



# Nelson County

Lakota, North Dakota

## Audit Report

For the Years Ended December 31, 2016 and 2015

**JOSHUA C. GALLION**  
**STATE AUDITOR**

Office of the State Auditor  
Division of Local Government

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NELSON COUNTY  
Lakota, North Dakota

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For the Years Ended December 31, 2016 and 2015

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NELSON COUNTY  
Lakota, North Dakota

**COUNTY OFFICIALS**

At December 31, 2016

Maynard Loibl	Commissioner - Chairman
Bruce Ellertson	Commissioner - Vice Chairman
Donald Fougner	Commissioner
Alan Klefstad	Commissioner
Nancy Marquart	Commissioner
Sheila Fisk	Auditor
Bernadette Matejcek	Treasurer
Keith Olson	Sheriff
Becky Nelson	Recorder/Clerk of Court
Jayme Tenneson	State's Attorney

At December 31, 2015

Odell Flaagan	Commissioner - Chairman
Donald Fougner	Commissioner - Vice Chairman
Bruce Ellertson	Commissioner
Maynard Loibl	Commissioner
Dan Marquart	Commissioner
Sheila Fisk	Auditor
Bernadette Matejcek	Treasurer
Keith Olson	Sheriff
Ruth Stevens	Recorder/Clerk of Court
Jayme Tenneson	State's Attorney



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

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**INDEPENDENT AUDITOR'S REPORT**

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Board of County Commissioners  
Nelson County  
Lakota, 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 Nelson County, Lakota, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nelson County, Lakota, North Dakota, as of December 31, 2016 and 2015, 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.

***Emphasis of a Matter***

As discussed in Note 20 to the financial statements, Nelson County adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

## NELSON COUNTY

### Independent Auditor's Report - Continued

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#### **Other Matters**

##### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and notes to the required supplementary information* on pages 39-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017 on our consideration of Nelson 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 Nelson County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 21, 2017

NELSON COUNTY  
Lakota, North Dakota

STATEMENT OF NET POSITION  
December 31, 2016

	Primary Governmental Activities	Component Unit Water Resource Board
<u>ASSETS:</u>		
Cash and Investments	\$ 1,865,062	\$ 298,394
Road Receivable	40,139	-
Taxes Receivable	70,878	2,937
Intergovernmental Receivable	175,450	-
Capital Assets (not being depreciation):		
Land	15,580	-
Construction in Progress	-	4,505,366
Capital Assets (net of accumulated depreciation):		
Buildings	941,897	-
Equipment	231,330	76,530
Vehicles	279,282	-
Total Capital Assets	<u>\$ 1,468,089</u>	<u>\$ 4,581,896</u>
Total Assets	<u>\$ 3,619,618</u>	<u>\$ 4,883,227</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Pension Items	<u>\$ 358,123</u>	<u>\$ -</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 3,977,741</u>	<u>\$ 4,883,227</u>
<u>LIABILITIES:</u>		
Accounts Payable	\$ 84,104	\$ 10,825
Salaries Payable	25,073	-
Retainage Payable	253,526	-
Interest Payable	-	21,861
Long-Term Liabilities:		
Due Within One Year:		
Bonds Payable	-	55,000
Warrants Payable	-	32,500
Compensated Absences Payable	35,503	-
Due After One Year:		
Bonds Payable	-	935,000
Warrants Payable	-	115,000
Compensated Absences Payable	53,254	-
Net Pension Liability	<u>1,346,806</u>	<u>-</u>
Total Liabilities	<u>\$ 1,798,266</u>	<u>\$ 1,170,186</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Pension Items	<u>\$ 111,651</u>	<u>\$ -</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 1,909,917</u>	<u>\$ 1,170,186</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	\$ 1,468,089	\$ 4,581,896
Restricted for:		
Highways	155,651	-
Flood Control	16,669	-
Conservation of Natural Resources	111,106	-
Emergencies	104,618	-
Economic Development	3,323	-
Unrestricted	<u>208,368</u>	<u>(868,855)</u>
Total Net Position	<u>\$ 2,067,824</u>	<u>\$ 3,713,041</u>

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

NELSON COUNTY  
Lakota, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Component Unit Water Resource Board
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Government	\$ 1,719,644	\$ 43,712	\$ 144,019	\$ (1,531,913)	\$ -
Public Safety	376,675	86,284	5,551	(284,840)	-
Highways	5,563,277	324,892	4,426,252	(812,133)	-
Flood Repair	21,933	-	-	(21,933)	-
Health and Welfare	432,482	-	138,247	(294,235)	-
Culture and Recreation	613,153	186,297	198,266	(228,589)	-
Conser. of Natural Resources	169,300	4,460	42,631	(122,209)	-
Economic Development	94,627	-	-	(94,627)	-
Emergencies	1,921	-	30,383	28,463	-
Total Primary Government	<u>\$ 8,993,012</u>	<u>\$ 645,644</u>	<u>\$ 4,985,349</u>	<u>\$ (3,362,018)</u>	<u>\$ -</u>
<u>Component Unit:</u>					
Water Resource Board	<u>\$ 214,619</u>	<u>\$ 1,234</u>	<u>\$ 895,043</u>	<u>\$ -</u>	<u>\$ 681,658</u>
<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes				\$ 1,283,381	\$ 327,919
Property taxes; levied for special purposes				977,895	-
Unrestricted State Shared Revenue				374,860	-
Earnings on investments				6,560	459
Miscellaneous revenue				25,152	38,926
Total General Revenues				<u>\$ 2,667,848</u>	<u>\$ 367,304</u>
Change in Net Position				<u>\$ (694,170)</u>	<u>\$ 1,048,962</u>
Net Position - January 1				<u>\$ 2,761,994</u>	<u>\$ 2,664,079</u>
Net Position - December 31				<u>\$ 2,067,824</u>	<u>\$ 3,713,041</u>

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



NELSON COUNTY  
Lakota, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2016

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Park Stabilization	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and Investments	\$ 511,902	\$ -	\$ 16,669	\$ 811,161	\$ -	\$ -	\$ 525,329	\$ 1,865,062
Road Receivable	-	-	-	40,139	-	-	-	40,139
Taxes Receivable	30,713	3,343	-	10,632	-	-	26,191	70,878
Intergovernmental Receivable	75,918	-	-	92,650	-	-	6,882	175,450
Due from Other Funds	116,153	-	-	-	-	-	-	116,153
Total Assets	\$ 734,686	\$ 3,343	\$ 16,669	\$ 954,582	\$ -	\$ -	\$ 558,402	\$ 2,267,682
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<u>Liabilities:</u>								
Accounts Payable	\$ -	\$ -	\$ -	\$ 84,104	\$ -	\$ -	\$ -	\$ 84,104
Salaries Payable	-	-	-	25,073	-	-	-	25,073
Due to Other Funds	-	-	-	-	-	116,153	-	116,153
Total Liabilities	\$ -	\$ -	\$ -	\$ 109,177	\$ -	\$ 116,153	\$ -	\$ 225,331
<u>Deferred Inflows of Resources:</u>								
Road Receivable	\$ -	\$ -	\$ -	\$ 40,139	\$ -	\$ -	\$ -	\$ 40,139
Taxes Receivable	30,713	3,343	-	10,632	-	-	26,191	70,878
Total Deferred Inflows of Resources	\$ 30,713	\$ 3,343	\$ -	\$ 50,771	\$ -	\$ -	\$ 26,191	\$ 111,017
Total Liabilities and Deferred Inflows of Resources	\$ 30,713	\$ 3,343	\$ -	\$ 159,948	\$ -	\$ 116,153	\$ 26,191	\$ 336,348
<u>Fund Balances:</u>								
<u>Restricted for:</u>								
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,698	\$ 111,698
Highways	-	-	-	794,634	-	-	-	794,634
Flood Control	-	-	16,669	-	-	-	-	16,669
Health and Welfare	-	-	-	-	-	-	126,318	126,318
Conservation of Natural Resources	-	-	-	-	-	-	116,257	116,257
Economic Development	-	-	-	-	-	-	314	314
Emergencies	-	-	-	-	-	-	132,682	132,682
General Government	-	-	-	-	-	-	44,942	44,942
Unassigned:	703,973	-	-	-	-	(116,153)	-	587,819
Total Fund Balances	\$ 703,973	\$ -	\$ 16,669	\$ 794,634	\$ -	\$ (116,153)	\$ 532,211	\$ 1,931,334
Total Liabilities and Fund Balances	\$ 734,686	\$ 3,343	\$ 16,669	\$ 954,582	\$ -	\$ -	\$ 558,402	\$ 2,267,682

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

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NELSON COUNTY  
Lakota, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2016

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Total *Fund Balances* for Governmental Funds \$ 1,931,334

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	\$ 3,728,589	
Less Accumulated Depreciation	<u>(2,260,500)</u>	1,468,089

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

Property Taxes Receivable	\$ 70,878	
Road Department Accounts Receivable	<u>40,139</u>	111,017

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

Deferred Outflows Related to Pensions	\$ 358,123	
Deferred Inflows Related to Pensions	<u>(111,651)</u>	246,472

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:

Retainage Payable	\$ (253,526)	
Net Pension Liability	(1,346,806)	
Compensated Absences	<u>(88,757)</u>	
Total Long-Term Liabilities		<u>(1,689,089)</u>

Total Net Position of Governmental Activities	<u><u>\$ 2,067,824</u></u>
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The notes to the financial statements are an integral part of this statement.

