

# **AUDIT REPORT**

LOGAN COUNTY  
Napoleon, North Dakota

For the Years Ended December 31, 2017 and 2016

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

LOGAN COUNTY  
Napoleon, North Dakota

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LOGAN COUNTY  
Napoleon, North Dakota

COUNTY OFFICIALS

Dean Entzminger	Commission Chairman
Blanche A. Schumacher	Commission Vice Chairman
John W. Wald	Commissioner
Brenda Fischer	Auditor
Cynthia L. Doll	Treasurer
Dawne Marquart	County Recorder/Clerk of Court
Andrew Bartholomaus	Sheriff
Isaac Zimmerman	States Attorney

# Rath & Mehrer, P.C.

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Logan County  
Napoleon, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Logan County, Napoleon, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the county's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Logan County, Napoleon, North Dakota, as of December 31, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, budgeting comparison information on pages 42 through 50 and the schedule of employer's share of net pension liability on page 51 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity arising from cash transactions are the responsibility of management and were derived from and relate 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 audits 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 schedules of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018 on our consideration of the 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 the county's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

April 27, 2018

LOGAN COUNTY

Management's Discussion and Analysis

December 31, 2017 and 2016

The Management's Discussion and Analysis (MD&A) of Logan County's financial performance provides an overall review of the county's financial activities for the fiscal years ended December 31, 2017 and 2016. The intent of the MD&A is to look at the county's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior years is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended December 31, 2017 are as follows:

- \* Net position of the county decreased \$222,985 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$2,989,461.
- \* Total revenues from all sources were \$4,114,664.
- \* Total expenses were \$4,337,650.
- \* The county's general fund had \$1,073,325 in total revenues and \$1,070,820 in total expenditures. There was a total of \$117,365 paid from other financing uses. Overall, the general fund balance decreased by \$114,860 for the year ended December 31, 2017.

Key financial highlights for the year ended December 31, 2016 are as follows:

- \* Net position of the county decreased \$70,047 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$3,212,446.
- \* Total revenues from all sources were \$3,393,432.
- \* Total expenses were \$3,463,480.
- \* The county's general fund had \$1,156,233 in total revenues and \$1,062,854 in total expenditures. There was a total of \$99,919 paid from other financing uses. Overall, the general fund balance decreased by \$6,541 for the year ended December 31, 2016.

## USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the county as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole county, presenting both an aggregate view of the county's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the county's general fund, highway fund, unorganized road fund and FAS/ER 2011 disaster loan fund with all other governmental funds presented in total in one column.

## REPORTING ON THE COUNTY AS A WHOLE

### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the county to provide programs and activities and attempt to answer the question "How did the county do financially during the years ended December 31, 2017 and 2016?"

The Statement of Net Position presents information on all the county's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The Statement of Activities presents information on how the county's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused sick leave and/or vacation leave).

These two statements report the county's net position and changes in that position. This change in net position is important because it tells the reader whether, for the county as a whole, the financial position of the county has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the county reports governmental activities. Governmental activities are the activities where most of the county's programs and services are reported including, but not limited to, general government, public safety, highways and public improvement, health and welfare, culture and recreation, and conservation and economic development.

## REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

### Balance Sheet - Governmental Funds

The county uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the county to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the county's major funds. Using the criteria established by GASB Statement No. 34, the county's general fund, highway fund, unorganized road fund and FAS/ER 2011 disaster loan fund are considered "major funds".

The county's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

### FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table I provides a summary of the county's net position as of December 31, 2017, 2016 and 2015. A comparative analysis of county-wide data is presented for both current and prior years.

As indicated in the financial highlights above, the county's net position decreased by \$222,985 and \$70,047 for the years ended December 31, 2017 and 2016, respectively. Changes in net position may serve over time as a useful indicator of the county's financial position.

As of December 31, 2017 the county's net position of \$2,989,461 is segregated into three separate categories. Net investment in capital assets totals \$443,328 of the county's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position is \$2,070,957 of the county's total net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$475,177, which includes (\$485,158) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$960,335 is available to meet the county's ongoing obligations.

As of December 31, 2016 the county's net position of \$3,212,446 is segregated into three separate categories. Net investment in capital assets totals \$485,105 of the county's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position is \$2,059,403 of the county's total net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$667,938, which includes (\$437,916) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$1,105,854 is available to meet the county's ongoing obligations.



Table I  
 Net Position  
 As of December 31, 2017 and 2016  
 (With comparative totals for December 31, 2015)

	2017	2016	2015
<b>Assets</b>			
Current Assets	3,470,796	3,819,662	4,053,621
Capital Assets (net of accumulated depreciation)	559,944	648,265	673,043
<b>Total Assets</b>	<b>4,030,740</b>	<b>4,467,927</b>	<b>4,726,664</b>
Deferred Outflows of Resources	283,858	150,338	88,456
<b>Liabilities</b>			
Current Liabilities	185,282	282,972	832,088
Long-Term Liabilities	370,838	534,593	197,860
Net Pension Liability	726,102	479,912	420,579
<b>Total Liabilities</b>	<b>1,282,223</b>	<b>1,297,477</b>	<b>1,450,527</b>
Deferred Inflows of Resources	42,914	108,342	82,099
<b>Net Position</b>			
Net Investment in Capital Assets	443,328	485,105	457,238
Restricted	2,070,957	2,059,403	2,609,013
Unrestricted	475,177	667,938	216,242
<b>Total Net Position</b>	<b>2,989,461</b>	<b>3,212,446</b>	<b>3,282,494</b>

Table II shows the changes in net position for the fiscal years ended December 31, 2017, 2016 and 2015. A comparative analysis of county-wide data is presented for both current and prior years.

Table II  
 Changes in Net Position  
 As of December 31, 2017 and 2016  
 (With comparative totals for December 31, 2015)

	2017	2016	2015
<b>Revenues</b>			
<b>Program Revenues:</b>			
Charges for Services	291,160	247,551	215,064
Operating Grants and Contributions	2,028,134	1,335,128	3,000,540
<b>General Revenues:</b>			
Property Taxes	1,237,665	1,228,893	1,198,361
Other Taxes	25,023	27,611	26,552
State Aid - Unrestricted	481,034	510,295	633,971
Interest Earnings and Other Revenue	51,648	43,954	133,412
<b>Total Revenues</b>	<b>4,114,664</b>	<b>3,393,432</b>	<b>5,207,900</b>
<b>Expenses</b>			
General Government	988,451	900,515	846,234
Public Safety	274,647	235,862	281,912
Highways and Public Improve.	2,578,978	1,855,323	2,741,356
Health and Welfare	272,970	265,232	224,604
Urban and Econ. Development	44,071	52,048	51,850
Culture and Recreation	5,567	5,163	3,241
Conser. and Economic Dvlpmnt.	114,604	102,770	94,364
Other	44,810	28,874	124,555
Interest on Long-Term Debt	13,552	17,692	27,146
<b>Total Expenses</b>	<b>4,337,650</b>	<b>3,463,480</b>	<b>4,395,261</b>
<b>Net Change in Position</b>	<b>(222,985)</b>	<b>(70,047)</b>	<b>812,639</b>

Property taxes constituted 30%, unrestricted state aid 12%, operating grants and contributions 49%, and charges for services made up 7% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2017.

General government constituted 23%, public safety 6%, highways and public improvement 59%, and health and welfare 6% of total expenses for governmental activities during the fiscal year ended December 31, 2017.

Property taxes constituted 36%, unrestricted state aid 15%, operating grants and contributions 39%, and charges for services made up 7% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2016.

General government constituted 26%, public safety 7%, highways and public improvement 54%, and health and welfare 8% of total expenses for governmental activities during the fiscal year ended December 31, 2016.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III

Total and Net Cost of Services  
As of December 31, 2017

	Total Cost Year Ended December 31, 2017	Total Cost Year Ended December 31, 2017
General Government	988,451	920,855
Public Safety	274,647	182,877
Highways and Public Improvement	2,578,978	482,163
Health and Welfare	272,970	226,967
Urban and Economic Development	44,071	44,071
Culture and Recreation	5,567	5,567
Conservation and Economic Dvlpmnt.	114,604	97,494
Other	44,810	44,810
Interest on Long-Term Debt	13,552	13,552
<b>Total Expenses</b>	<b>4,337,650</b>	<b>2,018,356</b>

Total and Net Cost of Services  
As of December 31, 2016

	Total Cost Year Ended December 31, 2016	Total Cost Year Ended December 31, 2016
General Government	900,515	839,330
Public Safety	235,862	153,664
Highways and Public Improvement	1,855,323	465,829
Health and Welfare	265,232	222,648
Urban and Economic Development	52,048	52,048
Culture and Recreation	5,163	5,163
Conservation and Economic Dvlpmnt.	102,770	95,550
Other	28,874	28,874
Interest on Long-Term Debt	17,692	17,692
<b>Total Expenses</b>	<b>3,463,480</b>	<b>1,880,800</b>

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the county's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the county's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The county's governmental funds had total revenue of \$4,104,572 and expenditures of \$4,369,813 for the year ended December 31, 2017. As of December 31, 2017, the unassigned fund balance of the county's general fund was \$594,753 and the total unassigned fund balance for all of the county's governmental funds was \$594,389. The county's governmental funds had total revenue of \$3,396,512 and expenditures of \$4,228,122 for the year ended December 31, 2016. As of December 31, 2016, the unassigned fund balance of the county's general fund was \$709,613 and total unassigned fund balances for all the county's governmental funds was \$704,173.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal years 2017 and 2016, the county did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2017 was \$95,235 more than budgeted. This budget variance was the result of the county not including an estimated amount for property tax relief as part of intergovernmental revenues. Actual expenditures for the year ended December 31, 2017 were under budget by \$309,641. This budget variance was the result of unspent budget for capital outlay and various line items under general government.

