -	\$ -	\$ 35,209	\$ 404,140
Total Liabilities and Deferred Inflows of Resources	\$ 57,775	\$ 495,067	\$ 20,613	\$ 315,877	\$ 121,626	\$ -	\$ 54,577	\$ 1,065,535
<u>Fund Balances:</u>								
<u>Restricted for:</u>								
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,571	\$ 173,571
Highways	-	2,671,772	2,077,485	-	-	-	85,860	4,835,117
Flood Repair	-	-	-	-	186,177	-	-	186,177
Health and Welfare	-	-	-	-	-	-	396,259	396,259
Culture and Recreation	-	-	-	-	-	-	384,766	384,766
Conservation of Natural Resources	-	-	-	-	-	-	284,520	284,520
Emergency	-	-	-	-	-	-	437,851	437,851
General Government	-	-	-	-	-	-	170,361	170,361
Capital Projects	-	-	-	-	-	953,139	-	953,139
<u>Unassigned</u>	1,212,483	-	-	(93,792)	-	-	(19,368)	1,099,323
Total Fund Balances	\$ 1,212,483	\$ 2,671,772	\$ 2,077,485	\$ (93,792)	\$ 186,177	\$ 953,139	\$ 1,913,820	\$ 8,921,084
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,270,258	\$ 3,166,839	\$ 2,098,098	\$ 222,085	\$ 307,803	\$ 953,139	\$ 1,968,397	\$ 9,986,619

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

BOTTINEAU COUNTY
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2017

Total *Fund Balances* for Governmental Funds \$ 8,921,084

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	\$ 75,929,683	
Less: Accumulated Depreciation	<u>(23,162,021)</u>	52,767,662

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 inflows of resources in the funds. 114,154

Road receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds. 289,986

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

Deferred Outflows Related to Pensions and OPEB	\$ 2,453,564	
Deferred Inflows Related to Pensions and OPEB	<u>(226,029)</u>	2,227,535

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, 2017 are:

Capital Leases Payable	\$ (1,551,252)	
Line of Credit Payable	(3,943,966)	
Loans Payable	(7,000)	
Interest Payable	(21,150)	
Compensated Absences	(5,543)	
Retainage Payable	(416,337)	
Net Pension and OPEB Liability	<u>(5,242,345)</u>	<u>(11,187,593)</u>

Total Net Position of Governmental Activities \$ 53,132,828

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Major Funds					2016 Certificate Fund	Other Governmental Funds	Total Governmental Funds
	General	County Road & Bridge	Highway Tax Distribution	Oil Impact	FEMA			
Revenues:								
Taxes	\$ 1,610,380	\$ 854,174	\$ -	\$ -	\$ -	\$ -	\$ 1,003,940	\$ 3,468,494
Intergovernmental	886,535	1,240,925	915,163	854,270	390,278	503,047	361,314	5,151,532
Charges for Services	685,984	-	904,009	-	-	-	235,883	1,825,876
Licenses, Permits and Fees	6,063	-	-	-	-	-	-	6,063
Interest Income	-	-	-	-	-	-	47,862	47,862
Miscellaneous	81,866	57,335	14,653	-	-	-	71,185	225,039
Total Revenues	\$ 3,270,828	\$ 2,152,434	\$ 1,833,825	\$ 854,270	\$ 390,278	\$ 503,047	\$ 1,720,184	\$ 10,724,866
Expenditures:								
Current:								
General Government	\$ 2,162,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,977	\$ 2,260,688
Public Safety	1,397,408	-	-	-	-	-	214,133	1,611,541
Highways	-	2,932,289	1,738,355	948,062	-	-	-	5,618,706
Flood Repair	-	-	-	-	204,101	-	-	204,101
Health and Welfare	-	-	-	-	-	-	983,404	983,404
Culture and Recreation	120,505	-	-	-	-	-	156,937	277,442
Conserv. of Natural Resources	3,687	-	-	-	-	-	231,133	234,820
Emergency	-	-	-	-	-	-	96,280	96,280
Capital Projects	-	-	-	-	-	2,629,965	-	2,629,965
Other	5,717	-	-	-	-	-	-	5,717
Debt Service:								
Principal	2,000	643,797	-	-	-	36,000	-	681,797
Interest & Service Charges	-	42,621	-	-	-	53,931	-	96,552
Total Expenditures	\$ 3,692,028	\$ 3,618,707	\$ 1,738,355	\$ 948,062	\$ 204,101	\$ 2,719,896	\$ 1,779,864	\$ 14,701,013
Excess (Deficiency) of Revenues Over Expenditures	\$ (421,200)	\$(1,466,273)	\$ 95,470	\$ (93,792)	\$ 186,177	\$(2,216,849)	\$ (59,680)	\$ (3,976,147)
Other Financing Sources (Uses):								
Transfers In	\$ -	\$ 2,254,410	\$ 1,360,929	\$ -	\$ -	\$ -	\$ 25,929	\$ 3,641,268
Loan Drawdown	-	-	-	-	-	2,679,309	-	2,679,309
Lease Financing	-	664,000	-	-	-	-	-	664,000
Transfers Out	-	-	-	-	-	-	(3,641,268)	(3,641,268)
Total Other Financing Sources (Uses)	\$ -	\$ 2,918,410	\$ 1,360,929	\$ -	\$ -	\$ 2,679,309	\$(3,615,339)	\$ 3,343,309
Net Change in Fund Balances	\$ (421,200)	\$ 1,452,137	\$ 1,456,399	\$ (93,792)	\$ 186,177	\$ 462,460	\$(3,675,019)	\$ (632,838)
Fund Balance - January 1	\$ 1,633,683	\$ 1,219,635	\$ 621,086	\$ -	\$ -	\$ 490,679	\$ 5,588,839	\$ 9,553,922
Fund Balance - December 31	\$ 1,212,483	\$ 2,671,772	\$ 2,077,485	\$ (93,792)	\$ 186,177	\$ 953,139	\$ 1,913,820	\$ 8,921,084

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

BOTTINEAU COUNTY
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Net Change in *Fund Balances* - Total Governmental Funds \$ (632,838)

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

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

Current Year Capital Outlay	\$ 3,680,445	
Current Year Capital Contribution	831,299	
Current Year Depreciation Expense	<u>(2,392,860)</u>	2,118,884

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the loss on the capital assets sold. (160,417)

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

Debt Repayment	\$ 681,797	
Loan Issuance	(2,679,309)	
Capital Lease Financing	<u>(664,000)</u>	(2,661,512)