NELSON COUNTY  
Lakota, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Park Stabilization	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>								
Taxes	\$ 1,258,989	\$ -	\$ -	\$ 461,916	\$ -	\$ -	\$ 535,991	\$ 2,256,896
Intergovernmental	529,539	-	30,383	4,450,700	-	198,266	151,321	5,360,209
Charges for Services	316,292	-	-	322,803	-	-	4,460	643,555
Interest Income	6,560	-	-	-	-	-	-	6,560
Miscellaneous	5,602	-	-	19,549	-	-	-	25,151
<b>Total Revenues</b>	<b>\$ 2,116,982</b>	<b>\$ -</b>	<b>\$ 30,383</b>	<b>\$5,254,968</b>	<b>\$ -</b>	<b>\$ 198,266</b>	<b>\$ 691,772</b>	<b>\$ 8,292,372</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General Government	\$ 1,684,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ 1,684,626
Public Safety	331,714	-	-	-	-	-	46,652	378,366
Highways	-	-	-	5,458,189	-	-	-	5,458,189
Flood Repair	-	-	21,933	-	-	-	-	21,933
Health and Welfare	-	-	-	-	-	-	419,926	419,926
Culture and Recreation	272,008	-	-	-	-	328,546	-	600,554
Conserv. of Natural Resources	-	-	-	-	-	-	188,517	188,517
Economic Development	-	-	-	-	-	-	94,627	94,627
<b>Total Expenditures</b>	<b>\$ 2,288,148</b>	<b>\$ -</b>	<b>\$ 21,933</b>	<b>\$5,458,189</b>	<b>\$ -</b>	<b>\$ 328,546</b>	<b>\$ 749,923</b>	<b>\$ 8,846,739</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (171,166)</b>	<b>\$ -</b>	<b>\$ 8,450</b>	<b>\$ (203,221)</b>	<b>\$ -</b>	<b>\$ (130,280)</b>	<b>\$ (58,151)</b>	<b>\$ (554,367)</b>
<b>Other Financing Sources (Uses):</b>								
Transfers In	\$ 113,807	\$ 6,233	\$ 10,647	\$1,058,153	\$ -	\$ -	\$ 28,839	\$ 1,217,680
Transfers Out	(28,839)	(427,537)	(30,501)	-	(481,740)	-	(249,062)	(1,217,680)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 84,968</b>	<b>\$ (421,304)</b>	<b>\$ (19,854)</b>	<b>\$1,058,153</b>	<b>\$ (481,740)</b>	<b>\$ -</b>	<b>\$ (220,222)</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (86,198)</b>	<b>\$ (421,304)</b>	<b>\$ (11,404)</b>	<b>\$ 854,932</b>	<b>\$ (481,740)</b>	<b>\$ (130,280)</b>	<b>\$ (278,373)</b>	<b>\$ (554,367)</b>
<b>Fund Balance - January 1</b>	<b>\$ 790,171</b>	<b>\$ 421,304</b>	<b>\$ 28,074</b>	<b>\$ (60,298)</b>	<b>\$ 481,740</b>	<b>\$ 14,126</b>	<b>\$ 810,584</b>	<b>\$ 2,485,701</b>
<b>Fund Balance - December 31</b>	<b>\$ 703,973</b>	<b>\$ (0)</b>	<b>\$ 16,670</b>	<b>\$ 794,634</b>	<b>\$ (0)</b>	<b>\$ (116,153)</b>	<b>\$ 532,211</b>	<b>\$ 1,931,334</b>

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

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NELSON COUNTY  
Lakota, 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

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Net Change in *Fund Balances* - Total Governmental Funds \$ (554,367)

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

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

Current Year Capital Outlay	\$ 229,134	
Current Year Depreciation Expense	<u>(174,636)</u>	54,498

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the loss on the capital assets sold. (5,366)

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

Increase in Net Pension Liability	\$ (419,058)	
Increase in Deferred Outflows of Resources Related to Pensions	314,645	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>30,972</u>	(73,441)

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.

Increase in Compensated Absences	\$ (278)	
Increase in Retainage Payable	<u>(121,685)</u>	(121,963)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable and decrease road receivables.

Increase in Taxes Receivable	\$ 4,379	
Increase in Road Department Receivables	<u>2,089</u>	<u>6,469</u>

Change in Net Position of Governmental Activities \$ (694,170)

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

NELSON COUNTY  
Lakota, North Dakota  
STATEMENT OF NET POSITION  
December 31, 2015

	Primary Government Governmental Activities	Component Unit Water Resource Board
<u>ASSETS:</u>		
Cash and Investments	\$ 2,424,644	\$ 679,143
Road Receivable	38,050	-
Taxes Receivable	66,499	2,228
Intergovernmental Receivable	149,597	3,897
Capital Assets (not being depreciation):		
Land	15,580	-
Construction in Progress	-	4,169,747
Capital Assets (net of accumulated depreciation):		
Buildings	990,088	-
Equipment	258,000	31,037
Vehicles	155,289	-
Total Capital Assets	<u>\$ 1,418,957</u>	<u>\$ 4,200,784</u>
Total Assets	<u>\$ 4,097,747</u>	<u>\$ 4,886,052</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Pension Items	\$ 43,478	\$ -
Total Assets & Deferred Outflows of Resources	<u>\$ 4,141,225</u>	<u>\$ 4,886,052</u>
<u>LIABILITIES:</u>		
Accounts Payable	\$ 61,692	\$ 32,665
Salaries Payable	26,847	-
Retainage Payable	131,841	60,199
Interest Payable	-	24,109
Long-Term Liabilities:		
Due Within One Year:		
Bonds Payable	-	985,000
Warrants Payable	-	32,000
Compensated Absences Payable	35,392	-
Due After One Year:		
Bonds Payable	-	990,000
Warrants Payable	-	98,000
Compensated Absences Payable	53,087	-
Net Pension Liability	927,748	-
Total Liabilities	<u>\$ 1,236,607</u>	<u>\$ 2,221,973</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Pension Items	\$ 142,623	\$ -
Total Liabilities & Deferred Inflows of Resources	<u>\$ 1,379,230</u>	<u>\$ 2,221,973</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	\$ 1,418,957	\$ 4,200,784
Restricted for:		
Debt Service	102	-
Highways	538,787	-
Flood Control	28,074	-
Health and Welfare	26,304	-
Conservation of Natural Resources	138,954	-
Emergencies	80,017	-
Economic Development	7,358	-
Unrestricted	523,442	(1,536,705)
Total Net Position	<u>\$ 2,761,995</u>	<u>\$ 2,664,079</u>