Actual revenue for the year ended December 31, 2016 was \$104,954 less than budgeted. This budget variance was due to the county overestimating the total of taxes collected. Actual expenditures for the year ended December 31, 2016 were under budget by \$240,035. This budget variance was the result of unspent budget for capital outlay, various line items under general government and unspent budget for Public Safety/ Homeland Security line item under public safety.

**CAPITAL ASSETS**

As of December 31, 2017 and 2016, the county had \$559,944 and \$648,265, respectively, invested in capital assets. Table IV shows the balances as of December 31, 2017, 2016 and 2015.

Table IV  
Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2017 and 2016  
(With comparative totals for December 31, 2015)

	2017	2016	2015
Land	13,350	13,350	13,350
Buildings	11,772	12,852	13,932
Machinery and Vehicles	534,822	622,063	645,761
Total (net of depreciation)	559,944	648,265	673,043
	=====	=====	=====

As of December 31, 2017, this total represents a decrease of \$88,321 in capital assets from January 1, 2017. As of December 31, 2016, this total represents a decrease of \$24,778 in capital assets from January 1, 2016.

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 6 to the audited financial statements which follow this analysis.

#### **DEBT ADMINISTRATION**

As of December 31, 2017, the county had \$534,026 in outstanding debt of which \$163,188 was due within one year. As of December 31, 2016, the county had \$701,226 in outstanding debt of which \$166,634 was due within one year. During fiscal year 2016, the county issued two new long-term debt obligations:

General Obligation Bonds in the amount of 500,000. The county issued the General Obligation Bonds of 2016 to refinance the Certificate of Indebtedness of 2011. These bonds will have a final payment on June 1, 2020.

Capital Lease Payable in the amount of \$9,200. The county obtained financing from Stock Growers Bank for the purchase of a 2017 Ford Explorer. This lease was paid off during 2017.

For a detailed breakdown of the long-term debt, readers are referred to Note 11 to the audited financial statements which follow this analysis.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers and creditors with a general overview of the county's finances and to show the county's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Brenda Fischer, County Auditor, Logan County, Napoleon, ND 58561.

LOGAN COUNTY  
Napoleon, North Dakota

Statement of Net Position  
December 31, 2017

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Job Development Authority
<b>ASSETS:</b>			
Cash and Investments	3,421,779.39	161,612.78	63,457.37
Accounts Receivable	5,396.84		
Taxes Receivable	43,619.38	1,774.96	
Economic Development Loans Receivable			42,826.05
Capital Assets (net of accumulated depreciation):			
Land	13,350.00		
Buildings	11,772.00		
Machinery and Vehicles	534,822.00		
Total Capital Assets	559,944.00		
Total Assets	4,030,739.61	163,387.74	106,283.42
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Changes in Resources Related to Pensions	283,858.00		
<b>LIABILITIES:</b>			
Accounts Payable	20,294.55		
Interest Payable	1,800.26		
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	43,187.59		
General Obligation Bonds Payable	120,000.00		
Due After One Year:			
Capital Leases Payable	78,518.63		
General Obligation Bonds Payable	265,000.00		
Compensated Absences Payable	27,319.61		
Net Pension Liability	726,102.00		
Total Liabilities	1,282,222.64		
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Changes in Resources Related to Pensions	42,914.00		
<b>NET POSITION:</b>			
Net Investment in Capital Assets	443,327.78		
Restricted for:			
Debt Service	35,650.16		
Special Purposes	2,035,306.46		
Unrestricted	475,176.57	163,387.74	106,283.42
Total Net Position	2,989,460.97	163,387.74	106,283.42

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Statement of Net Position  
December 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Job Development Authority
<b>ASSETS:</b>			
Cash and Investments	3,776,951.51	138,126.47	38,270.49
Accounts Receivable	9,183.65		
Taxes Receivable	33,527.30	1,416.87	
Economic Development Loans Receivable			46,883.56
Capital Assets (net of accumulated depreciation):			
Land	13,350.00		
Buildings	12,852.00		
Machinery and Vehicles	622,063.00		
Total Capital Assets	648,265.00		
Total Assets	4,467,927.46	139,543.34	85,154.05
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Changes in Resources Related to Pensions	150,338.00		
<b>LIABILITIES:</b>			
Accounts Payable	114,012.39		
Interest Payable	2,326.20		
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	51,633.80		
General Obligation Bonds Payable	115,000.00		
Due After One Year:			
Capital Leases Payable	121,706.22		
General Obligation Bonds Payable	385,000.00		
Compensated Absences Payable	27,886.47		
Net Pension Liability	479,912.00		
Total Liabilities	1,297,477.08		
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Changes in Resources Related to Pensions	108,342.00		
<b>NET POSITION:</b>			
Net Investment in Capital Assets	485,104.98		
Restricted for:			
Debt Service	4,642.42		
Special Purposes	2,054,760.79		
Unrestricted	667,938.19	139,543.34	85,154.05
Total Net Position	3,212,446.38	139,543.34	85,154.05

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Statement of Activities  
For the Year Ended December 31, 2017

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government	Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District	Job Development Authority
<b>Functions/Programs</b>						
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General Government	988,451.48	31,824.79	35,771.34	(920,855.35)		
Public Safety	274,647.12	41,577.57	50,192.98	(182,876.57)		
Highways and Public Improve.	2,578,977.83	199,338.28	1,897,476.46	(482,163.09)		
Health and Welfare	272,969.91	1,310.00	44,693.10	(226,966.81)		
Urban and Economic Development	44,070.61			(44,070.61)		
Culture and Recreation	5,567.21			(5,567.21)		
Conser. and Economic Dvlpmnt.	114,604.12	17,109.75		(97,494.37)		
Other	44,809.71			(44,809.71)		
Interest on Long-term Debt	13,551.88			(13,551.88)		
<b>Total Governmental Activities</b>	<b>4,337,649.87</b>	<b>291,160.39</b>	<b>2,028,133.88</b>	<b>(2,018,355.60)</b>		
<b>Component Unit:</b>						
Water Resource District	32,093.12				(32,093.12)	
Job Development Authority	42,730.17		10,000.00			(32,730.17)
<b>Total Component Units</b>	<b>74,823.29</b>		<b>10,000.00</b>		<b>(32,093.12)</b>	<b>(32,730.17)</b>
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes; levied for general purposes				555,286.70	55,614.60	44,070.61
Property taxes; levied for special purposes				546,268.93		
Property taxes; levied for debt service				136,109.79		
Telecommunications taxes				17,003.46		
Mobile home taxes				2.93		
Homestead tax credit				6,863.52		
Veteran's tax credit				1,152.93		
<b>State aid not restricted to specific program:</b>						
State aid distribution				305,114.89		
Property tax relief				175,919.03		
Earnings on investments and other revenue				51,648.01	322.92	9,788.93
<b>Total General Revenues</b>				<b>1,795,370.19</b>	<b>55,937.52</b>	<b>53,859.54</b>
<b>Change in Net Position</b>				<b>(222,985.41)</b>	<b>23,844.40</b>	<b>21,129.37</b>
<b>Net Position - January 1</b>				<b>3,212,446.38</b>	<b>139,543.34</b>	<b>85,154.05</b>
<b>Net Position - December 31</b>				<b>2,989,460.97</b>	<b>163,387.74</b>	<b>106,283.42</b>

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Statement of Activities  
For the Year Ended December 31, 2016

				Net (Expense) Revenue and Changes in Net Position		
	Program Revenues			Primary Government	Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District	Job Development Authority
<b><u>Functions/Programs</u></b>						
<b>Primary Government:</b>						
<b><u>Governmental Activities:</u></b>						
General Government	900,515.04	26,887.72	34,297.17	(839,330.15)		
Public Safety	235,861.85	33,467.89	48,729.50	(153,664.46)		
Highways and Public Improve.	1,855,322.75	179,031.11	1,210,462.42	(465,829.22)		
Health and Welfare	265,232.07	944.44	41,639.35	(222,648.28)		
Urban and Economic Development	52,048.48			(52,048.48)		
Culture and Recreation	5,162.89			(5,162.89)		
Conser. and Economic Dvlpmnt.	102,769.95	7,220.01		(95,549.94)		
Other	28,874.06			(28,874.06)		
Interest on Long-term Debt	17,692.41			(17,692.41)		
<b>Total Governmental Activities</b>	<b>3,463,479.50</b>	<b>247,551.17</b>	<b>1,335,128.44</b>	<b>(1,880,799.89)</b>		
=====						
<b>Component Units:</b>						
Water Resource District	12,688.71				(12,688.71)	
Job Development Authority	30,937.13					(30,937.13)
<b>Total Component Units</b>	<b>43,625.84</b>				<b>(12,688.71)</b>	<b>(30,937.13)</b>
=====						
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes; levied for general purposes				619,005.61	58,731.25	52,048.48
Property taxes; levied for special purposes				525,152.07		
Property taxes; levied for debt service				84,735.02		
Telecommunications taxes				17,003.46		
Mobile home taxes				2,926.11		
Homestead tax credit				6,664.56		
Veteran's tax credit				1,016.89		
State aid not restricted to specific program:						
State aid distribution				335,434.23		
Property tax relief				174,860.68		
Earnings on investments and other revenue				43,953.90	179.42	2,269.24
<b>Total General Revenues</b>				<b>1,810,752.53</b>	<b>58,910.67</b>	<b>54,317.72</b>
<b>Change in Net Position</b>				<b>(70,047.36)</b>	<b>46,221.96</b>	<b>23,380.59</b>
<b>Net Position - January 1</b>				<b>3,282,493.74</b>	<b>93,321.38</b>	<b>61,773.46</b>
<b>Net Position - December 31</b>				<b>3,212,446.38</b>	<b>139,543.34</b>	<b>85,154.05</b>
=====						

The accompanying notes are an integral part of these financial statements.