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

Increase in Net Pension and OPEB Liability	\$ (2,017,345)	
Increase in Deferred Outflows of Resources Related to Pensions and OPEB	1,466,470	
Decrease in Deferred Inflows of Resources Related to Pensions and OPEB	<u>46,789</u>	(504,086)

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. This consists of the following:

Decrease in Compensated Absences	\$ 15,987	
Decrease in Retainage Payable	332,042	
Increase in Interest Payable	<u>(2,421)</u>	345,608

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 the following:

Increase in Taxes Receivable	\$ 31,304	
Decrease in Road Receivables	<u>(10,008)</u>	<u>21,296</u>

Change in Net Position of Governmental Activities \$ (1,473,065)

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

BOTTINEAU COUNTY WATER RESOURCE DISTRICT
Bottineau, North Dakota

COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
December 31, 2017

	Bottineau Co. Water Resource Dist.	Boundary Creek Water Resource Dist.	Oak Creek Water Resource Dist.	Total
ASSETS:				
Cash and Investments	\$ 191,020	\$ 14,614	\$ 257,403	\$ 463,037
Accounts Receivable	2,040	-	-	2,040
Taxes Receivable	3,544	318	2,461	6,323
Special Assessments Receivable	8,562	-	-	8,562
Uncertified Special Assessments Receivable	833,697	-	-	833,697
Capital Assets (not being depreciated):				
Construction in Progress	1,062,525	-	-	1,062,525
Capital Assets (being depreciated, net):				
Vehicles and Machinery	274,259	-	-	274,259
Infrastructure	1,314,329	-	-	1,314,329
Total Capital Assets	<u>\$ 2,651,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,651,113</u>
Total Assets	<u>\$ 3,689,976</u>	<u>\$ 14,932</u>	<u>\$ 259,864</u>	<u>\$ 3,964,772</u>
LIABILITIES:				
Accounts Payable	\$ 9,855	\$ -	\$ -	\$ 9,855
Payroll Liability	2,658	-	-	2,658
Interest Payable	10,402	-	-	10,402
Retainages Payable	39,388	-	-	39,388
Long-Term Liabilities:				
Due Within One Year:				
Bonds Payable	61,393	-	-	61,393
Due After One Year:				
Loans Payable	1,586,678	-	-	1,586,678
Bonds Payable	885,107	-	-	885,107
Total Liabilities	<u>\$ 2,595,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,595,481</u>
NET POSITION:				
<u>Restricted</u>				
Conservation of Natural Resources	\$ 1,094,495	\$ 14,932	\$ 259,864	\$ 1,369,291
Total Net Position	<u>\$ 1,094,495</u>	<u>\$ 14,932</u>	<u>\$ 259,864</u>	<u>\$ 1,369,291</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Bottineau County WRD	Boundary Creek WRD	Oak Creek WRD	
<u>Component Units:</u>								
Bottineau Co. WRD	\$ 567,357	\$ 9,775	\$ 549,750	\$ 664,147	\$ 656,315	\$ -	\$ -	\$ 656,315
Boundary Creek WRD	32,802	-	-	-	-	(32,802)	-	(32,802)
Oak Creek WRD	21,363	-	118,684	-	-	-	97,321	97,321
Total Component Units	\$ 621,522	\$ 9,775	\$ 668,434	\$ 664,147	\$ 656,315	\$ (32,802)	\$ 97,321	\$ 720,834
<u>General Revenues:</u>								
Taxes:								
Property Taxes;								
Levied for General Purposes								
					\$ 113,344	\$ 14,686	\$ 68,570	\$ 196,600
Earnings on Investments					58	45	315	418
Miscellaneous Revenue					16,372	289	-	16,661
Total General Revenues					\$ 129,774	\$ 15,020	\$ 68,885	\$ 213,679
Change in Net Position					\$ 786,089	\$ (17,782)	\$ 166,206	\$ 934,513
Net Position - January 1					\$ 238,001	\$ 32,714	\$ 93,658	\$ 364,373
Prior Period Adjustment					70,405	-	-	70,405
Net Position - January 1, as restated					\$ 308,406	\$ 32,714	\$ 93,658	\$ 434,778
Net Position - December 31					\$ 1,094,495	\$ 14,932	\$ 259,864	\$ 1,369,291

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
AGENCY FUNDS
December 31, 2017

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 2,717,028</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>\$ 2,717,028</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Component Units

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity of the government-wide statements as 'aggregate' discretely presented component units.

Aggregate Discretely Presented Component Units

The component units column in the combined government-wide financial statements includes the financial data of the County's three component units aggregated. These component units are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the County. Additionally, combining statements for the individual water resource districts are also shown for the component units following the fund financial statements.

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

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

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

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Component Unit Financial Statements. Complete financial statements of the Bottineau County Water Resource District can be obtained from their administrative office. Financial statements of the Oak Creek Water Resource District and Boundary Creek Water Resource District are included with these financial statements.

Administrative Office:

Bottineau County Water Resource District
PO Box 268
Bottineau, North Dakota 58318

Blended Component Unit

Blended component units, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government's funds and activities.

Bottineau County Park Board - The activities of the park board have been blended in the activities of the county park fund reported in other governmental funds in the primary government's fund financial statements, as well as in applicable areas in the primary government's activities. The park board does not have the right to sue in its own name without recourse to the County. Therefore, it is reported as if it were part of the County's operations.

B. Government-wide and Fund Financial Statements

Government-wide statements. The statement of net position and the statement of activities display information about the primary government, Bottineau County, and its component units aggregated. 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, charges for services, and other non-exchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

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

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 fund accounts for the maintenance and repair of county roads within the County. The major source of revenue is restricted State/Federal grants/reimbursements.

Highway Tax Distribution Fund. This fund accounts for repair and improvement of various county roads that are legally restricted from state highway taxes. The major source of revenues are restricted state highway taxes.

Oil Impact Fund. This fund accounts for the maintenance and repair of roads within the County due to the impact of oil and gas development within the County. The major source of revenue is restricted oil impact revenue from the state and federal governments.

FEMA Fund. This fund accounts for state and federal grants related for flood disaster repairs and the related disbursements. The major source of revenue is restricted grants (reimbursements) for disaster related repair expenditures/projects.

2016 Certificate Fund. This fund accounts for loan proceeds and construction costs of the jail project.

Additionally, the County reports the following fund type:

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Cash and Investments

Cash includes amounts in demand deposits, money market accounts, and certificates of deposit with a maturity of 3 months or less. Investments consist of certificates of deposit with a maturity of more than 3 months.

