DIVIDE COUNTY
CROSBY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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DIVIDE COUNTY
CROSBY, NORTH DAKOTA
COUNTY OFFICIALS
DECEMBER 31, 2017

Tim Selle	Commissioner - Chairman
Gerald Brady	Commissioner - Vice Chairman
Douglas Graupe	Commissioner
Gayle Jastrzebski	Auditor
Lauren Throntveit	Sheriff
Christina Running	Recorder/Clerk of Court
Seymour Jordan	States Attorney

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Divide County
Crosby, 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 Divide County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Divide County, 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 Matter

As described in Note 19 to the financial statements, the County has restated the prior period financial statements to correct for overstatement of prior period accounts payable and expenditures. Our opinions have not been modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018 on our consideration of Divide 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Divide County's 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 Divide County's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

October 26, 2018

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Weed Board
ASSETS			
Cash and cash equivalents	$ 15,931,813	$ 55,959	$ 9,546
Accounts receivable	10,039	-	-
Taxes receivable	37,477	-	10,123
Road receivables	565,268	-	-
Intergovernmental receivable	407,901	-	-
Job development loans receivable	56,778	-	-
Capital assets:			
Land	1,500	-	-
Buildings	2,415,949	-	-
Vehicles and equipment	6,253,766	-	52,768
Infrastructure	18,237,497	-	-
Construction in progress	10,531,648	-	-
Less: accumulated depreciation	(7,804,328)		(44,325)
Total capital assets	29,636,032	-	8,443
Total assets	46,645,308	55,959	28,112
DEFERRED OUTFLOWS OF RESOURCES			
Cost sharing defined benefit pension plan - NDPERS	1,931,796	-	-
LIABILITIES			
Accounts payable and accrued payroll	1,047,989	-	100
Accrued interest payable	68,432	-	-
Long-term liabilities:			
Due after one year:			
Net pension liability	4,050,997	-	-
Long-term debt	6,332,414	-	-
Compensated absences	21,439	-	-
Total liabilities	11,521,271	-	100
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied - subs. years	317,842	-	-
Cost sharing defined benefit pension plan - NDPERS	310,925	-	-
Total deferred inflows of resources	628,767	-	-
NET POSITION			
Net investment in capital assets	22,785,949	-	8,443
Restricted for:			
County roads and bridges	823,238	-	-
Farm to market projects	265,580	-	-
Oil and gas infrastructure projects	5,597	-	-
Other projects	833,884	55,959	19,569
Unrestricted	11,712,818	-	-
Total net position	$ 36,427,066	$ 55,959	$ 28,012

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	Weed Board
Governmental activities:							
General government	$ 1,865,500	$ 243,998	$ 138,729	$ -	$ (1,482,773)		
Public safety	1,078,691	250,835	155,645	-	(672,211)		
Highways	12,033,332	1,291,058	-	1,089,436	(9,652,838)		
Health and welfare	445,862	-	4,478	-	(441,384)		
Culture and recreation	139,796	704	-	-	(139,092)		
Conservation of natural resources	83,033	-	-	-	(83,033)		
Economic development	70,637	-	33,741	-	(36,896)		
Other	50,798	-	-	-	(50,798)		
Total governmental activities	$ 15,767,649	$ 1,786,595	$ 332,593	$ 1,089,436	(12,559,025)		
Component units:							
Water resource district	$ 10,844	$ -	$ -	$ -		$ (10,844)	$ -
Weed board	30,958	-	-	-		-	(30,958)
Total component units	$ 41,802	$ -	$ -	$ -		(10,844)	(30,958)
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					1,485,261	-	14,683
Non restricted grants and contributions					6,233,648	-	-
Earnings on investments					23,859	92	-
Miscellaneous revenue					791,412	10,420	-
Gain on disposal of assets					592,715	-	-
Total general revenues					9,126,895	10,512	14,683
Change in net position					(3,432,130)	(332)	(16,275)
Net position - January 1					39,859,196	56,291	44,287
Net position - December 31					$ 36,427,066	$ 55,959	$ 28,012