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

NELSON COUNTY  
Lakota, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Component Unit Water Resource Board
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Government	\$ 1,583,374	\$ 38,915	\$ 188,996	\$ (1,355,463)	\$ -
Public Safety	363,758	86,376	37,005	(240,377)	-
Highways	1,946,089	345,439	460,812	(1,139,838)	-
Flood Repair	15,099	-	-	(15,099)	-
Health and Welfare	462,458	2,768	74,343	(385,347)	-
Culture and Recreation	292,607	113,528	47,296	(131,783)	-
Conser. of Natural Resources	164,390	7,811	33,287	(123,292)	-
Economic Development	91,017	-	-	(91,017)	-
Emergencies	2,010	-	-	(2,010)	-
Interest & Service Charges	7,223	-	-	(7,223)	-
Total Primary Government	<u>\$ 4,928,025</u>	<u>\$ 594,837</u>	<u>\$ 841,739</u>	<u>\$ (3,491,449)</u>	<u>\$ -</u>
<u>Component Unit:</u>					
Water Resource Board	<u>\$ 351,419</u>	<u>\$ 1,110</u>	<u>\$ 1,290,100</u>	<u>\$ -</u>	<u>\$ 939,791</u>
<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes				\$ 459,644	\$ 313,652
Property taxes; levied for special purposes				1,861,214	-
Unrestricted State Shared Revenue				503,811	-
Earnings on investments				7,553	990
Miscellaneous revenue				87,777	21,264
Total General Revenues				<u>\$ 2,919,999</u>	<u>\$ 335,906</u>
Change in Net Position				<u>\$ (571,450)</u>	<u>\$ 1,275,697</u>
Net Position - January 1				\$ 4,360,119	\$ 1,380,666
Prior Period Adjustments				<u>(1,026,674)</u>	<u>7,716</u>
Net position - Beginning - Restated				<u>\$ 3,333,445</u>	<u>\$ 1,388,382</u>
Net Position - December 31				<u>\$ 2,761,995</u>	<u>\$ 2,664,079</u>

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

NELSON COUNTY  
Lakota, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2015

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Oasis & Social Security	County Park	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and Investments	\$ 641,059	\$ 421,304	\$ 28,074	\$ -	\$ 481,740	\$ 60,417	\$ -	\$ 792,050	\$ 2,424,644
Road Receivable	-	-	-	38,050	-	-	-	-	38,050
Taxes Receivable	6,321	8,175	-	2,413	-	11,454	1,671	36,465	66,499
Intergovernmental Receivable	91,101	-	-	52,504	-	-	-	5,992	149,597
Due from Other Funds	58,011	-	-	-	-	-	-	-	58,011
<b>Total Assets</b>	<b>\$ 796,492</b>	<b>\$ 429,479</b>	<b>\$ 28,074</b>	<b>\$ 92,967</b>	<b>\$ 481,740</b>	<b>\$ 71,871</b>	<b>\$ 1,671</b>	<b>\$ 834,507</b>	<b>\$ 2,736,801</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts Payable	\$ -	\$ -	\$ -	\$ 56,783	\$ -	\$ -	\$ -	\$ 4,909	\$ 61,692
Salaries Payable	-	-	-	26,847	-	-	-	-	26,847
Due to Other Funds	-	-	-	29,172	-	-	28,839	-	58,011
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 112,802</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,839</b>	<b>\$ 4,909</b>	<b>\$ 146,550</b>
<b>Deferred Inflows of Resources:</b>									
Road Receivable	\$ -	\$ -	\$ -	\$ 38,050	\$ -	\$ -	\$ -	\$ -	\$ 38,050
Taxes Receivable	6,321	8,175	-	2,413	-	11,454	1,671	36,465	66,499
<b>Total Deferred Inflows of Resources</b>	<b>\$ 6,321</b>	<b>\$ 8,175</b>	<b>\$ -</b>	<b>\$ 40,463</b>	<b>\$ -</b>	<b>\$ 11,454</b>	<b>\$ 1,671</b>	<b>\$ 36,465</b>	<b>\$ 104,549</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 6,321</b>	<b>\$ 8,175</b>	<b>\$ -</b>	<b>\$ 153,265</b>	<b>\$ -</b>	<b>\$ 11,454</b>	<b>\$ 30,510</b>	<b>\$ 41,374</b>	<b>\$ 251,099</b>
<b>Fund Balances:</b>									
<b>Restricted for:</b>									
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,469	\$ 103,469
Highways	-	421,304	-	-	481,740	-	-	135,358	1,038,402
Flood Control	-	-	28,074	-	-	-	-	-	28,074
Health and Welfare	-	-	-	-	-	-	-	200,564	200,564
Culture and Recreation	-	-	-	-	-	-	-	14,353	14,353
Conservation of Natural Resources	-	-	-	-	-	-	-	145,473	145,473
Economic Development	-	-	-	-	-	-	-	4,918	4,918
Emergencies	-	-	-	-	-	-	-	105,052	105,052
General Government	-	-	-	-	-	60,417	-	83,946	144,363
<b>Unassigned:</b>	<b>790,171</b>	<b>-</b>	<b>-</b>	<b>(60,298)</b>	<b>-</b>	<b>-</b>	<b>(28,839)</b>	<b>-</b>	<b>701,034</b>
<b>Total Fund Balances</b>	<b>\$ 790,171</b>	<b>\$ 421,304</b>	<b>\$ 28,074</b>	<b>\$ (60,298)</b>	<b>\$ 481,740</b>	<b>\$ 60,417</b>	<b>\$ (28,839)</b>	<b>\$ 793,133</b>	<b>\$ 2,485,702</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 796,492</b>	<b>\$ 429,479</b>	<b>\$ 28,074</b>	<b>\$ 92,967</b>	<b>\$ 481,740</b>	<b>\$ 71,871</b>	<b>\$ 1,671</b>	<b>\$ 834,507</b>	<b>\$ 2,736,801</b>

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

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NELSON COUNTY  
Lakota, North Dakota

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

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Total *Fund Balances* for Governmental Funds \$ 2,485,702

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	\$ 3,555,943	
Less Accumulated Depreciation	<u>(2,136,986)</u>	1,418,957

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

Property Taxes Receivable	\$ 66,499	
Road Department Accounts Receivable	<u>38,050</u>	104,549

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

Deferred Outflows Related to Pensions	\$ 43,478	
Deferred Inflows Related to Pensions	<u>(142,623)</u>	(99,145)

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

Retainage Payable	\$ (131,841)	
Net Pension Liability	(927,748)	
Compensated Absences	<u>(88,479)</u>	<u>(1,148,068)</u>

Total Net Position of Governmental Activities		<u>\$ 2,761,995</u>
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The notes to the financial statements are an integral part of this statement.



NELSON COUNTY  
Lakota, North Dakota

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

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Oasis & Social Security	County Park	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>									
Taxes	\$ 463,457	\$ 320,153	\$ -	\$ 90,701	\$ -	\$ 480,035	\$ 68,688	\$ 902,248	\$ 2,325,282
Intergovernmental	493,364	37,192	-	108,766	380,184	43,247	9,114	273,682	1,345,549
Charges for Services	125,291	-	-	372,274	-	-	113,528	14,479	625,572
Interest Income	6,009	1,544	-	-	-	-	-	-	7,553
Miscellaneous	24,885	-	-	48,972	-	-	7,506	6,415	87,778
<b>Total Revenues</b>	<b>\$ 1,113,006</b>	<b>\$ 358,889</b>	<b>\$ -</b>	<b>\$ 620,713</b>	<b>\$ 380,184</b>	<b>\$ 523,282</b>	<b>\$ 198,836</b>	<b>\$ 1,196,824</b>	<b>\$ 4,391,734</b>
<b>Expenditures:</b>									
<b>Current:</b>									
General Government	\$ 600,497	\$ -	\$ -	\$ -	\$ -	\$ 400,070	\$ -	\$ 584,250	\$ 1,584,817
Public Safety	315,989	-	-	-	-	-	-	62,617	378,606
Highways	-	614,368	-	1,482,722	-	-	-	39,882	2,136,972
Flood Repair	-	-	15,099	-	-	-	-	-	15,099
Health and Welfare	-	-	-	-	-	-	-	454,250	454,250
Culture and Recreation	-	-	-	-	-	-	224,714	34,865	259,579
Conserv. of Natural Resources	-	-	-	-	-	-	-	162,604	162,604
Economic Development	-	-	-	-	-	-	-	91,017	91,017
Emergencies	-	-	-	-	-	-	-	2,310	2,310
<b>Debt Service:</b>									
Principal	-	-	-	-	-	-	144,458	-	144,458
Interest & Service Charges	-	-	-	-	-	-	7,223	-	7,223
<b>Total Expenditures</b>	<b>\$ 916,486</b>	<b>\$ 614,368</b>	<b>\$ 15,099</b>	<b>\$ 1,482,722</b>	<b>\$ -</b>	<b>\$ 400,070</b>	<b>\$ 376,395</b>	<b>\$ 1,431,795</b>	<b>\$ 5,236,935</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 196,520</b>	<b>\$ (255,479)</b>	<b>\$ (15,099)</b>	<b>\$ (862,009)</b>	<b>\$ 380,184</b>	<b>\$ 123,212</b>	<b>\$ (177,559)</b>	<b>\$ (234,971)</b>	<b>\$ (845,201)</b>
<b>Other Financing Sources (Uses):</b>									
Transfers In	\$ 16,097	\$ -	\$ -	\$ 217,896	\$ -	\$ -	\$ 121,000	\$ 251,720	\$ 606,713
Transfers Out	(213,940)	(202,965)	(12,250)	(65,780)	-	(92,000)	-	(19,778)	(606,713)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (197,843)</b>	<b>\$ (202,965)</b>	<b>\$ (12,250)</b>	<b>\$ 152,116</b>	<b>\$ -</b>	<b>\$ (92,000)</b>	<b>\$ 121,000</b>	<b>\$ 231,942</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,323)</b>	<b>\$ (458,444)</b>	<b>\$ (27,349)</b>	<b>\$ (709,893)</b>	<b>\$ 380,184</b>	<b>\$ 31,212</b>	<b>\$ (56,559)</b>	<b>\$ (3,029)</b>	<b>\$ (845,201)</b>
<b>Fund Balance - January 1</b>	<b>\$ 791,494</b>	<b>\$ 879,748</b>	<b>\$ 55,423</b>	<b>\$ 649,595</b>	<b>\$ 101,556</b>	<b>\$ 29,205</b>	<b>\$ 27,720</b>	<b>\$ 796,162</b>	<b>\$ 3,330,903</b>
<b>Fund Balance - December 31</b>	<b>\$ 790,171</b>	<b>\$ 421,304</b>	<b>\$ 28,074</b>	<b>\$ (60,298)</b>	<b>\$ 481,740</b>	<b>\$ 60,417</b>	<b>\$ (28,839)</b>	<b>\$ 793,133</b>	<b>\$ 2,485,702</b>