E. Capital Assets

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

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

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

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

ASSETS	YEARS
Buildings	30-50
Infrastructure	5-99
Furniture and Equipment	5-20
Vehicles and Machinery	5-20

F. Compensated Absences

Full time employees are granted vacation benefits from one to two days per month depending on tenure with the County. Upon termination of employment, employees will be paid for vacation benefits that have accrued. Sick leave benefits accrue at the rate of one day per month. Unused sick leave benefits are allowed to accumulate up to an unlimited amount. Upon termination of employment or retirement, unused sick leave will be paid for social services employees at a rate of 15% of unused days up to a maximum payout of 144 hours, while other employees will be paid for 15% of unused days up to a maximum of 120 days. Severance pay for both County employees and social service employees will be provided to employees who have completed 10 consecutive years of service with the County. The employee will receive 10 days severance pay at his/her current salary level.

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.

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

H. Pension

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

I. Other Post-Employment Benefits (OPEB)

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

J. Interfund Transactions

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

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

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

K. Fund Balance

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

Fund Balance Spending Policy

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

Major Special Revenue Fund Purposes and Revenue Sources

Purposes and major revenue sources of the major special revenue funds are disclosed in more detail in Note 1C.

Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances a governmental entity must use for financial reporting purposes.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

The County reports amounts in the restricted and unassigned fund balances in the balance sheet at December 31, 2017.

Restricted Fund Balances – consist of the following items at December 31, 2017

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

Unassigned Fund Balances

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

L. Net Position

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

Unrestricted net position is primarily unrestricted amounts related to general fund governmental activities, and is the portion of net position that is not restricted or reported as net investment in capital assets. The unrestricted net position is available to meet the district's ongoing obligations.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt used to purchase or finance capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

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

NOTE 2: DEPOSITS

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

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

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

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Primary Government

At the year ended December 31, 2017, the County's carrying amount of deposits was \$11,262,817, and the bank balances were \$11,204,103. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance. The remaining balances was collateralized with securities held by the pledging financial institution's agent in the government's name.

Discretely Presented Component Units

At the year ended December 31, 2017, the Bottineau County Water Resource District's carrying amount of deposits was \$191,020, and the bank balances were \$439,603. At December 31, 2017, the Bottineau County Water Resource District's bank balances were covered by FDIC insurance totaling \$292,975. The remaining balance of \$11,291 were uninsured and uncollateralized.

At the year ended December 31, 2017, the Oak Creek Water Resource District's carrying amount of deposits was \$257,403 and the bank balances were \$263,733, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2017, the Boundary Creek Water Resource District's carrying amount of deposits was \$14,614 and the bank balances were \$19,473, all of which were 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, 2017, the County held certificates of deposit in the amount of \$2,633,049, and the Oak Creek Water Resource District held certificates of deposit in the amount of \$36,194, which are considered deposits.

Concentration of Credit Risk:

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

NOTE 3: TAXES RECEIVABLE

Taxes receivable represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

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

NOTE 4: CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2017 for the primary government:

Primary Government	Bal. Jan 1 Restated	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciate</i>					
Land	\$ 155,004	\$ -	\$ -	\$ -	\$ 155,004
Intangibles	174,434	-	-	-	174,434
Construction Progress	8,344,640	3,721,703	-	(7,188,658)	4,877,685
Total Capital Assets, not being depreciated	\$ 8,674,078	\$ 3,721,703	\$ -	\$ (7,188,658)	\$ 5,207,123
<i>Capital assets being depreciated:</i>					
Furniture and Equipment	\$ 590,996	\$ 15,435	\$ -	\$ -	\$ 606,431
Vehicles and Machinery	6,793,340	774,606	561,460	-	7,006,486
Buildings	3,553,850	-	-	5,712,096	9,265,946
Infrastructure	52,367,135	-	-	1,476,562	53,843,697
Total Capital Assets, Being Depreciated	\$ 63,305,321	\$ 790,041	\$ 561,460	\$ 7,188,658	\$ 70,722,560
<i>Less Accumulated Depreciation for:</i>					
Furniture and Equipment	\$ 537,810	\$ 19,822	\$ -	\$ -	\$ 557,632
Vehicles and Machinery	3,944,238	757,922	401,043	-	4,301,117
Buildings	2,188,290	271,546	-	-	2,459,836
Infrastructure	14,499,866	1,343,570	-	-	15,843,436
Total Accumulated Depreciation	\$ 21,170,204	\$ 2,392,860	\$ 401,043	\$ -	\$ 23,162,021
Total Capital Assets Being Depreciated, Net	\$ 42,135,117	\$ (1,602,819)	\$ 160,417	\$ 7,188,658	\$ 47,560,539
Governmental Activities- Capital Assets, Net	\$ 50,809,195	\$ 2,118,884	\$ 160,417	\$ -	\$ 52,767,662

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

Governmental Activities	Amounts
General Government	\$ 46,743
Public Safety	243,772
Highways and Bridges	2,082,934
Culture and Recreation	17,149
Conservation of Natural Resources	2,262
Total Depreciation Expense-Governmental Activities	\$ 2,392,860

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component UnitBottineau County Water Resource District

The following is a summary of changes in capital assets for the Bottineau County WRD, a discretely presented component unit of Bottineau County, for the year ended December 31, 2017:

Bottineau County Water Resource District	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciate</i>					
Construction Progress	\$ 200,763	\$ 861,762	\$ -	\$ -	\$ 1,062,525
<i>Capital assets being depreciated:</i>					
Vehicles and Machinery	\$ 423,470	\$ 20,103	\$ -	\$ -	\$ 443,573
Infrastructure	1,383,505	-	-	-	1,383,505
Total Capital Assets, Being Depreciated	\$ 1,806,975	\$ 20,103	\$ -	\$ -	\$ 1,827,078
<i>Less Accumulated Depreciation for:</i>					
Vehicles and Machinery	\$ 113,867	\$ 55,447	\$ -	\$ -	\$ 169,314
Infrastructure	34,588	34,588	-	-	69,176
Total Accumulated Depreciation	\$ 148,455	\$ 90,035	\$ -	\$ -	\$ 238,490
Total Capital Assets Being Depreciated, Net	\$ 1,658,520	\$ (69,932)	\$ -	\$ -	\$ 1,588,588
Governmental Activities- Capital Assets, Net	\$ 1,859,283	\$ 791,830	\$ -	\$ -	\$ 2,651,113

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

Changes in Long-Term Liabilities - During the year ended December 31, 2017, the following changes occurred in long-term liabilities for Bottineau County and the component unit:

Primary Government	Bal. Jan. 1 Restated	Increases	Decreases	Balance December 31	Due Within One Year
Capital Leases	\$ 1,531,049	\$ 664,000	\$ 643,797	\$ 1,551,252	\$ 383,913
Loan Payable	9,000	-	2,000	7,000	2,000
Line of Credit Payable	1,300,657	2,679,309	36,000	3,943,966	-
Compensated Absences *	432,324	-	15,987	416,337	41,633
Net Pension and OPEB Liability *	3,225,000	2,017,345	-	5,242,345	-
Total Primary Government	\$ 6,498,030	\$ 5,360,654	\$ 697,784	\$ 11,160,900	\$ 427,546

* - The change in compensated absences and net pension & OPEB liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions as a practical matter.