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2017

	General	County Road and Bridge	Farm to Market	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 13,972,526	$ 442,876	$ 625,556	$ 890,855	$ 15,931,813
Accounts receivable	5,120	-	-	4,919	10,039
Taxes receivable	12,614	-	13,290	11,573	37,477
Road receivable	-	565,268	-	-	565,268
Intergovernmental receivable	376,410	-	4,581	26,910	407,901
Job development loans receivable	-	-	-	56,778	56,778
Total assets	$ 14,366,670	$ 1,008,144	$ 643,427	$ 991,035	$ 17,009,276
LIABILITIES					
Accounts payable and accrued payroll	$ 546,226	$ 184,906	$ 250,368	$ 66,489	$ 1,047,989
DEFERRED INFLOWS OF RESOURCES					
Property taxed collected - subs. years	121,140	-	127,479	69,223	317,842
Property taxes collected - delinquent	7,576	-	7,983	6,951	22,510
Total deferred inflows of resources	128,716	-	135,462	76,174	340,352
FUND BALANCES					
Nonspendable					
Library investment	-	-	-	52,000	52,000
Restricted	-	823,238	257,597	796,372	1,877,207
Unassigned	13,691,728	-	-	-	13,691,728
Total fund balances	13,691,728	823,238	257,597	848,372	15,620,935
Total liabilities, deferred inflows of resources and fund balances	$ 14,366,670	$ 1,008,144	$ 643,427	$ 991,035	$ 17,009,276

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

Total fund balances for governmental funds		$ 15,620,935
Amounts reported for government activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	$ 37,440,360	
Less accumulated depreciation	(7,804,328)	
Net capital assets		29,636,032
Property taxes and road billings 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.		22,510
Accrued interest on long term debt that is reported as a liability on the statement of net position but is not reported as a fund liability.		(68,432)
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) or resources in the governmental funds.		
Deferred inflows of resources - cost sharing defined benefit pension plan NDPERS		(310,925)
Deferred outflows of resources - cost sharing defined benefit pension plan NDPERS		1,931,796
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. All liabilities-both current and long-term- are reported in the Statement of Net Position. Balance at December 31, 2017 is:		
Net pension liability		(4,050,997)
Long-term debt		(6,332,414)
Compensated absences		(21,439)
Total net position of governmental activities		$ 36,427,066

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	County Road and Bridge	Farm to Market	Other Non-major Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 506,078	$ -	$ 523,426	$ 464,023	$ 1,493,527
Licenses, permits and fees	117,528	129,696	-	704	247,928
Intergovernmental	5,779,904	1,432	1,182,162	618,563	7,582,061
Charges for services	264,433	1,161,362	-	112,871	1,538,666
Interest income	23,854	-	-	6	23,860
FEMA revenue	-	-	-	73,610	73,610
Miscellaneous	11,349	724,656	-	34,924	770,929
Total revenues	6,703,146	2,017,146	1,705,588	1,304,701	11,730,581
Expenditures:					
Current:					
General government	2,476,841	-	-	52,808	2,529,649
Public safety	1,104,234	-	-	308,203	1,412,437
Highways	-	4,018,075	4,102,944	-	8,121,019
Health and welfare	-	-	-	443,344	443,344
Culture and recreation	-	-	-	139,796	139,796
Conservation of natural resources	-	-	-	83,033	83,033
Economic development	-	-	-	70,637	70,637
Other	-	-	-	50,798	50,798
Debt service:					
Interest	-	-	-	61,590	61,590
Capital outlays	4,293,592	722,300	2,376,538	-	7,392,430
Total expenditures	7,874,667	4,740,375	6,479,482	1,210,209	20,304,733
Excess (deficiency) of revenues over expenditures	(1,171,521)	(2,723,229)	(4,773,894)	94,492	(8,574,152)
Other financing sources (uses):					
Sale of capital assets	20,480	-	-	-	20,480
Debt issued	5,134,186	-	-	-	5,134,186
Transfers in	-	1,850,000	-	605,181	2,455,181
Transfers to fiduciary fund	(22,000)	-	-	-	(22,000)
Transfers out	(1,849,926)	-	-	(605,255)	(2,455,181)
Total other financing sources and uses	3,282,740	1,850,000	-	(74)	5,132,666
Net change in fund balances	2,111,219	(873,229)	(4,773,894)	94,418	(3,441,486)
Fund balance - January 1	8,826,466	1,696,467	5,031,491	753,954	16,308,378
Prior period adjustment - See Note 19	2,754,043	-	-	-	2,754,043
Fund balance - January 1, as restated	11,580,509	1,696,467	5,031,491	753,954	19,062,421
Fund balance - December 31	$ 13,691,728	$ 823,238	$ 257,597	$ 848,372	$ 15,620,935