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

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NELSON COUNTY  
Lakota, North Dakota

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

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Net Change in *Fund Balances* - Total Governmental Funds \$ (845,201)

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

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

Current Year Capital Outlay	\$ 357,121	
Current Year Depreciation Expense	<u>(145,795)</u>	211,326

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the loss on the capital assets sold. (18,952)

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

Repayment of Debt	144,458
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The Net Pension Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Increase in Net Pension Liability	\$ (20,611)	
Decrease in Deferred Outflows of Resources Related to Pensions	(1,919)	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>34,454</u>	11,924

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.

Increase in Compensated Absences	\$ (16,298)	
Increase in Retainage Payable	<u>(23,548)</u>	(39,846)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable and decrease road receivables.

Decrease in Taxes Receivable	\$ (4,424)	
Decrease in Road Department Receivables	<u>(30,735)</u>	(35,159)

Change in Net Position of Governmental Activities	<u><u>\$ (571,450)</u></u>
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The notes to the financial statements are an integral part of this statement.

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NELSON COUNTY  
Lakota, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
December 31, 2016 and 2015

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	2016	2015
<u>Assets:</u>		
Cash and Investments	<u>\$ 1,163,139</u>	<u>\$ 1,258,070</u>
<u>Liabilities:</u>		
Due to Other Governments	<u>\$ 1,163,139</u>	<u>\$ 1,258,070</u>

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

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NELSON COUNTY  
Lakota, North Dakota  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

Based on these criteria, there are two discretely presented component units to be included within Nelson County as a reporting entity.

**COMPONENT UNITS**

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

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

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

Component Unit Financial Statements: The financial statements of the discretely presented component unit are presented in the County's basic financial statements. Complete financial statements of the component unit can be obtained from the Nelson County Auditor Nelson County, 210 B Avenue West, Lakota, ND 58344-7410.

Related Organizations - The County is accountable for the following legally separate entities because it appoints a voting majority to their governing boards. Although, the County is not financially accountable for these entities, as defined by GASB statement 14, the County did provide operating grants to them as follows:

	<b>2016</b>	<b>2015</b>
Weed Control	\$ 133,212	\$ 105,650
Historical Society	6,324	6,216
Senior Citizens	45,469	43,785

**B. Basis of Presentation**

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government, Nelson County and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made, when applicable, 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 and the component units governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, interest and non-restricted grants and contributions, are presented as general revenues.

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

The county reports the following major governmental funds:

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

*Farm to Market Roads & Investments Fund.* This fund accounts for repair and improvement of highways. The primary revenue sources in this fund are restricted grants and tax levy.

*County Road and Bridge Fund.* This fund accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. The primary revenue sources in this fund are restricted grants and tax levy.

*Highway Distribution Fund.* This fund accounts for the Highway Tax Distribution revenue collected during the year for this specific County. The primary revenue sources in this fund are restricted grants

*FEMA Fund.* This fund accounts for state and federal grants related for flood disaster repairs and the related disbursements. The primary revenue sources in this fund are restricted grants.

*OASIS & Social Security (2015 only).* This fund accounts for taxes levied and collected to pay the county share of OASIS and social security taxes. The primary revenue source in this fund was restricted taxes. This fund was closed into the general fund in 2016.

*County Park (2015 only).* This fund accounted for taxes levied and collected for recreation purposes. The primary revenue sources in this fund was restricted taxes levied for recreation purposes. This fund was closed into the general fund in 2016.

*Park Stabilization Project (2016 only).* This fund accounts for costs of the bank stabilization project at Stump Lake. The primary revenue source in this fund is restricted grants.

The County reports the following fund type:

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

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

*Government-wide and Fiduciary Fund Financial Statements.* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

E. Capital Assets**PRIMARY GOVERNMENT:**

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

General infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. 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. Interest incurred during the construction phase of capital assets is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<b>Assets</b>	<b>Years</b>
Buildings	40 – 75
Machinery & Equipment	5 – 15
Infrastructure	40
Vehicles	3 – 7
Office Equipment	3 - 5

F. Compensated Absences

Vacation leave is earned at the rate of 12 to 24 days per year depending on years of service; up to 30 days. Upon termination vacation benefits that have accrued through the last day of work will be paid; maximum of 30 days. Employees accrue sick leave benefits at the rate of 1 day per month, up to 60 days. Sick leave benefits for Social Service employees are allowed to accumulate an unlimited amount. Once an employee has reached their maximum accrued sick leave level, they are eligible to trade any additional sick leave awarded that year, at a rate of one day of vacation for six days of sick leave. Upon termination sick leave benefits that have accrued through the last day of work will be paid out at a rate of 10%.

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.

H. Fund Balances / Net Position

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

***Fund Balance Spending Policy:***

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

***Major Special Revenue Fund Purposes & Revenue Sources:***

Purposes and major revenue sources of the major special revenue funds (farm to market roads, road and bridge, highway distribution, FEMA, OASIS and social security, county park, and park stabilization project) are disclosed in more detail in Note 1B in the discussion of major funds.

***Fund Balance Reporting and Governmental Fund Type Definitions***

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

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.

TABLE CONTINUED ON NEXT PAGE...

**NELSON COUNTY**

## Notes to the Financial Statements - Continued

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

Nelson County did not have report non-spendable balances, committed balances, or assigned fund balances in the balance sheet at December 31, 2016 and 2015.

Restricted Fund Balances – consist of the following items at December 31, 2016 and 2015:

Restricted fund balances are shown by primary function on the balance sheet for debt service, public safety, highways & bridges, health & welfare, culture & recreation, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for various tax levies) and by outside 3<sup>rd</sup> parties (State & Federal governments for various grants & reimbursements and bond indentures).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
  - Restricted grants/reimbursements – primarily includes social welfare/services and highways & bridges, as well as disaster type grants in FEMA funds, and other restricted tax levies and grant funds.

**Net position:**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, and any related debt used to finance the purchase or construction of those capital assets. These assets are not available for future spending.

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

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for negative funds. The unrestricted net position is available to meet the district's ongoing obligations.

**I. 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.



## NELSON COUNTY

### Notes to the Financial Statements - Continued

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#### J. Pension

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

#### **NOTE 2: DEPOSITS**

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

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

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

At year ended December 31, 2016, the county's carrying amount of deposits totaled \$3,027,676, and the bank balances totaled \$2,819,853. Of the bank balances, \$1,661,456, was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2016, the Nelson County Water Resource District's carrying amount of deposits totaled \$289,394, and the bank balances totaled \$318,943. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2015, the county's carrying amount of deposits totaled \$3,681,883, and the bank balances totaled \$3,541,164. Of the bank balances, \$1,874,852 was covered by Federal Depository Insurance. Of the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name, and \$101,734 were not adequately covered. At year ended December 31, 2015, the Nelson County Water Resource District's carrying amount of deposits totaled \$679,142, and the bank balances totaled \$715,803. Of the bank balances, the entire \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

## NELSON COUNTY

### Notes to the Financial Statements - Continued

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#### Credit Risk:

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

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

As of December 31, 2016, and 2015, the county had certificates of deposit totaling \$505,418 and \$502,637, respectively, all of which were considered deposits.