LOGAN COUNTY  
Napoleon, North Dakota

Balance Sheet  
Governmental Funds  
December 31, 2017

Major Funds

	General	Highway	Unorganized Road	FAS/ER 2011 Disaster Loan	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Investments	596,395.92	910,629.65	490,043.53	467,892.12	956,818.17	3,421,779.39
Interfund Receivable	51.80					51.80
Accounts Receivable	2,132.00	3,264.84				5,396.84
Taxes Receivable	22,952.59				20,666.79	43,619.38
<b>Total Assets</b>	<b>621,532.31</b>	<b>913,894.49</b>	<b>490,043.53</b>	<b>467,892.12</b>	<b>977,484.96</b>	<b>3,470,847.41</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Interfund Payable					51.80	51.80
Accounts Payable	3,827.13	479.92			15,987.50	20,294.55
<b>Total Liabilities</b>	<b>3,827.13</b>	<b>479.92</b>			<b>16,039.30</b>	<b>20,346.35</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue	22,952.59				20,666.79	43,619.38
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>26,779.72</b>	<b>479.92</b>			<b>36,706.09</b>	<b>63,965.73</b>
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
General Government					7,825.02	7,825.02
Public Safety					90,217.31	90,217.31
Highways and Public Improvements		913,414.57	490,043.53	467,892.12	44,820.22	1,916,170.44
Health and Welfare					128,296.39	128,296.39
Urban and Economic Development					200.41	200.41
Culture and Recreation					150.37	150.37
Conservation and Economic Development					132,652.29	132,652.29
Emergency Services					144,891.24	144,891.24
Other Purposes					3,410.61	3,410.61
Debt Service					30,760.71	30,760.71
<b>Assigned to:</b>						
General Government					82,356.45	82,356.45
Public Safety					8,092.41	8,092.41
Building Projects					212,399.89	212,399.89
Other Purposes					55,069.18	55,069.18
Unassigned	594,752.59				(363.63)	594,388.96
<b>Total Fund Balances</b>	<b>594,752.59</b>	<b>913,414.57</b>	<b>490,043.53</b>	<b>467,892.12</b>	<b>940,778.87</b>	<b>3,406,881.68</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>621,532.31</b>	<b>913,894.49</b>	<b>490,043.53</b>	<b>467,892.12</b>	<b>977,484.96</b>	<b>3,470,847.41</b>

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Balance Sheet  
Governmental Funds  
December 31, 2016

Major Funds

	General	Highway	Unorganized Road	FAS/ER 2011 Disaster Loan	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Investments	716,567.50	950,460.33	612,750.89	487,371.62	1,009,801.17	3,776,951.51
Interfund Receivable	1,345.98					1,345.98
Accounts Receivable	1,455.00	7,728.65				9,183.65
Taxes Receivable	18,434.33				15,092.97	33,527.30
<b>Total Assets</b>	<b>737,802.81</b>	<b>958,188.98</b>	<b>612,750.89</b>	<b>487,371.62</b>	<b>1,024,894.14</b>	<b>3,821,008.44</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Interfund Payable					1,345.98	1,345.98
Accounts Payable	9,755.83	95,571.52	114.43		8,570.61	114,012.39
<b>Total Liabilities</b>	<b>9,755.83</b>	<b>95,571.52</b>	<b>114.43</b>		<b>9,916.59</b>	<b>115,358.37</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue	18,434.33				15,092.97	33,527.30
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>28,190.16</b>	<b>95,571.52</b>	<b>114.43</b>		<b>25,009.56</b>	<b>148,885.67</b>
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
General Government					9,259.71	9,259.71
Public Safety					68,050.70	68,050.70
Highways and Public Improvements		862,617.46	612,636.46	487,371.62	18,597.33	1,981,222.87
Health and Welfare					128,766.05	128,766.05
Urban and Economic Development					146.28	146.28
Culture and Recreation					92.99	92.99
Conservation and Economic Development					147,019.13	147,019.13
Emergency Services					211,512.95	211,512.95
Other Purposes					3,048.96	3,048.96
Debt Service					2,393.10	2,393.10
<b>Assigned to:</b>						
General Government					121,800.23	121,800.23
Public Safety					62.29	62.29
Building Projects					231,179.98	231,179.98
Other Purposes					63,394.84	63,394.84
Unassigned	709,612.65				(5,439.96)	704,172.69
<b>Total Fund Balances</b>	<b>709,612.65</b>	<b>862,617.46</b>	<b>612,636.46</b>	<b>487,371.62</b>	<b>999,884.58</b>	<b>3,672,122.77</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>737,802.81</b>	<b>958,188.98</b>	<b>612,750.89</b>	<b>487,371.62</b>	<b>1,024,894.14</b>	<b>3,821,008.44</b>

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2017

Total Fund Balances for Governmental Funds	3,406,881.68
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Total net position reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	1,813,761.00	
Less Accumulated Depreciation	(1,253,817.00)	
Net Capital Assets		559,944.00

Property taxes 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 unavailable revenue in the funds.	43,619.38
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The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	283,858.00	
Total Deferred Inflows of Resources	(42,914.00)	
Net Deferred Outflows/Inflows of Resources		240,944.00

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	(121,706.22)	
General Obligation Bonds Payable	(385,000.00)	
Interest Payable	(1,800.26)	
Compensated Absences Payable	(27,319.61)	
Net Pension Liability	(726,102.00)	
Total Long-Term Liabilities		(1,261,928.09)

Total Net Position of Governmental Activities	2,989,460.97

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2016

Total Fund Balances for Governmental Funds		3,672,122.77
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	1,798,061.00	
Less Accumulated Depreciation	(1,149,796.00)	
Net Capital Assets		648,265.00
<p>Property taxes 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 unavailable revenue in the funds.</p>		
		33,527.30
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources	150,338.00	
Total Deferred Inflows of Resources	(108,342.00)	
Net Deferred Outflows/Inflows of Resources		41,996.00
<p>Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:</p>		
Capital Leases Payable	(173,340.02)	
General Obligation Bonds Payable	(500,000.00)	
Interest Payable	(2,326.20)	
Compensated Absences Payable	(27,886.47)	
Net Pension Liability	(479,912.00)	
Total Long-Term Liabilities		(1,183,464.69)
Total Net Position of Governmental Activities		3,212,446.38
		=====

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2017

Major Funds

	General	Highway	Unorganized Road	FAS/ER 2011 Disaster Loan	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	565,668.62		151,943.00		526,968.11	1,244,579.73
Licenses, Permits and Fees	1,035.00				38,278.07	39,313.07
Intergovernmental	429,155.64	1,751,578.45	127,004.38	5,966.48	196,517.74	2,510,222.69
Charges for Services	34,259.29	187,536.28			30,051.75	251,847.32
Miscellaneous	43,206.51	2,086.45	3,697.09		9,619.52	58,609.57
<b>Total Revenues</b>	<b>1,073,325.06</b>	<b>1,941,201.18</b>	<b>282,644.47</b>	<b>5,966.48</b>	<b>801,435.19</b>	<b>4,104,572.38</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	846,497.86				94,605.63	941,103.49
Public Safety	218,830.61				44,048.07	262,878.68
Highways and Public Improve.		1,769,091.39	405,237.40	807.25	290,368.03	2,465,504.07
Health and Welfare					274,115.56	274,115.56
Urban and Economic Development					44,070.61	44,070.61
Culture and Recreation	1,860.00				3,655.61	5,515.61
Conser. and Economic Dvlpmnt.					114,604.12	114,604.12
Other	1,086.68				43,723.03	44,809.71
Capital Outlay		36,500.00				36,500.00
<b>Debt Service:</b>						
Principal	2,545.00	37,343.80			126,745.00	166,633.80
Interest		3,107.61			10,970.21	14,077.82
<b>Total Expenditures</b>	<b>1,070,820.15</b>	<b>1,846,042.80</b>	<b>405,237.40</b>	<b>807.25</b>	<b>1,046,905.87</b>	<b>4,369,813.47</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,504.91</b>	<b>95,158.38</b>	<b>(122,592.93)</b>	<b>5,159.23</b>	<b>(245,470.68)</b>	<b>(265,241.09)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In		24,638.73			193,460.97	218,099.70
Transfers Out	(117,364.97)	(69,000.00)		(24,638.73)	(7,096.00)	(218,099.70)
<b>Total Other Financing Sources (Uses)</b>	<b>(117,364.97)</b>	<b>(44,361.27)</b>		<b>(24,638.73)</b>	<b>186,364.97</b>	
<b>Net Change in Fund Balances</b>	<b>(114,860.06)</b>	<b>50,797.11</b>	<b>(122,592.93)</b>	<b>(19,479.50)</b>	<b>(59,105.71)</b>	<b>(265,241.09)</b>
<b>Fund Balance - January 1</b>	<b>709,612.65</b>	<b>862,617.46</b>	<b>612,636.46</b>	<b>487,371.62</b>	<b>999,884.58</b>	<b>3,672,122.77</b>
<b>Fund Balance - December 31</b>	<b>594,752.59</b>	<b>913,414.57</b>	<b>490,043.53</b>	<b>467,892.12</b>	<b>940,778.87</b>	<b>3,406,881.68</b>