Capital Leases Payable

Motor Grader Leases (2) – due in annual installments of \$85,978 through September 2019, interest at 2.70% \$ 165,234

Motor Grader Lease (\$268,455 financed) – due in annual installments of \$45,966 through July 15, 2020, interest at 2.8% 130,523

Motor Grader Lease (\$268,455 financed) – due in annual installments of \$45,950 through July 15, 2020, interest at 2.8% 130,476

Excavator Lease (\$178,513 financed) – due in annual installments of \$37,737 through March 15, 2019, interest at 2.85% 72,366

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Capital Leases Payable (Continued):

Tractor Lease (\$96,616 financed) – due in annual installments of \$20,443 through February 3, 2019, interest at 2.9%.

\$ 39,175

Motor Grader Lease (\$268,596 financed) – due in annual installments of \$58,315 through September 1, 2021, interest at 2.8%.

217,802

Motor Grader Lease (\$268,596 financed) – due in annual installments of \$58,315 through September 1, 2021, interest at 2.8%.

217,802

Capital Leases Payable

Motor Grader Lease (\$332,000 financed) – due in annual installments of \$43,063, through February 2021, interest at 4.802%. Purchase option in 2022 at end of lease of \$171,360.

\$ 288,937

Motor Grader Lease (\$332,000 financed) – due in annual installments of \$43,063 through February 2021, interest at 4.802%. Purchase option in 2022 at end of lease of \$171,360.

288,937

Total Capital Leases Payable

\$ 1,551,252

Loan Payable

\$15,000 Loan from the Bottineau County Loan Pool, due in annual installments of \$2,000 to \$3,000 through July 19, 2021; interest at 0%.

\$ 7,000

Line of Credit Payable

\$4,500,000 Loan from the Bank of North Dakota for improvements and expansion of the courthouse. No set payment schedule exists for this loan as of December 31, 2017. Funds are periodically drawn down for costs of the project. Construction period ends March 31, 2018. Monthly debt service payments commence April 1, 2018 and go through March 31, 2028. The interest rate is variable with a floor rate of 1.75%, and not to increase by more than 1.0% per year. Funds drawn down in 2017 totaled \$2,679,309 with total funds drawn down through December 31, 2017 of \$3,979,966.

\$ 3,943,966

Future minimum lease obligations and the net present value of the minimum lease and loan payments as of December 31, 2017 were as follows (no set schedule for the BND drawdown payable):

PRIMARY GOVERNMENT				
Year Ending December 31	Capital Lease Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2018	\$ 383,913	\$ 54,917	\$ 2,000	\$ -
2019	395,787	43,043	2,000	-
2020	263,890	30,781	3,000	-
2021	180,647	22,108	-	-
2022	327,015	15,704	-	-
Totals	\$ 1,551,252	\$ 166,553	\$ 7,000	\$ -

The Line of Credit Payable does not have an amortization schedule.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component UnitBottineau County Water Resource District

Changes in Long-Term Liabilities – During the year ended December 31, 2017, the following changes occurred in governmental activities long-term liabilities for the Bottineau County Water Resource District:

Bottineau County Water Resource District	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	\$ 1,601,200	\$ 923,750	\$ 938,272	\$ 1,586,678	\$ -
Bond Payable	-	946,500	-	946,500	61,393
Total Primary Government	\$ 1,601,200	\$ 1,870,250	\$ 938,272	\$ 2,533,178	\$ 61,393

Loans Payable

\$411,000 loan to finance a tractor and side ditcher. Due in annual installments of \$66,480 to \$193,298 through 2020; interest at 3.15%. \$ 356,747

\$250,000 Line of Credit to finance Stone Creek Drain improvements. Due in 2018; interest at 3.15%. 170,391

\$380,000 Line of Credit Scandia/Scotia drain improvements. Due in 2020; interest at 4.0%. 135,790

\$200,000 Temporary Improvement Warrant to finance Haas Coulee Special Assessment District, Phase II. Due in 2020; interest at 4.35%. 200,000

\$1,001,250 Temporary Improvement Warrant to finance Baumann Legal Drain Improvements. \$51,250 has been drawn to date. Due in 2019; interest at 3.3875%. 51,250

\$351,250 Temporary Improvement Warrant to finance Haas Coulee Phase II project. No set principal payments or maturity date; interest at 3.3875%. 351,250

\$321,250 Temporary Improvement Warrant to finance Tacoma Bitz drain improvements. Due in 2018; interest at 3.3875%. 321,250

Total Loans Payable \$ 1,586,678

Bonds Payable

\$107,750 Refunding Improvement Bond to finance Moen Drain improvements. Due in annual installments of \$10,775 through 2027; interest at 3.388%. \$ 107,750

\$838,750 Refunding Improvement Bond to finance Haas Coulee Phase I improvements. Due in annual installments of \$55,917 through 2032; interest at 3.3875%. 838,750

Total Bonds Payable \$ 946,500

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Future minimum bond payments as of December 31, 2017 were as follows (no set schedule for loans payable):

BOTTINEAU COUNTY WATER RESOURCE DISTRICT				
Year Ending December 31	Loans Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2018	\$ 949,442	\$ 57,378	\$ 66,692	\$ 40,997
2019	162,374	20,380	66,692	29,808
2020	288,620	15,195	66,692	27,548
2021	186,242	5,977	66,692	25,289
2022	-	-	66,692	23,029
2023 - 2027	-	-	333,458	81,072
2028 - 2032	-	-	279,582	27,470
Totals	\$ 1,586,678	\$ 98,930	\$ 946,500	\$ 255,213

Loans Payable do not have payment schedules, and the Water Resource District is able to pay what they are able to.