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
CROSBY, 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 government funds		$ (3,441,486)
Amounts reported for governmental activities in the Statement of Activities are 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 those capital outlays that were capitalized exceeded depreciation in the current year.		
Current year capital outlay (net of trade in value)	$ 7,323,998	
Current year depreciation expense	(1,661,724)	5,662,274
Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt proceeds:		(5,134,186)
Change in net pension liability		(1,395,667)
Changes in deferred outflows and inflows of resources related to the net pension liability		985,198
Gains recognized on the government-wide Statement of Activities are netted against remaining book value, while on the fund statements, the entire amount is recorded as an other financing source.		(97,484)
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 increase in compensated absences.		(2,519)
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 decrease in deferred inflows of resources.		(8,260)
Change in net position of governmental activities		$ (3,432,130)

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS
DECEMBER 31, 2017

Assets:	
Cash and investments	$ 1,754,639
Liabilities:	
Due to other governments	$ 1,754,639

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

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

Reporting Entity

The accompanying financial statements present the activities of Divide County. The County has considered all potential component units for which the County is financially accountable and other organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. The County is financially accountable for an organization if the County appoints a voting majority of an organization's governing body and (1) the County is able to significantly influence the programs or services performed or provided by the organization or (2) the County is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the County. Fiscal dependence can include the County's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

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 relationships with the County.

Component Units

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

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

Divide County Weed Board - The County's governing board appoints a voting majority of the members of the Divide County Weed Board governing board. The County has the authority to approve or modify the Weed Board's operational and capital budgets. The County also must approve the tax levy established by the Weed Board.

Complete financial statements of the Divide County Weed Board are included in these financial statements. Additional information may be obtained from the Divide County Auditor; PO Box 49; Crosby, ND 58730-0049.

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

Complete financial statements of the Divide County Water Resource District are included in these financial statements. Additional information may be obtained from the Divide County Auditor; PO Box 49; Crosby, ND 58730-0049.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The County's financial statements have been prepared with the Governmental Accounting Standards Board (GASB). GASB is the standard–setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, Divide County and its component units, Divide County Water Resource District and Divide County Weed Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

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

Governmental funds: Governmental funds are utilized to account for most of the County's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used.

Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The County's major governmental funds are as follows:

General Fund: The general fund is the general operating fund of the County and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The County reports the following major governmental special revenue funds:

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

Farm to Market Fund. This fund accounts for financial resources related to maintenance and projects on Farm to Market roads within the County.

In addition, the County reports the following fund types:

Fiduciary funds: The reporting focus of fiduciary funds is on net position and changes in net position. The County's only fiduciary fund is an agency fund. The agency fund is custodial in nature and does not involve measurement of results of operations.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Budgets

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

The Board of County Commissioners holds a public hearing where any taxpayer may testify in favor or against any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1 the Board adopts the final budget. No expenditure shall be made or liability incurred in excess of the total appropriation by fund except for transfers as authorized by the North Dakota Century Code Section 11-23-07. However, the Board of County Commissioners may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

The budget amendments must be approved by the Board and the approval must be noted in the proceedings of the Board.