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2016

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway	Unorganized Road	FAS/ER 2011 Disaster Loan		
<b>Revenues:</b>						
Taxes	625,112.59		144,732.55		482,057.08	1,251,902.22
Licenses, Permits and Fees	1,570.00				31,808.08	33,378.08
Intergovernmental	478,564.68	911,410.01	233,577.95	63,241.82	159,086.30	1,845,880.76
Charges for Services	27,921.97	160,151.22			26,099.90	214,173.09
Miscellaneous	23,063.89	16,199.13	489.00		11,425.92	51,177.94
<b>Total Revenues</b>	<b>1,156,233.13</b>	<b>1,087,760.36</b>	<b>378,799.50</b>	<b>63,241.82</b>	<b>710,477.28</b>	<b>3,396,512.09</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	849,441.39				28,286.73	877,728.12
Public Safety	168,081.58				57,205.67	225,287.25
Highways and Public Improve.		1,220,293.81	317,916.08	34,976.33	172,825.53	1,746,011.75
Health and Welfare					268,833.11	268,833.11
Urban and Economic Development					52,048.48	52,048.48
Culture and Recreation	1,440.15				3,502.44	4,942.59
Conser. and Economic Dvlpmnt.					102,769.95	102,769.95
Other	3,588.80				25,285.26	28,874.06
Capital Outlay		68,055.00			28,598.00	96,653.00
<b>Debt Service:</b>						
Principal	40,302.49	96,039.98	60,000.00	500,000.00	109,313.61	805,656.08
Interest		4,411.43			14,905.76	19,317.19
<b>Total Expenditures</b>	<b>1,062,854.41</b>	<b>1,388,800.22</b>	<b>377,916.08</b>	<b>534,976.33</b>	<b>863,574.54</b>	<b>4,228,121.58</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>93,378.72</b>	<b>(301,039.86)</b>	<b>883.42</b>	<b>(471,734.51)</b>	<b>(153,097.26)</b>	<b>(831,609.49)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In	101,920.52		36,940.01	102,303.00	257,266.00	498,429.53
Transfers Out	(201,840.00)	(81,690.61)	(16,821.45)		(198,077.47)	(498,429.53)
Proceeds from Capital Lease					9,200.00	9,200.00
General Obligation Bonds Issued				500,000.00		500,000.00
<b>Total Other Financing Sources (Uses)</b>	<b>(99,919.48)</b>	<b>(81,690.61)</b>	<b>20,118.56</b>	<b>602,303.00</b>	<b>68,388.53</b>	<b>509,200.00</b>
<b>Net Change in Fund Balances</b>	<b>(6,540.76)</b>	<b>(382,730.47)</b>	<b>21,001.98</b>	<b>130,568.49</b>	<b>(84,708.73)</b>	<b>(322,409.49)</b>
<b>Fund Balance - January 1</b>	<b>716,153.41</b>	<b>1,245,347.93</b>	<b>591,634.48</b>	<b>356,803.13</b>	<b>1,084,593.31</b>	<b>3,994,532.26</b>
<b>Fund Balance - December 31</b>	<b>709,612.65</b>	<b>862,617.46</b>	<b>612,636.46</b>	<b>487,371.62</b>	<b>999,884.58</b>	<b>3,672,122.77</b>

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, 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 (265,241.09)

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

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

Current Year Capital Outlay	36,500.00	
Current Year Depreciation Expense	(124,821.00)	(88,321.00)

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

Debt Proceeds	0.00	
Repayment of Debt	166,633.80	166,633.80

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

Net Decrease in Interest Payable	525.94	
Net Decrease in Compensated Absences	566.86	
Net Increase to Pension Expense	(47,242.00)	(46,149.20)

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

Net Increase in Taxes Receivable		10,092.08

Change in Net Position of Governmental Activities (222,985.41)

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The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, 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, 2016

Net Change in Fund Balances - Total Governmental Funds (322,409.49)

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

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

Current Year Capital Outlay	96,653.00	
Current Year Depreciation Expense	(121,431.00)	(24,778.00)

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

Debt Proceeds	(509,200.00)	
Repayment of Debt	805,656.08	296,456.08

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

Net Decrease in Interest Payable	1,624.78	
Net Decrease in Compensated Absences	5,833.22	
Net Increase to Pension Expense	(23,694.00)	(16,236.00)

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

Net Decrease in Taxes Receivable		(3,079.95)

Change in Net Position of Governmental Activities (70,047.36)

The accompanying notes are an integral part of these financial statements.



LOGAN COUNTY  
Napoleon, North Dakota

Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2017

	Agency Funds
<u>Assets:</u>	
Cash and Investments	942,119.70 =====
<u>Liabilities:</u>	
Due to Other Governments	942,119.70 =====

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2016

	Agency Funds
<u>Assets:</u>	
Cash and Investments	808,519.56 =====
<u>Liabilities:</u>	
Due to Other Governments	808,519.56 =====

The accompanying notes are an integral part of these financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Notes to the Financial Statements  
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial 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 are such that exclusion would cause the county's financial statements to be misleading or incomplete. The Government 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 Logan County.

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

Discretely Presented Component Units: The component unit's column in the basic financial statements include the financial data of the county's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the county.

Logan County Water Resource District: The Logan County Water Resource District's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the water resource district budget. The water resource district has the authority to issue its own debt.

Logan County Job Development Authority: The Logan County Job Development Authority's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the job development authority budget. The job development authority has the authority to issue its own debt.

The financial statements of the discretely presented component units are presented in the basic financial statements. Additional information may be obtained from the Logan County Auditor; 301 Broadway; Napoleon, ND 58561.

## B. Basis of Presentation

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government, Logan County and its component unit. 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 nonexchange 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 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 nonmajor funds.

The county reports the following major governmental funds:

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

*Highway Fund.* This fund accounts for the Highway Tax distribution from the State of North Dakota and other grants received from the state to be used for the maintenance and repair of roads within the county.

*Unorganized Road.* This is the county's primary road maintenance fund. It accounts for a special levy, various grants from the State of North Dakota and all financial resources related to highway maintenance, except those required to be accounted for in another fund.

*FAS/ER 2011 Disaster Loan.* This fund accounts for the proceeds from the General Obligation Bonds of 2011 and Certificate of Indebtedness of 2011 used by the county for the purpose of repairing county roads and infrastructure affected by flooding.

The county reports the following fund type:

*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.

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

*Government-wide and Fiduciary Fund Financial Statements:* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These 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. Nonexchange transactions, in which the county gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. Cash and Investments

Cash include amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the county as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 construction phase of capital assets is not capitalized.

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

Buildings	75 to 100 years
Machinery and Vehicles	5 to 30 years

#### F. Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. Employees are allowed to accumulate a maximum of 30 days of vacation leave and compensation for unused leave will be granted to all full-time employees upon termination of employment with the county. Upon termination of employment, employees will be paid for unused vacation benefits that have accumulated through the last day of work at the employee's current rate of pay. Compensated absences represent the liability of the county for this employee benefit.

No liability is recorded for nonvesting accumulating rights to receive sick leave benefits.

#### G. Long-Term Obligations

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

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

#### H. Pension

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

#### I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the county is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

**Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the county or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

**Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the governing board through the adoption of a resolution. The governing board also may modify or rescind the commitment.

**Assigned** - Fund balances are reported as assigned when amounts are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The county reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

**Flow Assumptions** - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the county's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the county's policy to use fund balance in the following order:

- \* Committed
- \* Assigned
- \* Unassigned

**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the county has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

#### 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. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investments 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 any 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 other securities approved by the banking board.

At December 31, 2017 the county's carrying amount of deposits was \$4,363,414 and the bank balance was \$4,557,439. Of the bank balance, \$946,909 was covered by Federal Depository Insurance. The remaining balance of \$3,610,529 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2016 the county's carrying amount of deposits was \$4,585,092 and the bank balance was \$4,696,748. Of the bank balance, \$946,773 was covered by Federal Depository Insurance. The remaining balance of \$3,749,975 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- (1) 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.
- (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.
- (4) Obligations of the State.