NOTE 6: TRANSFERS

The following is a summary of transfers in and transfers out reported in the basic financial statements for the year ended December 31, 2017:

	Transfers In	Transfers Out
Major Funds:		
County Road & Bridge	\$ 2,254,410	\$ -
Highway Tax Distribution	1,360,929	-
Nonmajor Special Revenue Funds:		
County Road Repair	-	174,948
Farm to Market Blacktop	-	2,079,462
Miscellaneous Road	-	1,360,929
Library	-	25,929
Library Building	25,929	-
Total Transfers	\$ 3,641,268	\$ 3,641,268

The purpose of the between funds was to help fund road projects, and from the library fund to the library building fund for costs associated with that project.

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

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2017, Bottineau County reported a liability of \$5,009,704 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district’s proportion of the net pension liability was based on the district’s share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the Employer’s proportion was .311679 percent, which was an increase of .004734 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Employer recognized pension expense of \$743,685. At December 31, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 29,777	\$ 24,408
Changes in Assumptions	2,054,317	112,992
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	67,376	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	31,023	74,159
Employer Contributions Subsequent to the Measurement Date	214,219	-
Total Deferred Inflows and Outflows - Pension	\$ 2,396,712	\$ 211,559

\$214,219 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

2018	\$ 422,107
2019	514,555
2020	444,772
2021	378,700
2022	210,800
Thereafter	-

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%																				
Salary increases	<table> <tr> <td>Service at Beginning of year:</td> <td>Increase Rate:</td> </tr> <tr> <td>0</td> <td>15.00%</td> </tr> <tr> <td>1</td> <td>10.00%</td> </tr> <tr> <td>2</td> <td>8.00%</td> </tr> <tr> <td>Age*</td> <td></td> </tr> <tr> <td>Under 36</td> <td>8.00%</td> </tr> <tr> <td>36 – 40</td> <td>7.50%</td> </tr> <tr> <td>41 – 49</td> <td>6.00%</td> </tr> <tr> <td>50+</td> <td>5.00%</td> </tr> <tr> <td colspan="2">* Age-based salary increase rates apply for employees with three or more years of service</td> </tr> </table>	Service at Beginning of year:	Increase Rate:	0	15.00%	1	10.00%	2	8.00%	Age*		Under 36	8.00%	36 – 40	7.50%	41 – 49	6.00%	50+	5.00%	* Age-based salary increase rates apply for employees with three or more years of service	
Service at Beginning of year:	Increase Rate:																				
0	15.00%																				
1	10.00%																				
2	8.00%																				
Age*																					
Under 36	8.00%																				
36 – 40	7.50%																				
41 – 49	6.00%																				
50+	5.00%																				
* Age-based salary increase rates apply for employees with three or more years of service																					
Investment rate of return	7.75%, net of investment expenses																				
Cost-of-living adjustments	None																				

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	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%

Discount rate

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

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
County's Proportionate Share of the Net Pension Liability	\$ 6,800,827	\$ 5,009,704	\$ 3,519,565

Pension Plan Fiduciary Net Position

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

NOTE 8: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

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

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

At December 31, 2017, the Employer reported a liability of \$232,641 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017 the Employer's proportion for the County was .294106 percent.

For the year ended December 31, 2017, the Employer recognized OPEB expense of \$28,045 respectively. At December 31, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 5,674
Changes in Assumptions	22,533	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	8,796
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	19	-
Employer Contributions Subsequent to the Measurement Date	34,299	-
Total Deferred Inflows and Outflows - OPEB	\$ 56,851	\$ 14,470

\$34,299 was reported for the County, respectively, as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

2018	\$	443
2019		443
2020		443
2021		443
2022		2,642
2023		2,642
Thereafter		1,026

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, net of investment expenses
Cost of living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's Proportionate Share of the Net OPEB Liability	\$ 291,238	\$ 232,641	\$ 182,413

NOTE 9: RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of five million dollars per occurrence for general liability and auto coverage and \$4,627,934 for public assets (mobile equipment and portable property) coverage.

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees and provides the Water Resource District, a discretely presented component unit of the County, with blanket fidelity bond coverage in the amount of \$68,000. The State Bonding Fund does not currently charge any premium for this coverage.

The County has workers compensation with the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 10: DEFICIT FUND BALANCES

Bottineau County had the following deficit cash and fund balances at December 31, 2017:

Fund	Cash Balance	Fund Balance
<u>Major Funds</u>		
Oil Impact	\$ (113,974)	\$ (93,792)
<u>Nonmajor Special Revenue Funds</u>		
Homeland Security	(1,208)	(1,208)
Law Enforcement Block Grant	(18,160)	(18,160)

The amounts reported as negative cash were reported as a due to general fund totaling \$133,342.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

NOTE 11: COMMITMENTS**Primary Government**

At December 31, 2017, Bottineau County had commitments for remaining project costs related to road projects. As of December 31, 2017, the remaining construction commitments are as follows:

Primary Government	Original Contract	Change Orders	Total Contract	Total Completed	Retainage	Remaining Balance
COIB 0527 (054)	\$ 841,531	\$ -	\$ 841,531	\$ 277,152	\$ 5,543	\$ 569,922
COIB 0530 (053)	3,911,554	-	3,911,554	3,956,311	-	(44,757)
Total	\$ 4,753,085	\$ -	\$ 4,753,085	\$ 4,233,463	\$ 5,543	\$ 525,165

Discretely Presented UnitBottineau County Water Resource District

At December 31, 2017, the Bottineau County Water Resource District had commitments for remaining project costs for three projects. At December 31, 2017, the remaining construction commitments are as follows:

Bottineau County Water Resource District	Original Contract	Change Orders	Total Contract	Total Completed	Retainage	Remaining Balance
Haas Coulee	\$ 270,892	\$ 26,420	\$ 297,312	\$ 240,608	\$ 24,061	\$ 80,765
Tacoma/Bitz	286,210	28,987	315,197	315,197	-	-
Stead Coulee	153,271	25,313	178,584	141,369	15,327	52,542
Total	\$ 710,373	\$ 80,720	\$ 791,093	\$ 697,174	\$ 39,388	\$ 133,307

NOTE 12: PRIOR PERIOD ADJUSTMENTS**Primary Government**

Net position as of January 1, 2017, has been restated to restate beginning capital assets construction in progress and infrastructure cost and accumulated depreciation.

Change in Accounting Principle – GASB 75 - OPEB

Net position as of January 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*.