A formal budget is also prepared by Divide County Water Resource District and Divide County Weed Board, component units of Divide County.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and money market accounts. Deposits must be either deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the County to invest in:

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

Capital Assets

Capital assets include plant, equipment, and infrastructure. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at acquisition value. Donated capital assets are recorded at acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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 capitalized as part of the project.

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

Buildings	15-50 years
Infrastructure	25-50 years
Vehicles and Equipment	5-10 years

Compensated Absences

Full time employees are granted vacation benefits from 5 to 15 days per year depending on tenure with the County. Regular, part-time, and seasonal employees are granted 1 hour of vacation for every 20 hours worked, not to exceed 40 hours vacation granted in any 12 month period. Part-time and seasonal employees who have been employed for ten or more years will be allowed to accrue up to 60 hours per 12 month period. Vacation time that is not used by the end of the year will be forfeited with the exception of social service employees who are under the State of North Dakota benefit policies. Upon termination of employment, social service employees will be paid for vacation benefits that have accrued. Sick leave benefits accrue at the rate of one day per month for full time employees and the rate of 1 hour for every 20 hours worked, not to exceed 40 hours granted in any 12 month period. Part-time and seasonal employees who have been employed for ten or more years will be allowed to accrue up to 60 hours per 12 month period. Unused sick leave benefits are allowed to accumulate indefinitely. Upon termination of employment unused sick leave will not be paid except in case of retirement where unused sick leave will be paid at a rate of 10% of unused days. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Unused sick leave will be paid out of the County's general fund.

Deferred Outflows/Inflows of Resources

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

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

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the County's government wide financial statements. The County's governmental fund financials report only those obligations that will be paid from current financial resources.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, related to pensions, and pension expense, information about the fiduciary net position of North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS's 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.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the County's financial statements. Net position invested in capital assets consists of the remaining undepreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset.

Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the County. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Fund Balance

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

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

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

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

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is County's intended use. These constraints are established by the Board of County Commissioners and/or management.

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

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

The County considers the spendable fund balances to have been spent when expenditures are incurred.

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

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 are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 EXPENDITURES IN EXCESS OF APPROPRIATIONS

The County's following funds had expenditures that exceeded budget appropriations for the year ended December 31, 2017.

Fund	2017
General Fund	$ (147,540)
County Road and Bridge	(121,825)

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

NOTE 4 CASH AND CASH EQUIVALENTS

Custodial Credit Risk

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "all state funds must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

All deposits of the County are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal deposit insurance coverage level are collateralized with securities held by the County or an agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the County's agent under a pledge pool agreement between the County and local financial institutions through the Bank of North Dakota as allowed by state law. Depositories using the Pooling Method report to the Bank of North Dakota the adequacy of their pooled collateral covering uninsured deposits. The financial institution confirms the adequacy of the pledge for the pool. However, all financial institutions do not confirm the County's deposits included in the pool. Because of the inability to measure the exact deposits included for the County under the Pooling Method, the potential exists for under collateralization.

At December 31, 2017, the County bank balance totaled approximately $17,684,200. Of the bank balance, $500,000 was covered by federal depository insurance and the remainder was covered by collateral. Of the balance covered by pledged collateral, approximately $13,014,000 was covered under the Dedicated Method and remaining balance covered under the Pooling Method. State statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance.

As of December 31, 2017, the cash accounts of the County's discretely presented component units were fully covered by federal depository insurance.

NOTE 5 TAXES RECEIVABLE

Taxes receivable represent the past four years of delinquent uncollected taxes and special assessments. No allowance has been established for uncollectible taxes and special assessment receivables.

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Any material collections are distributed after the end of each month. Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments.