At December 31, 2017 the county held certificates of deposit in the amount of \$342,736, which are all considered deposits.

At December 31, 2016 the county held certificates of deposit in the amount of \$342,524, which are all considered deposits.

Concentration of Credit Risk

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



Note 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due the county at December 31. No allowance has been established for estimated uncollectible accounts receivable.

Note 4 TAXES RECEIVABLE

Taxes receivable represents the past two years of uncollected current and delinquent taxes. 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 tax 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 all the special assessments 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 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 discount on the property taxes.

Note 4A ECONOMIC DEVELOPMENT LOANS RECEIVABLE

Economic loans receivable consist of loans made to area businesses from the Logan County Job Development Authority. The following amounts are outstanding at December 31, 2017.

Napoleon Floral and Trophy Haus	4,402.32
Mabel's Bakery	38,423.73
Total	<u>42,826.05</u> =====

Note 5 INTERFUND RECEIVABLES/PAYABLES

The interfund receivable/payable is created by the negative cash balance in the county agent fund. The amounts shown as interfund payables represent the amount of negative cash in this fund. The interfund receivable/payable for the years ended December 31, 2017 and 2016 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2017</u>		
General Fund	51.80	
County Agent		51.80
<u>December 31, 2016</u>		
General Fund	1,345.98	
County Agent		1,345.98

Note 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2017 and 2016:

December 31, 2017

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not   being depreciated:</i>				
Land	13,350			13,350
<i>Capital assets   being depreciated:</i>				
Buildings	96,030			96,030
Machinery & Vehicles	1,688,681	36,500	20,800	1,704,380
Total	<u>1,784,711</u>	<u>36,500</u>	<u>20,800</u>	<u>1,800,410</u>
<i>Less accumulated depreciation for:</i>				
Buildings	83,178	1,080		84,258
Machinery & Vehicles	1,066,618	123,741	20,800	1,169,559
Total	<u>1,149,796</u>	<u>124,821</u>	<u>20,800</u>	<u>1,253,817</u>
Total capital assets being depreciated, net	634,915	(88,321)		546,594
Governmental Activities Capital Assets, Net	<u>648,265</u>	<u>(88,321)</u>	<u>-0-</u>	<u>559,944</u>

December 31, 2016

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not   being depreciated:</i>				
Land	13,350			13,350
<i>Capital assets   being depreciated:</i>				
Buildings	96,030			96,030
Machinery & Vehicles	1,592,028	96,653		1,688,681
Total	<u>1,688,058</u>	<u>96,653</u>		<u>1,784,711</u>
<i>Less accumulated depreciation for:</i>				
Buildings	82,098	1,080		83,178
Machinery & Vehicles	946,267	120,351		1,066,618
Total	<u>1,028,365</u>	<u>121,431</u>		<u>1,149,796</u>
Total capital assets being depreciated, net	659,693	(24,778)		634,915
Governmental Activities Capital Assets, Net	<u>673,043</u>	<u>(24,778)</u>	<u>-0-</u>	<u>648,265</u>

Depreciation expense was charged to functions/programs of the county as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
General Government	4,424	4,024
Public Safety	9,707	9,707
Highways and Public Improve.	110,690	107,700
Total Depreciation Expense	<u>124,821</u>	<u>121,431</u>
	=====	=====

Note 7 ACCOUNTS PAYABLE

Accounts payable consist of amounts on open account for goods and services received prior to December 31 and chargeable to the appropriations for the periods then ended, but paid for subsequent to that date.

Note 8 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to December 31, 2017 and 2016.

Note 9 UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable.

Note 10 CAPITAL LEASES PAYABLE

The county has entered into the following lease agreements.

Lease-purchase of Vanguard Appraisals services agreement due in a final installment of \$5,090.00 through December 18, 2017.	5,090.00
Lease-purchase of JD 772GP motor grader due in annual installments of \$40,451.41, which includes interest at 2% through June 26, 2020.	116,616.22
	<hr/>
Total Capital Leases	121,706.22
	=====

These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under these capital leases, and the net present value of the minimum lease payments at December 31, 2017;

Year Ending <u>December 31</u>	<u>Payments</u>
2018	45,541.41
2019	40,451.41
2020	40,451.41
Total minimum lease payments	126,444.23
Less: amount representing interest	(4,738.01)
Present value of future minimum lease payments	121,706.22
	=====

Note 11 LONG TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2017 and 2016, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

December 31, 2017:

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Leases Payable	173,340		51,634	121,706	43,188
General Obligation Bonds Payable	500,000		115,000	385,000	120,000
Total	673,340	-0-	166,634	506,706	163,188
	=====	=====	=====	=====	=====

December 31, 2016:

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Leases Payable	231,075	9,200	66,935	173,340	51,634
General Obligation Bonds Payable	238,056	500,000	238,056	500,000	115,000
Certificate of Indebt. Payable	500,665		500,665		
Total	969,796	509,200	805,656	673,340	166,634
	=====	=====	=====	=====	=====

Outstanding debt at December 31, 2017 consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2017, is as follows:

General Obligation Bonds. The county issued general obligation debt to provide funding for the purpose of repairing roads and infrastructure damaged by flooding during 2011.

\$500,000.00 General Obligation Bonds of 2016, due in annual installments of \$120,000 to \$135,000 through June 1, 2020; interest is at 2.25%.	385,000.00 =====
--	---------------------

The annual requirements to amortize the outstanding general obligation bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	120,000.00	22,750.00
2019	130,000.00	14,000.00
2020	135,000.00	4,725.00
Total	385,000.00 =====	41,475.00 =====

Note 12 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2017</u>		
County Agent	48,096.00	
General Fund		41,000.00
Weed Control		7,096.00
Farm to Market Roads	69,000.00	
Highway Tax Distribution		69,000.00
To subsidize expenditures.		
Courthouse Building	16,364.97	
Patrol Car Replacement	17,500.00	
Vehicle Replacement	12,500.00	
General Fund		46,364.97
Automation and Telecom.	30,000.00	
General Fund		30,000.00
Annual budgeted transfers.		
HB 1358 State Aid Red		
Lake/Dixon	24,638.73	
FAS/ER 2011 Disaster Loan		24,638.73
To cover county's share of road project.		

December 31, 2016

General Fund	81,420.52	
Social Security		32,163.22
Advertising		4,265.92
County Loan		302.60
Abandoned Cemeteries		2,053.27
Insurance Reserve		34,140.22
Comprehensive Health		8,495.29

To close funds with discontinued levies.

Unorganized Road Township		
Oil Revenue	16,821.45	
Unorganized Road and Bridge		
Oil Revenue		16,821.45

To close fund.

County Agent	46,976.00	
General Fund		40,000.00
Weed Control		6,976.00

Farm to Market Roads	48,000.00	
Highway Tax Distribution		48,000.00

To subsidize expenditures.

Unorganized Road	20,118.56	
FAS/ER 2011 Disaster Loan	84,192.39	
FEMA Disaster Fund		104,310.95

To provide share of FEMA.

FAS/ER 2011 Disaster Loan	18,110.61	
Highway Tax Distribution		18,110.61

To reimburse prior years expenditures.

Courthouse Building	75,000.00	
Patrol Car Replacement	17,500.00	
Vehicle Replacement	12,500.00	
General Fund		105,000.00

Automation and Telecom.	57,290.00	
General Fund		56,840.00
Computer Replacement		450.00

Annual budgeted transfers.

General Fund	20,500.00	
Highway Tax Distribution		15,580.00
County Human Services		4,920.00

Annual transfers to fund health insurance expense.

Note 13 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31:

	<u>2017</u>	<u>2016</u>
<u>Special Revenue Funds</u>		
Farm to Market Roads	(311.83)	(4,093.98)
County Agent	(51.80)	(1,345.98)
 <u>Agency Fund</u>		
Dakota Access Pipeline Expense		(19,017.06)

The county plans to eliminate these deficits with future revenue collections and/or transfers from other funds.

Note 14 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the Logan County Senior Citizens and Logan County Historical Society. However, the county's accountability for these entities does not extend beyond levying the tax. In 2017 and 2016, the county remitted \$41,760.66 and \$41,217.23 to the senior citizens, and \$3,655.61 and \$3,502.44 to the historical society respectively.

Note 15 RISK MANAGEMENT

Logan 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 (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. The county pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$1,423,891 for public assets.

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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the county with a blanket fidelity bond coverage in the amount of \$1,283,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The county has worker's compensation with the Department of 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 fiscal years.

Note 16 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 NDPERS plan is financed by investment income and contributions.

Responsibility for administration of the NDPERS benefits program 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 active membership of the NDPERS system; and one member elected by the retired public employees.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.



### **Refunds of Member Account Balance**

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

### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. 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 25 months of service -  
Greater of two percent of monthly salary or \$25
- 25 to 36 months of service -  
Greater of three percent of monthly salary or \$25
- Longer than 36 months of service -  
Greater of four percent of monthly salary or \$25

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

At December 31, 2017, Logan County reported a liability of \$726,102 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016 the county's proportion was .074708 percent, which was an increase of .004131 from its proportion measured as of June 30, 2015.