The result of implementing GASB 75 reduced beginning net position for the governmental and business-type activities of the County, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

The effect of the prior period adjustments to beginning Net Position is as follows:

Primary Government	Amounts
Beginning Net Position, as previously reported	\$ 55,015,507
Adjustments to restate the January 1, 2017 Net Position:	
Construction in Progress	(205,114)
Infrastructure - cost & accumulated depreciation (net)	38,022
Loan Payable	(9,000)
Beginning OPEB liability	(233,522)
Net Position January 1, as restated	\$ 54,605,893

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component UnitBottineau County Water Resource District

Prior period adjustments were necessary for the Bottineau County Water Resource District for the beginning balance of long-term uncertified special assessments receivable.

Bottineau County Water Resource District	Amounts
Beginning Net Position, as previously reported	\$ 238,001
Adjustments to restate the January 1, 2017 Net Position:	
Uncertified Special Assessments	70,405
Net Position January 1, as restated	\$ 308,406

NOTE 13: TAX ABATEMENTS

The County and political subdivisions within the County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. The County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2017.

The County will state individually the parties who received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the County Governing Body will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the government?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

Exemption Criteria

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, Year 5 — 25%.

2017 Reduction in Taxes –Due to Agreements with Other Entities:

Total program reduction in taxes – \$6,667

Public Charity Exemption

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Exemption Criteria

Property is exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

2017 Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$32,290

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,671,850	\$ 1,671,850	\$ 1,610,380	\$ (61,470)
Intergovernmental	911,888	911,888	886,535	(25,353)
Charges for Services	637,650	637,650	685,984	48,334
Licenses, Permits and Fees	5,150	5,150	6,063	913
Miscellaneous	49,250	49,250	81,866	32,616
Total Revenues	\$ 3,275,788	\$ 3,275,788	\$ 3,270,828	\$ (4,960)
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,219,434	\$ 2,219,434	\$ 2,162,711	\$ 56,723
Public Safety	1,315,365	1,315,365	1,397,408	(82,043)
Culture and Recreation	145,850	145,850	120,505	25,345
Conser. of Natural Resources	53,400	53,400	3,687	49,713
Other	10,000	10,000	5,717	4,283
Debt Service:				
Principal	-	-	2,000	(2,000)
Total Expenditures	\$ 3,744,049	\$ 3,744,049	\$ 3,692,028	\$ 52,021
Excess (Deficiency) of Revenues Over Expenditures	\$ (468,261)	\$ (468,261)	\$ (421,200)	\$ 47,061
Fund Balance - January 1	\$ 1,633,683	\$ 1,633,683	\$ 1,633,683	\$ -
Fund Balance - December 31	\$ 1,165,422	\$ 1,165,422	\$ 1,212,483	\$ 47,061

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 850,000	\$ 850,000	\$ 915,163	\$ 65,163
Charges for Services	537,000	537,000	904,009	367,009
Total Revenues	<u>\$ 1,387,000</u>	<u>\$ 1,387,000</u>	<u>\$ 1,833,825</u>	<u>\$ 446,825</u>
<u>Expenditures:</u>				
Highways	<u>\$ 1,841,100</u>	<u>\$ 1,841,100</u>	<u>\$ 1,738,355</u>	<u>\$ 102,745</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (454,100)</u>	<u>\$ (454,100)</u>	<u>\$ 95,470</u>	<u>\$ 549,570</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	<u>\$ 1,360,929</u>	<u>\$ 1,360,929</u>	<u>\$ 1,360,929</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 906,829</u>	<u>\$ 906,829</u>	<u>\$ 1,456,399</u>	<u>\$ 549,570</u>
Fund Balance - January 1	<u>\$ 621,086</u>	<u>\$ 621,086</u>	<u>\$ 621,086</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,527,915</u>	<u>\$ 1,527,915</u>	<u>\$ 2,077,485</u>	<u>\$ 549,570</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 882,975	\$ 882,975	\$ 854,174	\$ (28,801)
Intergovernmental	699,860	699,860	1,240,925	541,065
Miscellaneous		-	57,335	57,335
Total Revenues	\$ 1,582,835	\$ 1,582,835	\$ 2,152,434	\$ 569,599
<u>Expenditures:</u>				
Current:				
Highways	\$ 2,809,000	\$ 2,809,000	\$ 2,268,289	\$ 540,711
Debt Service:				
Principal	-	-	643,797	(643,797)
Interest	-	-	42,621	(42,621)
Total Expenditures	\$ 2,809,000	\$ 2,809,000	\$ 2,954,707	\$ (145,707)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,226,165)	\$ (1,226,165)	\$ (802,273)	\$ 423,892
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 2,254,410	\$ 2,254,410
Net Change in Fund Balance	\$ (1,226,165)	\$ (1,226,165)	\$ 1,452,137	\$ 2,678,302
Fund Balance - January 1	\$ 1,219,635	\$ 1,219,635	\$ 1,219,635	\$ -
Fund Balance - December 31	\$ (6,530)	\$ (6,530)	\$ 2,671,772	\$ 2,678,302

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
OIL IMPACT FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 691,193	\$ 691,193	\$ 854,270	\$ 163,077
<u>Expenditures:</u>				
Highways	\$ 746,159	\$ 746,159	\$ 948,062	\$ (201,903)
Excess (Deficiency) of Revenues Over Expenditures	\$ (54,966)	\$ (54,966)	\$ (93,792)	\$ (38,826)
Fund Balance - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balance - December 31	\$ (54,966)	\$ (54,966)	\$ (93,792)	\$ (38,826)

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 390,278	\$ 390,278
<u>Expenditures:</u>				
Flood Repair	\$ -	\$ -	\$ 204,101	\$ (204,101)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 186,177	\$ 186,177
Fund Balance - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balance - December 31	\$ -	\$ -	\$ 186,177	\$ 186,177

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

BOTTINEAU COUNTY
Bottineau, North Dakota

PENSION AND OPEB SCHEDULES
For the Year Ended December 31, 2017

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

NDPERS - Pension	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.311679%	0.306945%	0.313907%	0.324856%
District's proportionate share of the net pension liability (asset)	\$ 5,009,704	\$ 2,991,478	\$ 2,134,514	\$ 2,061,930
District's covered-employee payroll	\$ 3,181,754	\$ 3,093,286	\$ 2,796,533	\$ 2,736,516
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

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

NDPERS - Pension	2017	2016	2015	2014
Statutorily required contribution	230,716	\$ 223,949	\$ 212,419	\$ 194,840
Contributions in relation to the statutorily required contribution	231,143	\$ 224,529	\$ 211,280	\$ 194,840
Contribution deficiency (excess)	\$ (427)	\$ (580)	\$ 1,139	\$ -
District's covered-employee payroll	\$ 3,181,754	\$ 3,093,286	\$ 2,796,533	\$ 2,736,516
Contributions as a percentage of covered-employee payroll	7.26%	7.26%	7.56%	7.12%

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

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

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

NDPERS - OPEB	2017
District's proportion of the net pension liability (asset)	0.294106%
District's proportionate share of the net pension liability (asset)	\$ 232,641
District's covered-employee payroll	\$ 3,181,754
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total pension liability	59.78%

*Complete data for this schedule is not available prior to 2017.