The first installment includes one-half of the real estate taxes and 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 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 in a single payment on or before February 15 and receive the 5% discount on property taxes.

NOTE 6 ACCOUNTS RECEIVABLE

Accounts receivable consists of money due to the County at December 31, 2017. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 7 ROAD RECEIVABLE

Road receivable consists of amounts due for roadwork for individuals, townships, and cities. No allowance has been established for uncollectible road billings receivable.

NOTE 8 JOB DEVELOPMENT LOANS RECEIVABLE

The County provides loans to businesses for either start up costs or expansion costs. The Job Development Authority receives applications from various businesses. The Job Development Authority screens the applications and then brings the applications to the governing Board who either approves or denies the application. The County sets up a payment schedule with interest for the loans to be repaid. The County expects all accounts to be fully collectible as of December 31, 2017.

The County has the following loans outstanding as of December 31, 2017:

B R Guest	$	17,844
Henny's		13,640
DC Fair		9,200
Northstar Laundry		5,574
Stems & Salvage LLC		6,586
Tanya Gillen - Lighten Up		3,934
Total	$	56,778

NOTE 9 INTERGOVERNMENTAL RECEIVABLE

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

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

NOTE 10 CAPITAL ASSETS

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

	Balance 01/01/17	Prior Period Adjustment - See Note 19	Increases	Decreases	Balance 12/31/17
Governmental Activities					
Capital assets not being depreciated					
Land	$ 1,500	$ -	$ -	$ -	$ 1,500
Construction in progress	8,183,893	(2,754,043)	5,101,798	-	10,531,648
Total capital assets, not being depreciated	8,185,393	(2,754,043)	5,101,798	-	10,533,148
Capital assets, being depreciated:					
Buildings	2,415,949	-	-	-	2,415,949
Infrastructure	18,237,497	-	-	-	18,237,497
Vehicles and equipment	4,711,190	-	2,290,632	748,056	6,253,766
Total capital assets, being depreciated	25,364,636	-	2,290,632	748,056	26,907,212
Less accumulated depreciation for:					
Buildings	426,812	-	56,431	-	483,243
Infrastructure	2,949,613	-	917,920	-	3,867,533
Vehicles and equipment	3,416,750	-	687,373	650,571	3,453,552
Total accumulated depreciation	6,793,175	-	1,661,724	650,571	7,804,328
Total capital assets being depreciated, net	18,571,461	-	628,908	97,485	19,102,884
Governmental activities capital assets, net	$ 26,756,854	$ (2,754,043)	$ 5,730,706	$ 97,485	$ 29,636,032

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

	2017
General Government	$ 50,685
Public Safety	75,273
Highways	1,535,766
Total Depreciation Expense - Governmental Activities	$ 1,661,724

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

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17
Component Unit				
Capital assets, being depreciated:				
Vehicles and equipment	$ 52,768	$ -	$ -	$ 52,768
Total capital assets, being depreciated	52,768	-	-	52,768
Less accumulated depreciation for:				
Vehicles and equipment	40,540	3,785	-	44,325
Total accumulated depreciation	40,540	3,785	-	44,325
Component unit capital assets, net	$ 12,228	$ (3,785)	$ -	$ 8,443

NOTE 11 ACCOUNTS PAYABLE AND ACCRUED PAYROLL

Accounts payable and accrued payroll consist of amounts on open account for goods and services received prior to December 31, 2017 and wages for services provided in 2017 that are chargeable to the appropriations for the year ended December 31, 2017, but paid for subsequent to that date.