For the year ended December 31, 2017 the county recognized pension expense of \$107,845. 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	10,938	6,742
Changes in assumptions	101,580	36,172
Net difference between projected and actual earnings on pension plan investments	67,122	
Changes in proportion and differences between employer contributions and proportionate share of contributions	49,624	
County contributions subsequent to the measurement date (see below)	54,594	
Total	----- 283,858 =====	----- 42,914 =====

\$54,594 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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 ended June 30:	
-----	
2018	35,847
2019	35,847
2020	58,007
2021	41,104
2022	15,545
Thereafter	0

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

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

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table 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 Retiree Morality Table with ages set back one year for males (not set back for females) multiplied by 125%.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 audits, 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*.

### 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 county's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the county's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

April 27, 2018

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, budgeting comparison information on pages 42 through 50 and the schedule of employer's share of net pension liability on page 51 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity arising from cash transactions are the responsibility of management and were derived from and relate 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 audits 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 schedules of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018 on our consideration of the 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 the county's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

April 27, 2018

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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 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 Equity Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
The county's proportionate share of the net pension liability	1,032,799	728,102	471,379

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

LOGAN COUNTY  
Napoleon, 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)
<u>Revenues:</u>				
Taxes	659,205.00	659,205.00	565,668.62	(93,536.38)
Licenses, Permits and Fees	600.00	600.00	1,035.00	435.00
Intergovernmental	263,285.00	263,285.00	429,155.64	165,870.64
Charges for Services	27,100.00	27,100.00	34,259.29	7,159.29
Miscellaneous	27,900.00	27,900.00	43,206.51	15,306.51
<b>Total Revenues</b>	<b>978,090.00</b>	<b>978,090.00</b>	<b>1,073,325.06</b>	<b>95,235.06</b>
<u>Expenditures:</u>				
Current:				
General Government	1,015,420.00	1,015,420.00	846,497.86	168,922.14
Public Safety	272,766.00	272,766.00	218,830.61	53,935.39
Culture and Recreation			1,860.00	(1,860.00)
Other	1,775.00	1,775.00	1,086.68	688.32
Capital Outlay	50,000.00	50,000.00		50,000.00
Debt Service:				
Principal	40,500.00	40,500.00	2,545.00	37,955.00
<b>Total Expenditures</b>	<b>1,380,461.00</b>	<b>1,380,461.00</b>	<b>1,070,820.15</b>	<b>309,640.85</b>
Excess (Deficiency) of Revenues Over Expenditures	(402,371.00)	(402,371.00)	2,504.91	404,875.91
<u>Other Financing (Uses):</u>				
Transfers Out	(138,270.00)	(138,270.00)	(117,364.97)	20,905.03
<b>Net Change in Fund Balances</b>	<b>(540,641.00)</b>	<b>(540,641.00)</b>	<b>(114,860.06)</b>	<b>425,780.94</b>
<b>Fund Balance - January 1</b>	<b>709,612.65</b>	<b>709,612.65</b>	<b>709,612.65</b>	
<b>Fund Balance - December 31</b>	<b>168,971.65</b>	<b>168,971.65</b>	<b>594,752.59</b>	<b>425,780.94</b>

LOGAN COUNTY  
Napoleon, North Dakota

Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	719,590.00	719,590.00	625,112.59	(94,477.41)
Licenses, Permits and Fees	550.00	550.00	1,570.00	1,020.00
Intergovernmental	469,395.00	469,395.00	478,564.68	9,169.68
Charges for Services	34,375.00	34,375.00	27,921.97	(6,453.03)
Miscellaneous	37,277.15	37,277.15	23,063.89	(14,213.26)
<b>Total Revenues</b>	<b>1,261,187.15</b>	<b>1,261,187.15</b>	<b>1,156,233.13</b>	<b>(104,954.02)</b>
<u>Expenditures:</u>				
Current:				
General Government	940,444.00	940,444.00	849,441.39	91,002.61
Public Safety	266,005.00	266,005.00	168,081.58	97,923.42
Culture and Recreation	1,490.00	1,490.00	1,440.15	49.85
Other	2,000.00	2,000.00	3,588.80	(1,588.80)
Capital Outlay	50,000.00	50,000.00		50,000.00
Debt Service:				
Principal	42,950.00	42,950.00	40,302.49	2,647.51
<b>Total Expenditures</b>	<b>1,302,889.00</b>	<b>1,302,889.00</b>	<b>1,062,854.41</b>	<b>240,034.59</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(41,701.85)</b>	<b>(41,701.85)</b>	<b>93,378.72</b>	<b>135,080.57</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In			101,920.52	101,920.52
Transfers Out			(201,840.00)	(201,840.00)
<b>Total Other Financing Sources (Uses)</b>			<b>(99,919.48)</b>	<b>(99,919.48)</b>
<b>Net Change in Fund Balances</b>	<b>(41,701.85)</b>	<b>(41,701.85)</b>	<b>(6,540.76)</b>	<b>35,161.09</b>
<b>Fund Balance - January 1</b>	<b>716,153.41</b>	<b>716,153.41</b>	<b>716,153.41</b>	
<b>Fund Balance - December 31</b>	<b>674,451.56</b>	<b>674,451.56</b>	<b>709,612.65</b>	<b>35,161.09</b>

LOGAN COUNTY  
Napoleon, North Dakota

Budgetary Comparison Schedule  
Highway Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	1,375,806.00	1,375,806.00	1,751,578.45	375,772.45
Charges for Services	81,750.00	81,750.00	187,536.28	105,786.28
Miscellaneous	2,500.00	2,500.00	2,086.45	(413.55)
<b>Total Revenues</b>	<b>1,460,056.00</b>	<b>1,460,056.00</b>	<b>1,941,201.18</b>	<b>481,145.18</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improvement	1,769,086.00	1,769,086.00	1,769,091.39	(5.39)
Capital Outlay	150,000.00	150,000.00	36,500.00	113,500.00
Debt Service:				
Principal			37,343.80	(37,343.80)
Interest			3,107.61	(3,107.61)
<b>Total Expenditures</b>	<b>1,919,086.00</b>	<b>1,919,086.00</b>	<b>1,846,042.80</b>	<b>73,043.20</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(459,030.00)</b>	<b>(459,030.00)</b>	<b>95,158.38</b>	<b>554,188.38</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In			24,638.73	24,638.73
Transfers Out	(200,000.00)	(200,000.00)	(69,000.00)	131,000.00
<b>Total Other Financing Sources (Uses)</b>	<b>(200,000.00)</b>	<b>(200,000.00)</b>	<b>(44,361.27)</b>	<b>155,638.73</b>
<b>Net Change in Fund Balances</b>	<b>(659,030.00)</b>	<b>(659,030.00)</b>	<b>50,797.11</b>	<b>709,827.11</b>
<b>Fund Balance - January 1</b>	<b>862,617.46</b>	<b>862,617.46</b>	<b>862,617.46</b>	
<b>Fund Balance - December 31</b>	<b>203,587.46</b>	<b>203,587.46</b>	<b>913,414.57</b>	<b>709,827.11</b>



LOGAN COUNTY  
Napoleon, North Dakota

Budgetary Comparison Schedule  
Highway Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	1,341,701.00	1,341,701.00	911,410.01	(430,290.99)
Charges for Services	81,000.00	81,000.00	160,151.22	79,151.22
Miscellaneous	5,800.00	5,800.00	16,199.13	10,399.13
<b>Total Revenues</b>	<b>1,428,501.00</b>	<b>1,428,501.00</b>	<b>1,087,760.36</b>	<b>(340,740.64)</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improvement	1,730,145.29	1,730,145.29	1,220,293.81	509,851.48
Capital Outlay	150,000.00	150,000.00	68,055.00	81,945.00
Debt Service:				
Principal			96,039.98	(96,039.98)
Interest			4,411.43	(4,411.43)
<b>Total Expenditures</b>	<b>1,880,145.29</b>	<b>1,880,145.29</b>	<b>1,388,800.22</b>	<b>491,345.07</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(451,644.29)</b>	<b>(451,644.29)</b>	<b>(301,039.86)</b>	<b>150,604.43</b>
<u>Other Financing (Uses):</u>				
Transfers Out	(235,000.00)	(235,000.00)	(81,690.61)	153,309.39
<b>Net Change in Fund Balances</b>	<b>(686,644.29)</b>	<b>(686,644.29)</b>	<b>(382,730.47)</b>	<b>303,913.82</b>
<b>Fund Balance - January 1</b>	<b>1,245,347.93</b>	<b>1,245,347.93</b>	<b>1,245,347.93</b>	
<b>Fund Balance - December 31</b>	<b>558,703.64</b>	<b>558,703.64</b>	<b>862,617.46</b>	<b>303,913.82</b>