#### Concentration of Credit Risk:

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

#### **NOTE 3: TAXES RECEIVABLE**

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

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

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

Most property owners choose to pay property taxes on or before February 15 and receive the 5% discount on the property taxes.

#### **NOTE 4: ROAD ACCOUNTS RECEIVABLE**

Road accounts receivable consist of amounts due for road work for townships, cities and private citizens.

#### **NOTE 5: INTERGOVERNMENTAL RECEIVABLE**

Intergovernmental receivables consist of amounts due from the state for the state and federal share of various social service programs, highway tax distribution, state revenue sharing, and other state and federal grants.

**NELSON COUNTY**

## Notes to the Financial Statements - Continued

**NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended December 31, 2016 and 2015 for the primary government:

<b>Primary Government (2016):</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,580	\$ -	\$ -	\$ 15,580
<i>Capital assets being depreciated:</i>				
Buildings	\$ 1,709,557	\$ -	\$ -	\$ 1,709,557
Furniture & Equipment	1,268,611	31,011	8,049	1,291,573
Vehicles	562,195	198,123	48,439	711,879
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 3,540,363</b>	<b>\$ 229,134</b>	<b>\$ 56,488</b>	<b>\$ 3,713,009</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 719,469	\$ 48,191	\$ -	\$ 767,660
Furniture & Equipment	1,010,611	52,315	2,683	1,060,243
Vehicles	406,906	74,130	48,439	432,597
<b>Total Accumulated Depreciation</b>	<b>\$ 2,136,986</b>	<b>\$ 174,636</b>	<b>\$ 51,122</b>	<b>\$ 2,260,500</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,403,377</b>	<b>\$ 54,498</b>	<b>\$ 5,366</b>	<b>\$ 1,452,509</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$ 1,418,957</b>	<b>\$ 54,498</b>	<b>\$ 5,366</b>	<b>\$ 1,468,089</b>

<b>Primary Government (2015):</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,580	\$ -	\$ -	\$ 15,580
<i>Capital assets being depreciated:</i>				
Buildings	\$ 1,666,202	\$ 43,355	\$ -	\$ 1,709,557
Furniture & Equipment	1,148,077	205,534	85,000	1,268,611
Vehicles	537,043	108,232	83,080	562,195
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 3,351,322</b>	<b>\$ 357,121</b>	<b>\$ 168,080</b>	<b>\$ 3,540,363</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 671,278	\$ 48,191	\$ -	\$ 719,469
Furniture & Equipment	1,034,564	48,904	72,857	1,010,611
Vehicles	434,477	48,700	76,271	406,906
<b>Total Accumulated Depreciation</b>	<b>\$ 2,140,319</b>	<b>\$ 145,795</b>	<b>\$ 149,128</b>	<b>\$ 2,136,986</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,211,003</b>	<b>\$ 211,326</b>	<b>\$ 18,952</b>	<b>\$ 1,403,377</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$ 1,226,583</b>	<b>\$ 211,326</b>	<b>\$ 18,952</b>	<b>\$ 1,418,957</b>

Depreciation expense was charged to functions/programs of the county as follows for the years ended December 31, 2016 and 2015:

<b>Governmental Activities:</b>	<b>2016</b>	<b>2015</b>
General Government	\$ 8,301	\$ 8,301
Public Safety	13,904	12,795
Highways & Bridges	105,522	84,814
Health & Welfare	4,702	4,702
Culture & Recreation	36,700	33,290
Conservation of Natural Resources	5,507	1,893
<b>Total Depreciation Expense - Govt. Activities</b>	<b>\$ 174,636</b>	<b>\$ 145,795</b>

**NELSON COUNTY**

## Notes to the Financial Statements - Continued

**DISCRETELY PRESENTED COMPONENT UNIT:**Nelson County Water Resource District:

The following is a summary of changes in capital assets for the Nelson County Water Resource District, a discretely presented component unit of Nelson County for the year ended December 31, 2016 and 2015:

<b>Nelson County WRD (2016):</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Construction Progress	\$ 4,169,748	\$ 335,619	\$ -	\$ 4,505,367
<i>Capital assets being depreciated:</i>				
Equipment	\$ 37,110	\$ 49,840	\$ -	\$ 86,950
<i>Less Accumulated Depreciation for:</i>				
Equipment	\$ 6,073	\$ 4,348		\$ 10,421
Total Capital Assets Being Depreciated, Net	\$ 31,037	\$ 45,492	\$ -	\$ 76,529
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$ 4,200,785</b>	<b>\$ 381,111</b>	<b>\$ -</b>	<b>\$ 4,581,896</b>

<b>Nelson County WRD (2015):</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Construction Progress	\$ 2,771,320	\$ 1,398,428	\$ -	\$ 4,169,748
<i>Capital assets being depreciated:</i>				
Equipment	\$ 28,115	\$ 8,995	\$ -	\$ 37,110
<i>Less Accumulated Depreciation for:</i>				
Equipment	\$ 4,217	\$ 1,856		\$ 6,073
Total Capital Assets Being Depreciated, Net	\$ 23,898	\$ 7,139	\$ -	\$ 31,037
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$ 2,795,218</b>	<b>\$ 1,405,567</b>	<b>\$ -</b>	<b>\$ 4,200,785</b>

Depreciation expense totaling \$4,348 and \$1,856 in 2016 and 2015, respectively, was charged to the conservation of natural resources function.

**NOTE 7: DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions for differences in actual and expected experience, investment earnings differences, changes in assumptions, and district contributions made subsequent to the measurement date.

**NOTE 8: ACCOUNTS PAYABLE**

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

**NOTE 9: SALARIES PAYABLE**

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

**NELSON COUNTY**

## Notes to the Financial Statements - Continued

**NOTE 10: RETAINAGES PAYABLE**

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts owed by the water resource district at December 31, 2015. Retainages payable also consists of amounts retained until project completion for road projects owed by the county totaling \$253,526 and \$131,841 at December 31, 2016 and 2015, respectively. See additional information in Note 22 for commitments.

**NOTE 11: INTEREST PAYABLE**

Interest payable consists of amounts due on outstanding debt at each year end by the water resource district.

**NOTE 12: OPERATING LEASES**

Nelson County highway department leases motor graders, a tractor, and a copier under non-cancelable operating leases. Total costs for such leases were \$129,577, and \$161,476 for the years ended December 31, 2016 and 2015, respectively. The future minimum lease payments for these leases are as follows:

<b>Payments</b>	<b>Motor Graders</b>	<b>Loader</b>	<b>Konica Copier</b>	<b>Total</b>
2017	\$ 111,096	\$ 12,781	\$ 5,700	\$ 129,577
2018	111,096	12,781	5,700	129,577
2019	913,477	12,781	5,700	931,958
2020	-	12,780	3,325	16,105
<b>Totals</b>	<b>\$ 1,135,669</b>	<b>\$ 51,123</b>	<b>\$ 20,425</b>	<b>\$1,207,217</b>

**NOTE 13: LONG-TERM LIABILITIES**

Primary Government:

**Changes in Long-Term Liabilities** - During the years ended December 31, 2016 and 2015, the following changes occurred in governmental activities long-term liabilities for the primary government:

<b>Governmental Activities (2016)</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ -	\$ 88,757	\$ -	\$ 88,757	\$ 35,503
Net Pension Liability *	927,748	419,058	-	1,346,806	-
<b>Total Governmental Activities</b>	<b>\$ 927,748</b>	<b>\$ 507,815</b>	<b>\$ -</b>	<b>\$ 1,435,563</b>	<b>\$ 35,503</b>

<b>Governmental Activities (2015)</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Loans Payable	\$ 144,458	\$ -	\$ 144,458	\$ -	\$ -
Compensated Absences *	72,181	16,298	-	88,479	35,392
Net Pension Liability *	907,137	20,611	-	927,748	-
<b>Total Governmental Activities</b>	<b>\$ 1,123,776</b>	<b>\$ 36,909</b>	<b>\$ 144,458</b>	<b>\$ 1,016,227</b>	<b>\$ 35,392</b>

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

**NELSON COUNTY**

## Notes to the Financial Statements - Continued

Component Unit – Water Resource District:

**Changes in Long-Term Liabilities** - During the years ended December 31, 2016 and 2015; the following changes occurred in governmental activities long-term liabilities for the Water Resource District:

<b>WRD (2016)</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Bonds Payable	\$ 1,975,000	\$ -	\$ 985,000	\$ 990,000	\$ 55,000
Loans/Warrants Payable	130,000	50,000	32,500	147,500	32,500
Total Governmental Activities	\$ 2,105,000	\$ 50,000	\$ 1,017,500	\$ 1,137,500	\$ 87,500

<b>WRD (2015)</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Bonds Payable	\$ 2,850,000	\$ 930,000	\$ 1,805,000	\$ 1,975,000	\$ 985,000
Loans/Warrants Payable	46,000	104,000	20,000	130,000	32,000
Total Governmental Activities	\$ 2,896,000	\$ 1,034,000	\$ 1,825,000	\$ 2,105,000	\$ 1,017,000

Outstanding water resource district debt at December 31, 2016 is comprised of the following individual issues:

**Loans/Warrants Payable:**

\$100,000 Goose River Bank Warrants, used for general fund operating purposes. Annual payments of \$12,500 are due through April 15, 2023, interest at 3.00%. \$ 87,500

\$100,000 Beaver Creek Bank Warrants, used for general fund operating purposes. Annual payments of \$20,000 are due through April 15, 2019, interest at 3.00%. 60,000

Total Water Resource District Warrants Payable \$ 147,500

**Bonds Payable:**

\$1,100,000 Long-Term Improvement Bond, due in annual installments of \$55,000 through November 2034; interest at 0.50% to 3.75%. \$ 990,000

Total Water Resource District Debt Payable (bonds and warrants) \$ 1,137,500

Debt service requirements on long-term debt for the water resource district at December 31, 2016 are as follows:

<b>Year Ending Dec 31</b>	<b>Bonds Principal</b>	<b>Bonds Interest</b>	<b>Warrants Principal</b>	<b>Warrants Interest</b>
2017	\$ 55,000	\$ 29,838	\$ 32,500	\$ 4,425
2018	55,000	29,012	32,500	3,450
2019	55,000	28,050	32,500	2,435
2020	55,000	26,950	12,500	1,504
2021	55,000	25,713	12,500	1,125
2022 - 2026	275,000	105,462	25,000	1,059
2027 - 2031	275,000	56,719	-	-
2032 - 2036	165,000	9,281	-	-
Total	\$ 990,000	\$ 311,025	\$ 147,500	\$ 13,998

Debt Issuances – Nelson County Water Resource District:

During 2015 and 2016, warrants payable were issued totaling \$50,000 and \$104,000, respectively. The warrants were issued for snagging and clearing projects at Goose River and Beaver Creek.

**NELSON COUNTY**

## Notes to the Financial Statements - Continued

Additionally, \$930,000 of temporary improvement bonds were issued during 2015 for the Michigan Spillway Flood Control Project.

**NOTE 14: DEFERRED INFLOWS OF RESOURCES**

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

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

**NOTE 15: DEFICIT CASH FUND BALANCES****NEGATIVE CASH FUND BALANCES / DUE TO & DUE FROM OTHER FUNDS**

The amounts of negative cash below are reported in the general fund as due from other funds from the park stabilization fund totaling \$116,153 at December 31, 2016, and \$58,011 from country park totaling \$28,839, and road and bridge totaling \$29,172 at December 31, 2015.

At December 31, 2016 and 2015, the county had the following negative fund cash balances:

<b>Negative Fund Balances</b>	<b>2016</b>	<b>2015</b>
Road and Bridge	\$ -	\$ (29,172)
County Park	-	(28,839)
Park Stabilization Project	(116,153)	-

The County expects to alleviate negative balances with transfers from other funds and reimbursements.

**NOTE 16: TRANSFERS**

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements of the governmental funds for the year ended December 31, 2016:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Funds:</b>		
General Fund	\$ 113,807	\$ 28,840
FEMA Fund	10,647	30,501
Farm to Market Road	6,233	427,538
Road & Bridge	1,058,154	-
Highway Tax Distribution	-	481,740
<b>Special Revenue Funds:</b>		
Enbridge Pipeline	-	3,900
Highway Maintenance	-	131,458
Weed Control	-	491
Park Village Coordinator	-	227
Veteran's Service Officer	-	3,081
County Agent	-	5,872
County Park	28,839	-
Health Insurance	-	2,067
OASIS & Social Security	-	60,417
Promotion & Advertising	-	4,612
Insurance Reserve	-	36,936
<b>Total Transfers</b>	<b>\$ 1,217,680</b>	<b>\$ 1,217,680</b>

**NELSON COUNTY**

## Notes to the Financial Statements - Continued

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

	Transfers In	Transfers Out
<b>Major Funds:</b>		
General Fund	\$ 16,097	\$ 213,940
FEMA Fund	-	12,250
Farm to Market Road	-	202,965
Road & Bridge	217,896	65,780
OASIS & Social Security	-	92,000
County Park	121,000	-
<b>Special Revenue Funds:</b>		
Courthouse Repair	10,000	-
County Emergency	-	2,441
Weed Control	-	542
Veteran's Service Officer	-	4,221
County Agent	-	8,338
Stump Lake Café	-	1,000
Health Insurance	241,720	-
County Loan	-	3,236
<b>Total Transfers</b>	<b>\$ 606,713</b>	<b>\$ 606,713</b>

Transfers are done primarily to transfer money from the farm to market road fund, highway maintenance fund, and the highway distribution fund to the road and bridge fund for road projects, and to reimburse other funds for shared expenses. Additionally, transfers are done to the general fund to close certain funds when applicable.

**NOTE 17: PENSION PLAN****General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

Benefits are set by statute. NDPERS has no 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 after January 1, 2016 the Rule of 85 will be replaced with a 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 salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

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

At December 31, 2016 and 2015, Nelson County reported a liability of \$1,346,806 and \$927,748, respectively, for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016 and 2015, the Employer's proportion was .138191 and .136437 percent, respectively, which was an increase of .001754 percent from its proportion measured as of June 30, 2015.

**NELSON COUNTY**

## Notes to the Financial Statements - Continued

For the years ended December 31, 2016 and 2015, the Employer recognized pension expense of \$172,029 and \$80,329, respectively. At December 31, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>2016:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 20,232	\$ 12,470
Changes of Assumptions	124,158	66,909
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	187,899	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	6,741	32,272
District Contributions Subsequent to the Measurement Date	19,093	-
<b>Total</b>	<b>\$ 358,123</b>	<b>\$ 111,651</b>

<b>2015:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 26,915	\$ -
Changes of Assumptions	-	82,658
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	19,584
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	40,381
District Contributions Subsequent to the Measurement Date	16,563	-
<b>Total</b>	<b>\$ 43,478</b>	<b>\$ 142,623</b>

\$19,093 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

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

2017	\$ 45,573
2018	45,573
2019	86,562
2020	55,499
2021	19,703

**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 Mortality Table set back one year for males (no setback for females) multiplied by 125%.

**NELSON COUNTY****Notes to the Financial Statements - Continued**

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, 2015, 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 of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	.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, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
<b>2016:</b>			
County's Proportionate Share of the Net Pension Liability	\$ 1,910,418	\$ 1,346,806	\$ 871,933

**NELSON COUNTY**

## Notes to the Financial Statements - Continued

<b>2015:</b>	<b>1% Decrease (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase (9%)</b>
County's Proportionate Share of the Net Pension Liability	\$ 1,422,656	\$ 927,748	\$ 522,825

**Pension Plan Fiduciary Net Position**

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

**NOTE 18: RISK MANAGEMENT**

Nelson 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. Nelson County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$2,685,409 for public assets (mobile equipment and portable property).

Nelson County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Nelson 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 two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Nelson County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

**NOTE 19: JOINT VENTURES**Red River Valley Joint Water Resource Board

Under authorization of state statutes, the Nelson County Water Resource District joined Maple River Water Resource District, Rush River Water Resource District, Southeast Cass Water Resource District, North Cass Water Resource District, and the water resource districts of Nelson County, Nelson County, Nelson County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for water management districts located within the Red River Valley, known as the Red River Valley Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution depends on where the Red River Joint Water Resource Board projects are being undertaken.

**NELSON COUNTY**Notes to the Financial Statements - Continued

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The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2016.

	<b>Red River Joint Water Resource District</b>
Total Assets	\$ 7,233,622
Total Liabilities	43,309
Total Net Position	\$ 7,190,313
Revenues	\$ 2,649,394
Expenses	3,125,522
Change in Net Position	\$ (476,128)

Complete financial statements can be obtained by writing: Red River Joint Water Resource Board, 1201 Main Avenue West, West Fargo, ND 58078.