NOTE 12 LONG-TERM DEBT

During the year ended December 31, 2017, the following changes occurred in long-term debt:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017	Due Within One Year
Note Payable	$ 1,198,228	$ 5,134,186	$ -	$ 6,332,414	$ -
Compensated Absences	18,920	14,878	12,359	21,439	-
Net Pension Liability	2,655,330	1,395,667	-	4,050,997	-
	$ 3,872,478	$ 6,544,731	$ 12,359	$ 10,404,850	$ -

The note payable was taken out in January 2016 with the Bank of North Dakota. Interest on the loan is variable at 1.50% over the 30-day LIBOR, adjusted on the first day of each month; floor rate of 1.75% with the rate not to increase more than 1.00% per year. The loan is being used for construction of the courthouse. The loan allows for a one and a half year construction period. Upon completion of the construction, the loan will be paid off in monthly principal and interest amounts over the next ten years. The County may borrow a maximum of $7,500,000 on this loan. Currently, interest only payments are required until the construction period has ended, at which point a final amortization schedule will be developed for the loan. The loan is secured by the County's gross production tax revenue.

Compensated absences are generally liquidated by the general fund.

NOTE 13 RISK MANAGEMENT

Divide 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. During the mid 1980's, the County was not able to obtain general liability insurance at a cost it considered to be economically justifiable.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. All members joined to help capitalize the NDIRF. Divide County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

Divide 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. The State Bonding Fund does not currently charge any premium for this coverage.

Divide County has workers compensation coverage with the North Dakota Workforce Safety and Insurance. The County provides health coverage for full-time employees. For part-time employees, the County pays for a full single policy or up to two-thirds of a family policy.

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

NOTE 14 PENSION PLAN

Divide County participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. The following is a brief description of the plan. Participants should refer to NDCC Chapter 54-52 for more complete information.

North Dakota Public Employees' Retirement System:

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified 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 investments earnings of the plan.

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

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, the County reported a liability of $4,050,997 for its proportionate share of the 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 Employer's proportion of the net pension liability was based on the Employer'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 County's proportion was 0.252033 percent, which was a decrease of 0.020421 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of $599,192. At December 31, 2017, the County 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	$ 24,079	$ (19,737)
Changes of assumptions	1,661,182	(91,369)
Net difference between projected and actual earnings on pension plan investments	54,483	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	96,569	(199,819)
Employer contributions subsequent to the measurement date	95,483	-
Total	$ 1,931,796	$ (310,925)

$95,483 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 ending 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:

Year ending December 31:	
2018	$ 339,154
2019	413,911
2020	356,612
2021	262,322
2022	153,389

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	2.50%	
Salary Increases	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%
Investment Rate of Return	7.75%, net of investment expenses	
Cost-of Living Adjustments	None	

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

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%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	0%
Global Real Assets	20%	5.16%
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.

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 Employer'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%)
Employers Proportionate share of the net pension liability	$ 5,499,353	$ 4,050,997	$ 2,846,026

Pension Plan Fiduciary Net Position

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

NOTE 15 TRANSFERS

2017	General Fund	Farm to Market	County Roads and Bridges	Other Governmental	Fiduciary Funds	Total
Transfers In	$ -	$ -	$ 1,850,000	$ 605,181	$ 22,000	$ 2,477,181
Transfers Out	(1,871,926)	-	-	(605,255)	-	(2,477,181)
	$ (1,871,926)	$ -	$ 1,850,000	$ (74)	$ 22,000	$ -

Transfers are used to (1) move revenues from the fund that statute or budget requires them to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 16 LEASES

The County entered into an oil and gas lease agreement with Basin Hills Operating Company in 2008 for mineral acres in a township. The lease is for a period of five years with an option to extend for three years, or as long as oil is produced or operations continue. In 2008, the County received a one-time payment of $13,598. In 2013, Basin Hills Operating Company exercised the option to extend the lease with the County for an additional three years. The County received an additional one-time payment of $73,391 in 2013.

The County also entered into an oil and gas lease agreement with Black River Energy in 2010 for mineral acres in a township. The lease is for a period of five years, or as long as oil is produced or operations continue. The County received a one-time payment of $32,665 in 2010.

NOTE 17 NEW ACCOUNTING PRONOUNCEMENTS

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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

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

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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

NOTE 18 COMMITMENTS

The County has an ongoing courthouse project. As of December 31, 2017, the project was substantially complete.