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

NDPERS - OPEB	2017
Statutorily required contribution	36,986
Contributions in relation to the statutorily required contribution	37,008
Contribution deficiency (excess)	(22)
District's covered-employee payroll	\$ 3,181,754
Contributions as a percentage of covered-employee payroll	1.16%

*Complete data for this schedule is not available prior to 2017.

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

BOTTINEAU COUNTY
Bottineau, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS - COUNTY

The Board of County Commissioners amended the County budget for 2017 as follows:

	Original Budget	Amendment	Amended Budget
Major Funds			
Courthouse Building Improvements	\$ 25,000	\$ 70,361	\$ 95,361
County Zoning	800	1,816	2,616
2016 Certificate Fund	1,250,000	1,733,862	2,983,862
Emergency	50,000	46,280	96,280
Hazardous Chemicals	3,000	15,750	18,750

BOTTINEAU COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 3: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2017, the County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
Major Funds			
County Road and Bridge	\$ 2,809,000	\$ 2,954,707	\$ 145,707
Oil Impact Grants	746,159	948,062	201,903
FEMA	-	204,101	204,101
Nonmajor Special Revenue Funds			
Document Preservation	5,000	7,661	2,661
Law Enforcement Block Grant	-	46,070	46,070

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

NOTE 4: BUDGET TO ACTUAL AMOUNTS – ROAD & BRIDGE

The County entered into a lease for motor graders in 2017. The lease financing and corresponding expenditures were reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds, but were not reported on the budgetary comparison schedule in the road and bridge fund. The County didn't budget for these funds and these transactions were not recorded on the County's general ledger. The differences are as follows:

	Combined Statement	Adjustment	Budget to Actual
Expenditures	\$ 3,618,707	\$ (664,000)	\$ 2,954,707
Lease Financing	664,000	(664,000)	-

NOTE 5: CHANGES OF ASSUMPTIONS - PENSION AND OPEB

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2017. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

BOTTINEAU COUNTY
Bottineau, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-17
Major Funds:							
General Fund	\$ 1,488,644.07	\$ 3,251,692.48	\$ -	\$ -	\$ -	\$ 3,690,067.40	\$ 1,050,269.15
County Road & Bridge	1,133,310.61	2,017,774.75	2,254,409.79	-	-	2,807,071.26	2,598,423.89
Highway Tax Distribution	573,464.39	1,816,886.73	1,360,929.45	-	-	1,754,765.28	1,996,515.29
Oil Impact	(59,007.79)	691,192.83	-	-	-	746,159.05	(113,974.01)
FEMA	318,084.87	7,642.03	-	-	-	204,100.86	121,626.04
2016 Certificate Fund	492,424.62	503,047.59	-	2,941,528.33	-	2,983,861.53	953,139.01
Total Major Funds	\$ 3,946,920.77	\$ 8,288,236.41	\$ 3,615,339.24	\$ 2,941,528.33	\$ -	\$ 12,186,025.38	\$ 6,605,999.37
Nonmajor Funds:							
Farm to Market Blacktop	\$ 2,079,461.79	\$ -	\$ -	\$ -	\$ 2,079,461.79	\$ -	\$ -
Miscellaneous Road	1,360,929.45	-	-	-	1,360,929.45	-	-
County Road Repair	174,948.00	-	-	-	174,948.00	-	-
Township Road Construction	85,860.25	-	-	-	-	-	85,860.25
Social Service	430,777.93	883,299.11	-	-	-	938,625.51	375,451.53
Emergency	530,591.69	3,538.52	-	-	-	96,279.67	437,850.54
9-1-1	104,887.03	195,678.97	-	-	-	149,312.62	151,253.38
Veteran Service Officer	9,800.31	49,462.08	-	-	-	44,778.39	14,484.00
Library	174,914.99	192,490.24	-	-	25,929.08	155,587.11	185,889.04
Library Building	170,382.29	1,233.02	25,929.08	-	-	1,349.77	196,194.62
Weed Control Fund	150,363.47	217,421.78	-	-	-	223,472.37	144,312.88
Hazardous Chemical	27,794.47	7,375.00	-	-	-	18,750.05	16,419.42
Homeland Security	(1,207.87)	-	-	-	-	-	(1,207.87)
Courthouse Building Imp. & Equip.	142,156.85	87,102.13	-	-	-	95,360.58	133,898.40
County Zoning	15,070.78	2,350.00	-	-	-	2,616.28	14,804.50
Document Preservation	107,042.97	19,801.00	-	-	-	7,660.61	119,183.36
Law Enforcement Block Grant	(17,348.08)	45,258.10	-	-	-	46,070.10	(18,160.08)
Total Nonmajor Funds	\$ 5,546,426.32	\$ 1,705,009.95	\$ 25,929.08	\$ -	\$ 3,641,268.32	\$ 1,779,863.06	\$ 1,856,233.97
Total Government Funds	\$ 9,493,347.09	\$ 9,993,246.36	\$ 3,641,268.32	\$ 2,941,528.33	\$ 3,641,268.32	\$ 13,965,888.44	\$ 8,462,233.34
Agency Funds:							
Flexible Benefits Plan	\$ 9,401.89	\$ 45,594.59	\$ -	\$ -	\$ -	\$ 41,740.42	\$ 13,256.06
Emergency Transient Fund	-	100.00	-	-	-	-	100.00
Airport Authority	180.83	49,262.00	-	-	-	49,093.72	349.11
NDSU Extension	111,795.75	119,726.98	-	-	-	97,507.62	134,015.11
Jobs Development Authority	770.47	185,385.04	-	-	-	185,055.78	1,099.73
Senior Citizens Fund	192.95	158,327.85	-	-	-	158,165.45	355.35
State Tax	192.95	56,213.94	-	-	-	56,051.54	355.35
Game and Fish Licenses	950.35	3,375.00	-	-	-	4,171.50	153.85
County Health-1st District	448.58	135,875.18	-	-	-	131,229.17	5,094.59
Garrison Diversion	192.95	60,085.75	-	-	-	59,923.35	355.35
Safe Communities	1,173.57	-	-	-	-	670.95	502.62
County Historical Society	89.25	15,275.00	-	-	-	15,238.89	125.36
Unlocatable Mineral Owners	14,322.22	1,669.69	-	-	-	-	15,991.91
Trust Fund	2,532,326.75	2,440,406.36	-	-	-	2,589,657.33	2,383,075.78
County Fair (grant funding)	-	15,567.52	-	-	-	15,567.52	-
County Fair Bldg. & Improvements	-	13,179.42	-	-	-	13,179.42	-
ND Income Tax	8,650.72	32,120.13	-	-	-	32,699.99	8,070.86
Domestic Violence Prevention	-	1,295.00	-	-	-	1,155.00	140.00
Coalition Domestic Violence	225.00	10,638.87	-	-	-	9,365.91	1,497.96
Cheer-Social Service	341.38	886.00	-	-	-	400.00	827.38
24/7 Sobriety Program	1,691.00	9,036.00	-	-	-	7,952.10	2,774.90
Payroll Deductins	-	2,578.33	-	-	-	3,075.54	(497.21)
Total Water Management Districts	2,435.86	498,932.02	-	-	-	495,440.76	5,927.12
Total Ambulance Districts	385.99	120,702.48	-	-	-	120,338.13	750.34
Total Cities	2,293.28	838,000.71	-	-	-	838,399.66	1,894.33
Total Park Districts	2,375.49	827,201.20	-	-	-	827,074.06	2,502.63
Total School Districts	15,082.95	4,499,107.48	-	-	-	4,486,469.92	27,720.51
Total Townships	181,685.26	1,634,978.52	-	-	-	1,708,357.83	108,305.95
Total Fire Districts	1,177.28	266,271.84	-	-	-	265,754.02	1,695.10
Total Soil Conservation Districts	418.88	106,721.16	-	-	-	106,552.15	587.89
Total Agency Funds	\$ 2,888,801.60	\$ 12,148,514.06	\$ -	\$ -	\$ -	\$ 12,320,287.73	\$ 2,717,027.93
Total Primary Government	\$ 12,382,148.69	\$ 22,141,760.42	\$ 3,641,268.32	\$ 2,941,528.33	\$ 3,641,268.32	\$ 26,286,176.17	\$ 11,179,261.27
Component Units:							
Bottineau County WRD	\$ 62,914.03	\$ 745,375.43	\$ -	\$ 1,868,744.68	\$ -	\$ 2,486,014.13	\$ 191,020.01
Boundary Creek WRD	32,567.92	14,848.27	-	-	-	32,801.86	14,614.33
Oak Creek WRD	94,415.80	186,792.82	-	-	-	23,805.54	257,403.08
Total Discretely Presented Component Units	\$ 189,897.75	\$ 947,016.52	\$ -	\$ 1,868,744.68	\$ -	\$ 2,542,621.53	\$ 463,037.42
Total Reporting Entity	\$ 12,572,046.44	\$ 23,088,776.94	\$ 3,641,268.32	\$ 4,810,273.01	\$ 3,641,268.32	\$ 28,828,797.70	\$ 11,642,298.69