LOGAN COUNTY  
Napoleon, North Dakota

Budgetary Comparison Schedule  
Unorganized Road Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	180,381.00	180,381.00	151,943.00	(28,438.00)
Intergovernmental	101,129.00	101,129.00	127,004.38	25,875.38
Miscellaneous			3,697.09	3,697.09
Total Revenues	281,510.00	281,510.00	282,644.47	1,134.47
<u>Expenditures:</u>				
Current:				
Highways and Public Improvement	650,080.69	650,080.69	405,237.40	244,843.29
Net Change in Fund Balances	(368,570.69)	(368,570.69)	(122,592.93)	245,977.76
Fund Balance - January 1	612,636.46	612,636.46	612,636.46	
Fund Balance - December 31	244,065.77	244,065.77	490,043.53	245,977.76

LOGAN COUNTY  
Napoleon, North Dakota

Budgetary Comparison Schedule  
Unorganized Road Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	160,900.00	160,900.00	144,732.55	(16,167.45)
Intergovernmental	220,710.80	220,710.80	233,577.95	12,867.15
Miscellaneous	1,300.00	1,300.00	489.00	(811.00)
<b>Total Revenues</b>	<b>382,910.80</b>	<b>382,910.80</b>	<b>378,799.50</b>	<b>(4,111.30)</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improvement	582,900.00	582,900.00	317,916.08	264,983.92
Debt Service:				
Principal			60,000.00	(60,000.00)
<b>Total Expenditures</b>	<b>582,900.00</b>	<b>582,900.00</b>	<b>377,916.08</b>	<b>204,983.92</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(199,989.20)</b>	<b>(199,989.20)</b>	<b>883.42</b>	<b>200,872.62</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In			36,940.01	36,940.01
Transfers Out	(216,821.45)	(216,821.45)	(16,821.45)	200,000.00
<b>Total Other Financing Sources (Uses)</b>	<b>(216,821.45)</b>	<b>(216,821.45)</b>	<b>20,118.56</b>	<b>236,940.01</b>
<b>Net Change in Fund Balances</b>	<b>(416,810.65)</b>	<b>(416,810.65)</b>	<b>21,001.98</b>	<b>437,812.63</b>
<b>Fund Balance - January 1</b>	<b>591,634.48</b>	<b>591,634.48</b>	<b>591,634.48</b>	
<b>Fund Balance - December 31</b>	<b>174,823.83</b>	<b>174,823.83</b>	<b>612,636.46</b>	<b>437,812.63</b>

LOGAN COUNTY  
Napoleon, North Dakota

Budgetary Comparison Schedule  
FAS/ER 2011 Disaster Loan Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental			5,966.48	5,966.48
<u>Expenditures:</u>				
Current:				
Highways and Public Improvement	20,000.00	20,000.00	807.25	19,192.75
Debt Service:				
Principal	100,000.00	100,000.00		100,000.00
Total Expenditures	120,000.00	120,000.00	807.25	119,192.75
Excess (Deficiency) of Revenues Over Expenditures	(120,000.00)	(120,000.00)	5,159.23	125,159.23
<u>Other Financing (Uses):</u>				
Transfers Out			(24,638.73)	(24,638.73)
Net Change in Fund Balances	(120,000.00)	(120,000.00)	(19,479.50)	100,520.50
Fund Balance - January 1	487,371.62	487,371.62	487,371.62	
Fund Balance - December 31	367,371.62	367,371.62	467,892.12	100,520.50

LOGAN COUNTY  
Napoleon, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Annually, the board of county commissioners provides each office a department 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 county 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 the October meeting, the board adopts the final budget and shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. 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, except for property taxes, 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.

Note 2 LEGAL COMPLIANCE

The governing board approved the following amendments to the county's budget for the year ending:

December 31, 2016

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
<u>Appropriations</u>			
<u>Special Revenue Funds</u>			
Farm to Market Roads	72,000	45,515	117,515
Veteran's Service			
Officer	10,120	21	10,141
County Jail	35,250	811	36,061

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31:

	<u>2017</u>	<u>2016</u>
<u>Special Revenue Funds</u>		
# FAS/ER 2011 Disaster Loan		534,976.33
Farm to Market	62,644.85	4,650.00
* County Road and Bridge	70,400.00	
Patrol Care Replacement	9,469.88	11,098.00
* Estate Tax	8,325.66	
Hazardous Chemical		
Senior Citizens		
Heavy Equipment Replacement	4,899.06	19.76
# FEMA DR 1907-2010		26,626.87

\* A budget was not prepared for this fund for the year ending December 31, 2017.

# A budget was not prepared for this fund for the year ending December 31, 2016.

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

LOGAN COUNTY  
Napoleon, North Dakota

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

	2017 -----	2016 -----	2015 -----
County's proportion of the net pension liability	0.074708%	0.070577%	0.066262%
County's proportionate share of the net pension liability	726,102	479,912	420,579
County's covered-employee payroll	746,160	685,088	613,421
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	97.31%	70.05%	68.56%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

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

	2017 -----	2016 -----	2015 -----
Statutorily required contribution	53,127	48,778	40,866
Contributions in relation to the statutorily required contribution	(53,127)	(48,778)	(40,866)
Contribution deficiency (excess)	0	0	0
County's covered-employee payroll	746,160	685,088	613,421
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	6.66%

\* Complete data for this schedule is not available prior to 2015.

- For changes of assumptions, see Note 16 to the financial statements.

LOGAN COUNTY  
Napoleon, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<b>Major Governmental Funds</b>						
General Fund	717,913.48	1,072,648.06		117,364.97	1,076,748.85	596,447.72
Highway Fund:						
Highway Tax Distribution	862,990.52	480,350.28		69,000.00	334,041.48	940,299.32
Highway WR & SR Fund	163,639.29					163,639.29
HB 1358 State Aid Dixon/Red Lake	(76,169.48)	1,465,314.71	24,638.73		1,607,092.92	(193,308.96)
Unorganized Road Fund:						
Unorganized Road	263,704.13	282,644.47			313,395.10	232,953.50
Unorg. Road Township Oil Revenue	34,238.07				34,238.07	
Unorg. Road Oil Revenue SB2103	210,000.00					210,000.00
Unorg. Road HB1012 Oil Revenue	104,808.69				57,718.66	47,090.03
FAS/ER 2011 Disaster Loan	487,371.62	5,966.48		24,638.73	807.25	467,892.12
<b>Total Major Governmental Funds</b>	<b>2,768,496.32</b>	<b>3,306,924.00</b>	<b>24,638.73</b>	<b>211,003.70</b>	<b>3,424,042.33</b>	<b>2,465,013.02</b>
<b>Non-Major Governmental Funds</b>						
Farm to Market Roads	556.02	73,427.00	69,000.00		142,044.85	938.17
County Road and Bridge	0.59	84,820.89			70,400.00	14,421.48
County Human Services	132,461.66	231,885.24			236,050.51	128,296.39
Emergency Fund	211,512.95	14,701.47			81,323.18	144,891.24
Veteran's Service Officer	3,048.96	8,939.62			8,577.97	3,410.61
County Agent	(1,345.98)	29,884.54	48,096.00		76,686.36	(51.80)
Weed Control/Leafy Spurge	147,019.13	30,646.92		7,096.00	37,917.76	132,652.29
Automation and Telecommunications	96,800.23		30,000.00		67,431.28	59,368.95
Courthouse Building	231,179.98		16,364.97		35,145.06	212,399.89
Emergency 911	56,242.97	32,661.57			23,886.72	65,017.82
County Jail	8,640.45	32,903.11			19,984.80	21,558.76
Patrol Car Replacement	62.29		17,500.00		9,469.88	8,092.41
Vehicle Replacement	25,000.00		12,500.00			37,500.00
Hazardous Chemical	3,392.28	650.00			176.55	3,865.73
Senior Citizens	82.90	41,811.34			41,760.66	133.58
Historical Society	10.09	3,662.31			3,655.61	16.79
Job Development Authority	146.28	44,124.74			44,070.61	200.41
Estate Tax	63,394.84				8,325.66	55,069.18
Heavy Equipment Replacement	18,596.74	11,802.00				30,398.74
Document Preservation	9,259.71	5,446.50			6,881.19	7,825.02
Interest and Sinking	2,393.10	154,067.94			125,700.33	30,760.71
<b>Total Non-Major Governmental Funds</b>	<b>1,008,455.19</b>	<b>801,435.19</b>	<b>193,460.97</b>	<b>7,096.00</b>	<b>1,039,488.98</b>	<b>956,766.37</b>
<b>Total Governmental Funds</b>	<b>3,776,951.51</b>	<b>4,108,359.19</b>	<b>218,099.70</b>	<b>218,099.70</b>	<b>4,463,531.31</b>	<b>3,421,779.39</b>

(continued)



LOGAN COUNTY  
Napoleon, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2017  
(continued)