NOTE 19 RESTATEMENT OF NET POSITION AND FUND BALANCE

The County overstated expenditures and accounts payable in the fiscal year ended December 31, 2016.

As a result, beginning fund balance has been restated to reflect the correct expenditures that should have been reported for the year ended December 31, 2016 as follows:

General Fund Balance January 1, 2017, as previously reported	$ 8,826,466
Restatement for Incorrect Expenditures Reported:	
Overstatement of expenditures on the 2016 Financials	2,754,043
General Fund Balance January 1, 2017, as restated	$11,580,509

Beginning net position was unaffected as the expenditures were for items recorded as fixed assets on the statement of net position, however, fixed assets and accounts payable were each overstated by $2,754,043 for governmental activities for the fiscal year ended December 31, 2016.

NOTE 20 SUBSEQUENT EVENTS

No significant events occurred subsequent to year end. Subsequent events have been evaluated through October 26, 2018, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 579,400	$ 502,950	$ 506,078	$ 3,128
Licenses, permits and fees	135,100	226,100	117,528	(108,572)
Intergovernmental	4,662,787	5,859,762	5,779,904	(79,858)
Charges for services	239,700	262,500	264,433	1,933
Interest income	5,000	24,000	23,854	(146)
Miscellaneous	6,700	13,300	11,349	(1,951)
Total revenues	5,628,687	6,888,612	6,703,146	(185,466)
Expenditures:				
Current:				
General government	2,619,928	2,684,672	2,476,841	207,831
Public safety	678,203	717,455	1,104,234	(386,779)
Capital outlays	3,000,000	4,325,000	4,293,592	31,408
Total expenditures	6,298,131	7,727,127	7,874,667	(147,540)
Excess (deficiency) of revenues over expenditures	(669,444)	(838,515)	(1,171,521)	(333,006)
Other financing sources (uses):				
Sales of capital assets	20,500	20,500	20,480	(20)
Debt issued	-	-	5,134,186	5,134,186
Transfers out	-	-	(1,871,926)	(1,871,926)
Total other financing sources and uses	20,500	20,500	3,282,740	3,262,240
Net change in fund balances	(648,944)	(818,015)	2,111,219	2,929,234
Fund balance - January 1	8,826,466	8,826,466	8,826,466	-
Prior period adjustment - see Note 19	2,754,043	2,754,043	2,754,043	-
Fund balance - January 1, as restated	11,580,509	11,580,509	11,580,509	-
Fund balance - December 31	$ 10,931,565	$ 10,762,494	$ 13,691,728	$ 2,929,234

See Notes to the Required Supplementary Information

DIVIDE COUNTY
CROSBY, 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 Positive (Negative)
Revenues:				
Licenses, permits and fees	$ 250,000	$ 136,500	$ 129,696	$ (6,804)
Intergovernmental	2,000	2,000	1,432	(568)
Charges for services	806,000	1,256,000	1,161,362	(94,638)
Miscellaneous	2,500	2,500	724,656	722,156
Total revenues	1,060,500	1,397,000	2,017,146	620,146
Expenditures:				
Current:				
Highways	4,566,300	4,618,550	4,018,075	600,475
Capital outlays	-	-	722,300	(722,300)
Total expenditures	4,566,300	4,618,550	4,740,375	(121,825)
Excess (deficiency) of revenues over expenditures	(3,505,800)	(3,221,550)	(2,723,229)	498,321
Other financing sources:				
Transfers in	-	-	1,850,000	1,850,000
Total other financing sources and uses	-	-	1,850,000	1,850,000
Net change in fund balances	(3,505,800)	(3,221,550)	(873,229)	2,348,321
Fund balance - January 1	1,696,467	1,696,467	1,696,467	-
Fund balance - December 31	$ (1,809,333)	$ (1,525,083)	$ 823,238	$ 2,348,321