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division:
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone: (701) 239-7274

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

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

Independent Auditor's Report

Board of County Commissioners
Bottineau County
Bottineau, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County, Bottineau, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Bottineau County's basic financial statements, and have issued our report thereon dated August 29, 2018.

Internal Control Over Financial Reporting

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

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

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

BOTTINEAU COUNTY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bottineau County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 is required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
August 29, 2018

BOTTINEAU COUNTY
Bottineau, North Dakota

SUMMARY OF AUDITOR'S RESULTS, FINDINGS, AND RESPONSES
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? Yes X None Noted

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

Noncompliance material to financial statements noted? Yes X None Noted

Section II – Financial Statement Findings

No matters reported.



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

GOVERNANCE COMMUNICATION

Board of County Commissioners
Bottineau County
Bottineau, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County, Bottineau, North Dakota, for the year ended December 31, 2017 which collectively comprise Bottineau County's basic financial statements and have issued our report thereon dated August 29, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards

As stated in our engagement letter dated July 9, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

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

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

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bottineau County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Corrected and Uncorrected Misstatements

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

AUDIT ADJUSTMENTS - PRIMARY GOVERNMENT			
Intergovernmental Receivable	\$	915,152	
Accounts Receivable		65,020	
Interest Receivable		6,731	
Revenue			\$ 986,903
Revenue		121,626	
Unearned Revenue			121,626
Expenditures		1,106,582	
Accounts Payable			401,650
Salaries Payable			4,777
Lease Financing			664,000
Fund Balance			36,155

AUDIT ADJUSTMENTS - BOTTINEAU COUNTY WRD			
Expenditures/Expenses	\$	49,243	
Retainages Payable			\$ 39,388
Accounts Payable			9,855

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 29, 2018.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

OVERSPENT FUNDS

A review of client fund expenditures indicated that Bottineau County overspent the following funds: county road and bridge, oil impact grants, FEMA, document preservation, and law enforcement block grant by \$145,707, \$201,903, \$204,101, \$2,661, and \$46,070, respectively.

Bottineau County is not in compliance with NDCC section 11-23-06 that states "...No county expenditure may be made or liability incurred, nor may a bill be paid for any purpose, in excess of the appropriation, except as provided in section 11-23-07 and internal control over expenditures."

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

FUND BALANCE

It was noted that the highway tax distribution fund's balance did not agree between the Auditor's and Treasurer's offices at December 31, 2017 in the amount of \$36,155.32. It was also noted that the County Auditor found and corrected the error prior to field work of the current audit.

The controls surrounding balancing the daily cash sheet and the total fund cash balances by the Auditor's and Treasurer's offices are vital in the checks and balances that each office can provide to one another. The County must have assurance that on each day the appropriate and accurate entries are made relating to receipts, disbursements, and the proper fund entries relating to revenue and expenditures.

We recommend the Auditor's and Treasurer's offices balance the daily cash sheet and the total fund cash balance report in a timely manner to prevent mistakes and/or errors that may require prompt correction or adjustment.

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

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

/s/
Joshua C. Gallion
State Auditor

Fargo, North Dakota
August 29, 2018

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