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<u>Agency Funds</u>						
South Central Area Library	103.11	44,132.52			44,068.67	166.96
4-H Donation	100.28					100.28
County Extension	2,160.06	305.00				2,465.06
State Medical Center	39.59	14,703.94			14,676.71	66.82
AG 24/7 Sobriety Program	3,486.64	1,028.00			2,421.00	2,093.64
Contract Policing - Napoleon		3,726.00			3,094.94	631.06
Victim Witness Fees	50.00	1,050.00			1,000.00	100.00
Domestic Violence		210.00			210.00	
Logan County Soil Conservation	78.09	32,727.40			32,671.91	133.58
Central Valley Health Unit	186.07	77,520.03			77,388.19	317.91
Water Resource District	145.40	55,335.59			55,256.51	224.48
Health Insurance Reimbursement	1,208.00	12,954.00			14,162.00	
State Withholding Tax	4,586.61	2,985.93			7,572.54	
Sales Tax Payable		513.75			290.92	222.83
General Expense		16,538.21			16,538.21	
Dakota Access Pipeline Expense	(19,017.06)	41,872.59			22,855.53	
Property Tax Relief		399,961.43			399,961.43	
Prepaid Taxes	808,846.75	925,941.89			808,846.75	925,941.89
Mobile Home Tax		5,939.04			5,939.04	
Total Cities and Park Districts	2,809.78	394,726.27			394,238.85	3,297.20
Total School Districts	3,046.74	1,115,723.55			1,113,744.04	5,026.25
Total Townships, Fire & Ambulance Districts	689.50	288,682.55			288,040.31	1,331.74
<b>Total Agency Funds</b>	<b>808,519.56</b>	<b>3,436,577.69</b>			<b>3,302,977.55</b>	<b>942,119.70</b>
<b>Total Primary Government</b>	<b>4,585,471.07</b>	<b>7,544,936.88</b>	<b>218,099.70</b>	<b>218,099.70</b>	<b>7,766,508.86</b>	<b>4,363,899.09</b>
<u>Discretely Presented</u>						
<u>Component Units</u>						
Water Resource District	138,126.47	55,579.43			32,093.12	161,612.78
Job Development Authority	38,270.49	67,917.05			42,730.17	63,457.37
<b>Total Discretely Presented Component Units</b>	<b>176,396.96</b>	<b>123,496.48</b>			<b>74,823.29</b>	<b>225,070.15</b>
<b>Total Reporting Entity</b>	<b>4,761,868.03</b>	<b>7,668,433.36</b>	<b>218,099.70</b>	<b>218,099.70</b>	<b>7,841,332.15</b>	<b>4,588,969.24</b>

LOGAN COUNTY  
Napoleon, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
<b>Major Governmental Funds</b>						
General Fund	708,888.41	1,162,043.13	101,920.52	201,840.00	1,053,098.58	717,913.48
Highway Fund:						
Highway Tax Distribution	976,972.23	459,132.84		81,690.61	491,423.94	862,990.52
Highway WR & SR Fund	163,639.29					163,639.29
HB 1358 State Aid Dixon/Red Lake	94,627.30	631,007.98			801,804.76	(76,169.48)
Unorganized Road Fund:						
Unorganized Road	143,607.64	273,613.81	20,118.56		173,635.88	263,704.13
Unorg. Road Township Oil Revenue	221,205.39	377.00	16,821.45		204,165.77	34,238.07
Unorg. Road R&B Oil Revenue	39,302.95			16,821.45	22,481.50	
Unorg. Road Oil Revenue SB2103	210,000.00					210,000.00
Unorg. Road HB1012 Oil Revenue		104,808.69				104,808.69
FAS/ER 2011 Disaster Loan	356,803.13	63,241.82	102,303.00		34,976.33	487,371.62
<b>Total Major Governmental Funds</b>	<b>2,915,046.34</b>	<b>2,694,225.27</b>	<b>241,163.53</b>	<b>300,352.06</b>	<b>2,781,586.76</b>	<b>2,768,496.32</b>
<b>Non-Major Governmental Funds</b>						
Farm to Market Roads	170.78	69,900.06	48,000.00		117,514.82	556.02
County Road and Bridge		0.59				0.59
County Human Services	113,285.96	248,015.97		4,920.00	223,920.27	132,461.66
Social Security	32,163.22			32,163.22		
Emergency Fund	197,587.94	13,925.01				211,512.95
Veteran's Service Officer County Agent	4,351.51 140.68	8,838.61 27,891.82	46,976.00		10,141.16 76,354.48	3,048.96 (1,345.98)
Weed Control/Leafy Spurge	154,618.27	25,792.33		6,976.00	26,415.47	147,019.13
Automation and Telecommunications	62,474.54		57,290.00		22,964.31	96,800.23
Courthouse Building	171,324.08		75,000.00		15,144.10	231,179.98
Insurance Reserve	34,140.22			34,140.22		
Comprehensive Health Insurance	8,495.29			8,495.29		
Emergency 911	50,346.11	26,490.14			20,593.28	56,242.97
County Jail	16,627.14	28,074.50			36,061.19	8,640.45
Patrol Car Replacement	1,960.29	9,200.00	17,500.00		28,598.00	62.29
Vehicle Replacement	12,500.00		12,500.00			25,000.00
Hazardous Chemical	3,055.98	662.50			326.20	3,392.28
Advertising	4,265.92			4,265.92		
Senior Citizens	66.85	41,233.28			41,217.23	82.90
Historical Society	8.50	3,504.03			3,502.44	10.09
Job Development Authority	134.46	52,060.30			52,048.48	146.28
Abandoned Cemeteries	2,053.27			2,053.27		
Estate Tax	70,742.84				7,348.00	63,394.84
Heavy Equipment Replacement	26,511.56	18,879.89			26,794.71	18,596.74
Document Preservation	5,405.63	4,373.50			519.42	9,259.71
Computer Replacement	450.00			450.00		
County Loan	302.60			302.60		
FEMA Disaster Fund:						
FEMA DR 1907-2010		26,626.87			26,626.87	
FEMA DR 1981-2011	111,004.23	17,320.80		104,310.95	24,014.08	
Interest and Sinking	405.44	96,887.08			94,899.42	2,393.10
<b>Total Non-Major Governmental Funds</b>	<b>1,084,593.31</b>	<b>719,677.28</b>	<b>257,266.00</b>	<b>198,077.47</b>	<b>855,003.93</b>	<b>1,008,455.19</b>
<b>Total Governmental Funds</b>	<b>3,999,639.65</b>	<b>3,413,902.55</b>	<b>498,429.53</b>	<b>498,429.53</b>	<b>3,636,590.69</b>	<b>3,776,951.51</b>

(continued)

LOGAN COUNTY  
Napoleon, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2016  
(continued)

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
<u>Agency Funds</u>						
South Central Area Library	93.21	44,390.81			44,380.91	103.11
4-H Donation	100.28					100.28
County Extension	2,665.72				505.66	2,160.06
State Medical Center	33.79	14,084.77			14,078.97	39.59
AG 24/7 Sobriety Program	2,331.64	3,590.00			2,435.00	3,486.64
Victim Witness Fees	125.00	825.00			900.00	50.00
Domestic Violence	35.00	385.00			420.00	
Game and Fish	425.00	17,983.00			18,408.00	
Logan County Soil Conservation	67.40	31,384.87			31,374.18	78.09
Central Valley Health Unit	149.99	75,281.67			75,245.59	186.07
Aid to County Fair	3.73				3.73	
Water Resource District	121.06	58,380.22			58,355.88	145.40
Health Insurance Reimbursement	1,208.00	12,660.00			12,660.00	1,208.00
State Withholding Tax	3,708.81	16,946.79			16,068.99	4,586.61
General Expense		9,633.77			9,633.77	
Dakota Access Pipeline Expense					19,017.06	(19,017.06)
Property Tax Relief		343,381.01			343,381.01	
Prepaid Taxes	921,797.30	808,846.75			921,797.30	808,846.75
Mobile Home Tax	387.94				387.94	
Total Cities and Park Districts	3,871.48	395,583.48			396,645.18	2,809.78
Total School Districts	2,757.09	1,089,507.22			1,089,217.57	3,046.74
Total Townships, Fire & Ambulance Districts	623.69	363,208.10			363,142.29	689.50
<b>Total Agency Funds</b>	<b>940,506.13</b>	<b>3,286,072.46</b>			<b>3,418,059.03</b>	<b>808,519.56</b>
<b>Total Primary Government</b>	<b>4,940,145.78</b>	<b>6,699,975.01</b>	<b>498,429.53</b>	<b>498,429.53</b>	<b>7,054,649.72</b>	<b>4,585,471.07</b>
<u>Discretely Presented</u>						
<u>Component Units</u>						
Water Resource District	92,279.88	58,535.30			12,688.71	138,126.47
Job Development Authority	61,773.46	54,934.16			78,437.13	38,270.49
<b>Total Discretely Presented Component Units</b>	<b>154,053.34</b>	<b>113,469.46</b>			<b>91,125.84</b>	<b>176,396.96</b>
<b>Total Reporting Entity</b>	<b>5,094,199.12</b>	<b>6,813,444.47</b>	<b>498,429.53</b>	<b>498,429.53</b>	<b>7,145,775.56</b>	<b>4,761,868.03</b>

# Rath & Mehrer, P.C.

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

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Logan County  
Napoleon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Logan County, Napoleon, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated April 27, 2018.

### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the county'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. Given these limitations, during our audits 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.

LOGAN COUNTY  
Napoleon, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2017 and 2016

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

* Material weakness(es) identified?	_____ Yes	_____ X _____ No
* Significant deficiency(ies) identified?	_____ Yes	_____ X _____ None Reported
Noncompliance Material to financial statements noted?	_____ Yes	_____ X _____ No

SECTION II - FINANCIAL STATEMENT FINDINGS:

No matters were reported