Devils Lake Basin Joint Water Resource Board

Under authorization of state statutes, the Ramsey County Water Resource District joined Benson County, Cavalier County, Nelson County, Pierce County, Rolette County, Towner County, and Walsh County to establish and operate a joint exercise of powers agreement for water management districts located within the Devils Lake basin. Known as the Devils Lake Basin Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. One member of the directors for the joint venture is appointed by each government. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined due to lack of provisions being made for this in the joint powers agreement.

The following is summary financial information for the joint venture as of December 31, 2007, which is the most current audited information.

	<b>Devils Lake Basin Joint WRD</b>
Total Assets	\$ 260,952
Total Liabilities	-
Total Net Position	\$ 260,952
Revenues	\$ 312,857
Expenses	303,030
Change in Net Position	\$ 9,827

Complete financial statements can be obtained by writing: Devils Lake Basin Joint Water Resource Board, 524 4th Avenue NE, #27, Devils Lake, ND 58301.

Nelson – Griggs District Health Unit

Nelson County entered into a joint venture with Griggs County for the operation of the Nelson - Griggs District Health Unit. Each participating county's share of the cost operations and board member appointments is determined by the relative population of each county.

**NELSON COUNTY****Notes to the Financial Statements - Continued**

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

	<b>Nelson-Griggs District Health Unit</b>
Total Assets	\$ 421,064
Total Liabilities	-
Total Net Position	\$ 421,064
Revenues	\$ 758,794
Expenses	546,162
Change in Net Position	\$ 212,632

Complete financial statement can be obtained by writing: Nelson – Griggs District Health Unit, PO Box 365, McVie, ND 58254.

**NOTE 20: CONDUIT DEBT**

From time to time, the County has issued Community Development Block Grant Loans to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facilities transfers to the private-sector entity served by the loan issuance. Neither the County, State, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

As of December 31, 2015, there was one series of Community Development Block Grant Loans outstanding, with an aggregate principal amount payable \$28,650. There was a zero balance at December 31, 2016.

**NOTE 21: TAX ABATEMENTS**

Nelson County and political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Nelson County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2016.

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

**New and Expanding Business:**

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

General criteria — In evaluation applications for property tax exemption, the applicable governing board considers the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections.
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits

## NELSON COUNTY

### Notes to the Financial Statements - Continued

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- Impact on city services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

#### Exemption Criteria:

Amount of exemption will be according to the following schedule: Year 1 — 100%, Year 2 — 80%, Year 3 — 60%, Year 4 — 40%, Year 5 — 20%.

#### 2016 Reduction in Taxes:

Total County Only Taxes - \$532

### **Single Family Residence:**

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all the following conditions are met:

- a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

#### 2016 Reduction in Taxes:

Total County Only Taxes – \$3,387

### **Commercial and Residential:**

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

**NELSON COUNTY****Notes to the Financial Statements - Continued**2016 Reduction in Taxes:

Total County Only Taxes – \$53

**Public Charity Exemption:**

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

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

Exemption Criteria:

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

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$23,163

**Child Care Exemption:**

Day Care Centers are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(36)) and the guidelines stated below. The following criteria are only guidelines.

The governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under chapter 50-11.1 or used primarily as an adult day care center. However, this exemption is not available for property used as a residence.

2016 Reduction in Taxes:

Total County Only Taxes – \$121

**NOTE 22: COMMITMENTS**

Nelson County had the following commitments for construction contracts as of December 31, 2016 and 2015, respectively:

<b>County - 2016</b>							
<b>Project</b>	<b>Orginal Contract</b>	<b>Change Orders</b>	<b>Total Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>	<b>% Complete</b>
Pavilion Road	\$ 99,981	\$ -	\$ 99,981	\$ 93,738	\$ 7,186	\$ 6,243	93.76%
NC 23 Paving	1,623,277	-	1,623,277	1,388,475	81,164	234,802	85.54%
NC 35 Paving	1,207,601	-	1,207,601	1,144,797	87,430	62,804	94.80%
NC 23 Tolna	350,349	-	350,349	313,009	24,409	37,340	89.34%
NC 4a	384,973	-	384,973	375,613	28,405	9,360	97.57%
SLP Bank Riprap	350,662	-	350,662	323,296	24,931	27,366	92.20%
<b>Total</b>	<b>\$4,016,843</b>	<b>\$ -</b>	<b>\$4,016,843</b>	<b>\$3,638,928</b>	<b>\$ 253,525</b>	<b>\$ 377,915</b>	<b>90.59%</b>



**NELSON COUNTY**

## Notes to the Financial Statements - Continued

County - 2015							
Project	Original Contract	Change Orders	Total Contract	Total Completed	Retainage	Remaining Balance	% Complete
NC 23 BOX	\$ 470,975	\$ -	\$ 470,975	\$ 399,879	\$ 23,549	\$ 71,096	85%
NC 1 (2014)	1,465,502	700,352	2,165,854	2,048,421	108,293	117,433	95%
Total	\$ 1,936,477	\$ 700,352	\$ 2,636,829	\$ 2,448,300	\$ 131,842	\$ 188,529	92.85%

Nelson County Water Resource District had the following commitments for construction contracts as of December 31, 2015:

WRD - 2015							
Project	Original Contract	Change Orders	Total Contract	Total Completed	Retainage	Remaining Balance	% Complete
<b>Michigan Spillway</b>							
John T Jones	\$ 434,700	\$ 24,002	\$ 458,702	\$ 458,702	\$ -	\$ -	100.00%
RJ Zavoral and Sons	1,297,771	(93,786)	1,203,985	1,203,985	60,199	-	100.00%
Total	\$ 1,732,471	\$ (69,784)	\$ 1,662,687	\$ 1,662,687	\$ 60,199	\$ -	100.00%

**NOTE 23: PRIOR PERIOD ADJUSTMENTS****Change in Accounting Principle – GASB 68 & 71 - Pensions:**

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

**Capital Asset Errors - County:**

Also, adjustments were necessary to properly restate beginning cost and accumulated depreciation for equipment capital assets.

<b>Governmental Activities - County</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 4,360,119
<b>Adjustments to restate the January 1, 2015 Net Position:</b>	
Capital Assets - Equipment Cost	85,000
Capital Assets - Equipment Accumulated Depreciation	(72,857)
Net Pension Liability	(907,137)
Deferred Outflows of Resources - Pensions	45,397
Deferred Inflows of Resources - Pensions	(177,077)
Net Position January 1, as restated	\$ 3,333,445

**Discretely Presented Component Unit – Nelson County Water Resource District:**

Additionally, prior period adjustments were necessary for the Nelson County Water Resource District to properly report cash and investments, and beginning balance of construction.

<b>Governmental Activities - Water Resource District</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 1,380,666
<b>Adjustments to restate the January 1, 2015 Net Position:</b>	
Cash deposit prior period recording error	1,370
Construction account beginning balance error	6,346
Net Position January 1, as restated	\$ 1,388,382