See Notes to the Required Supplementary Information

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 600,000	$ 520,125	$ 523,426	$ 3,301
Intergovernmental	6,294,000	1,194,000	1,182,162	(11,838)
Total revenues	6,894,000	1,714,125	1,705,588	(8,537)
Expenditures:				
Current:				
Highways	6,600,000	6,603,000	4,102,944	2,500,056
Capital outlays	-	-	2,376,538	(2,376,538)
Total expenditures	6,600,000	6,603,000	6,479,482	123,518
Excess (deficiency) of revenues over expenditures	294,000	(4,888,875)	(4,773,894)	114,981
Net change in fund balances	294,000	(4,888,875)	(4,773,894)	114,981
Fund balance - January 1	5,031,491	5,031,491	5,031,491	-
Fund balance - December 31	$ 5,325,491	$ 142,616	$ 257,597	$ 114,981

See Notes to the Required Supplementary Information

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE NDPERS RETIREMENT FUND
LAST 10 YEARS

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 397,105	$ 397,105	$ -	$ 2,812,355	14.12%
2016	200,068	200,068	-	2,764,672	7.24%
2017	188,277	188,277	-	2,644,340	7.12%

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

The County implemented GASB Statement No. 68 for its year ended December 31, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
SCHEDULE OF EMPLOYER AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS

For the Fiscal Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.287929%	$ 1,957,868	$ 2,565,097	76.33%	77.15%
2016	0.272454%	2,655,330	2,745,697	96.71%	70.46%
2017	0.252033%	4,050,997	2,650,650	152.83%	62.65%

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

The County Implemented GASB Statement No. 68 for its year ended December 31, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The county commission adopts an "appropriated budget" on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

- The county auditor prepares an annual budget for the general fund and each special revenue fund of the county. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.

- The county commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04

- The board of county commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05

- Each budget is controlled by the county auditor at the revenue and expenditure function/object level.

- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1

- All appropriations lapse at year-end.

NOTE 2 NDPERS

Changes of Assumptions

- Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of County Commissioners
Divide County
Crosby, 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 Divide County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Divide County's basic financial statements and have issued our report thereon dated October 26, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2017-001, 2017-002, and 2017-003 that we consider to be material weaknesses.

Compliance and Other Matters

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

Divide County's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

October 26, 2018

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

2017-001 Preparation of Financial Statements – Material Weakness

Criteria: An appropriate system of internal controls requires the County to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the County's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The County's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the entity does not have internal resources to prepare full-disclosure financial statements for external reporting. The auditors assist with preparation of the financial statements.

Cause: The County's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect: An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with accounting principles generally accepted in the United States of America. However, the County is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation: We recommend that the County review its training system for its accounting personnel and determine if it is cost effective for the County to obtain this knowledge internally. As a compensating control, the County should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

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

2017-002 Adjusting Journal Entries – Material Weakness

Criteria: The County is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition: During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with the accrual basis of accounting.

Cause: The County's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with the accrual basis of accounting.

Effect: The County does not maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on an accrual basis.

Recommendation: We recommend that the County review its current training system for its accounting personnel and determine if it is cost effective for the County to obtain this knowledge internally.

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

2017-003 Segregation of Duties – Material Weakness

Criteria: An appropriate system of internal controls provides for an adequate segregation of duties.

Condition: All of the accounting functions of the Water Resource District and the Weed Board (component units of the County) are performed by one individual.

Cause: Cost constraints limit the number of accounting personnel that can be economically justified to perform these accounting functions.

Effect: The concentrations of accounting functions does not provide for an adequate segregation of duties.

Recommendation: We recommend that the County and the component units review their internal controls over the accounting functions to determine if additional procedures can be implemented on a cost effective basis. Procedures to consider include separating the custody of assets from the accounting function, as well as implementing and or expanding monitoring controls.

Response: The County and the component units will review their current internal controls and determine what monitoring and segregation controls each can implement on a cost effective basis.