NELSON COUNTY  
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>								
Taxes	\$ 1,265,050	\$ 1,265,050	\$ 1,258,989	\$ (6,061)	\$ 477,600	\$ 477,600	\$ 463,457	\$ (14,143)
Intergovernmental	709,196	709,196	529,539	(179,657)	542,174	542,174	493,364	(48,810)
Charges for Services	238,842	238,842	316,292	77,450	129,770	129,770	125,291	(4,479)
Interest Income	6,500	6,500	6,560	60	6,000	6,000	6,009	9
Miscellaneous	19,300	19,300	5,602	(13,698)	24,800	24,800	24,885	85
<b>Total Revenues</b>	<b>\$ 2,238,888</b>	<b>\$ 2,238,888</b>	<b>\$ 2,116,982</b>	<b>\$ (121,906)</b>	<b>\$ 1,180,344</b>	<b>\$ 1,180,344</b>	<b>\$ 1,113,006</b>	<b>\$ (67,338)</b>
<b>Expenditures:</b>								
Current:								
General Government	\$ 1,831,291	\$ 1,831,291	\$ 1,684,426	\$ 146,865	\$ 678,566	678,566	\$ 600,497	\$ 78,069
Public Safety	347,320	347,320	331,714	15,606	335,892	335,892	315,989	19,903
Parks & Recreation	175,700	175,700	272,008	(96,308)	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 2,354,311</b>	<b>\$ 2,354,311</b>	<b>\$ 2,288,148</b>	<b>\$ 66,163</b>	<b>\$ 1,014,458</b>	<b>\$ 1,014,458</b>	<b>\$ 916,486</b>	<b>\$ 97,972</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (115,423)</b>	<b>\$ (115,423)</b>	<b>\$ (171,166)</b>	<b>\$ (55,743)</b>	<b>\$ 165,886</b>	<b>\$ 165,886</b>	<b>\$ 196,520</b>	<b>\$ 30,634</b>
<b>Other Financing Sources (Uses):</b>								
Transfers In	\$ 193,838	\$ 193,838	\$ 113,807	\$ (80,031)	\$ 9,400	\$ 9,400	\$ 16,097	\$ 6,697
Transfers Out	(46,785)	(46,785)	(28,839)	17,946	(104,200)	(104,200)	(213,940)	(109,740)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 147,053</b>	<b>\$ 147,053</b>	<b>\$ 84,968</b>	<b>\$ (62,085)</b>	<b>\$ (94,800)</b>	<b>\$ (94,800)</b>	<b>\$ (197,843)</b>	<b>\$ (103,043)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 31,630</b>	<b>\$ 31,630</b>	<b>\$ (86,198)</b>	<b>\$ (117,828)</b>	<b>\$ 71,086</b>	<b>\$ 71,086</b>	<b>\$ (1,323)</b>	<b>\$ (72,409)</b>
<b>Fund Balance - January 1</b>	<b>\$ 790,171</b>	<b>\$ 790,171</b>	<b>\$ 790,171</b>	<b>\$ -</b>	<b>\$ 791,494</b>	<b>\$ 791,494</b>	<b>\$ 791,494</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ 821,801</b>	<b>\$ 821,801</b>	<b>\$ 703,973</b>	<b>\$ (117,828)</b>	<b>\$ 862,580</b>	<b>\$ 862,580</b>	<b>\$ 790,171</b>	<b>\$ (72,409)</b>

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY  
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE  
FARM TO MARKET ROADS FUND  
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 322,300	\$ 322,300	\$ 320,153	\$ (2,147)
Intergovernmental	-	-	-	-	901,100	901,100	37,192	(863,908)
Interest Income	-	-	-	-	2,000	2,000	1,544	(456)
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ 1,225,400	\$ 1,225,400	\$ 358,889	\$ (866,511)
<u>Expenditures:</u>								
Current:								
Highways	\$ -	\$ -	\$ -	\$ -	\$ 1,227,000	\$ 1,227,000	\$ 614,368	\$ 612,632
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ (1,600)	\$ (1,600)	\$ (255,479)	\$ (253,879)
<u>Other Financing Sources (Uses):</u>								
Transfers In	\$ -	\$ -	\$ 6,233	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	(427,537)	(427,537)	(180,000)	(180,000)	(202,965)	(22,965)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (421,304)	\$ (427,537)	\$ (180,000)	\$ (180,000)	\$ (202,965)	\$ (22,965)
Net Change in Fund Balances	\$ -	\$ -	\$ (421,304)	\$ (427,537)	\$ (181,600)	\$ (181,600)	\$ (458,444)	\$ (276,844)
Fund Balance - January 1	\$ 421,304	\$ 421,304	\$ 421,304	\$ -	\$ 879,748	\$ 879,748	\$ 879,748	\$ -
Fund Balance - December 31	\$ 421,304	\$ 421,304	\$ -	\$ (427,537)	\$ 698,148	\$ 698,148	\$ 421,304	\$ (276,844)

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY  
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE  
FEMA FUND  
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Intergovernmental	\$ -	\$ -	\$ 30,383	\$ 30,383	\$ -	\$ -	\$ -	\$ -
<u>Expenditures:</u>								
Current:								
Food Repair	\$ 3,895	\$ 3,895	\$ 21,933	\$ (18,038)	\$ 24,988	\$ 24,988	\$ 15,099	\$ 9,889
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,895)	\$ (3,895)	\$ 8,450	\$ 12,345	\$ (24,988)	\$ (24,988)	\$ (15,099)	\$ 9,889
<u>Other Financing Sources (Uses):</u>								
Transfers Out	\$ -	\$ -	\$ (30,501)	\$ (30,501)	\$ -	\$ -	\$ (12,250)	\$ (12,250)
Net Change in Fund Balance	\$ (3,895)	\$ (3,895)	\$ (11,404)	\$ (7,509)	\$ (24,988)	\$ (24,988)	\$ (27,349)	\$ (2,361)
Fund Balance - January 1	\$ 28,074	\$ 28,074	\$ 28,074	\$ -	\$ 55,423	\$ 55,423	\$ 55,423	\$ -
Fund Balance - December 31	\$ 24,179	\$ 24,179	\$ 16,670	\$ (7,509)	\$ 30,435	\$ 30,435	\$ 28,074	\$ (2,361)

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY  
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COUNTY ROAD AND BRIDGE FUND  
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Taxes	\$ 470,420	\$ 470,420	\$ 461,916	\$ (8,504)	\$ 92,100	\$ 92,100	\$ 90,701	\$ (1,399)
Intergovernmental	4,794,017	4,794,017	4,450,700	(343,317)	41,900	41,900	108,766	66,866
Charges for Services	305,000	305,000	322,803	17,803	505,000	505,000	372,274	(132,726)
Miscellaneous	25,000	25,000	19,549	(5,451)	5,800	5,800	48,972	43,172
Total Revenues	\$ 5,594,437	\$ 5,594,437	\$ 5,254,968	\$ (339,469)	\$ 644,800	\$ 644,800	\$ 620,713	\$ (24,087)
<u>Expenditures:</u>								
Current:								
Highways	\$ 5,667,547	\$ 5,667,547	\$ 5,458,189	\$ 209,358	\$ 1,431,000	\$ 1,431,000	\$ 1,482,722	\$ (51,722)
Excess (Deficiency) of Revenues Over Expenditures	\$ (73,110)	\$ (73,110)	\$ (203,221)	\$ (130,111)	\$ (786,200)	\$ (786,200)	\$ (862,009)	\$ (75,809)
<u>Other Financing Sources (Uses):</u>								
Transfers In	\$ 863,569	\$ 863,569	\$ 1,058,153	\$ 194,584	\$ 823,500	\$ 823,500	\$ 217,896	\$ (605,604)
Transfers Out	(75,650)	(75,650)	-	75,650	(173,800)	(173,800)	(65,780)	108,020
Total Other Financing Sources and Uses	\$ 787,919	\$ 787,919	\$ 1,058,153	\$ 270,234	\$ 649,700	\$ 649,700	\$ 152,116	\$ (497,584)
Net Change in Fund Balances	\$ 714,809	\$ 714,809	\$ 854,932	\$ 140,123	\$ (136,500)	\$ (136,500)	\$ (709,893)	\$ (573,393)
Fund Balance - January 1	\$ (60,298)	\$ (60,298)	\$ (60,298)	\$ -	\$ 649,595	\$ 649,595	\$ 649,595	\$ -
Fund Balance - December 31	\$ 654,511	\$ 654,511	\$ 794,634	\$ 140,123	\$ 513,095	\$ 513,095	\$ (60,298)	\$ (573,393)

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY  
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE  
HIGHWAY DISTRIBUTION FUND  
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 457,493	\$ 457,493	\$ 380,184	\$ (77,309)
<u>Expenditures:</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 457,493	\$ 457,493	\$ 380,184	\$ (77,309)
<u>Other Financing Sources (Uses):</u>								
Transfers Out	\$ -	\$ -	\$ (481,740)	\$ (481,740)	\$ (460,000)	\$ (460,000)	\$ -	\$ 460,000
Net Change in Fund Balances	\$ -	\$ -	\$ (481,740)	\$ (481,740)	\$ (2,507)	\$ (2,507)	\$ 380,184	\$ 382,691
Fund Balance - January 1	\$ 481,740	\$ 481,740	\$ 481,740	\$ -	\$ 101,556	\$ 101,556	\$ 101,556	\$ -
Fund Balance - December 31	\$ 481,740	\$ 481,740	\$ -	\$ (481,740)	\$ 99,049	\$ 99,049	\$ 481,740	\$ 382,691

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY  
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE  
PARK STABILIZATION FUND  
For the Year Ended December 31, 2016

	2016			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 641,057	\$ 641,057	\$ 198,266	\$ (442,791)
<u>Expenditures:</u>				
Current:				
Culture & Recreation	\$ 710,133	\$ 710,133	\$ 328,546	\$ 381,587
Excess (Deficiency) of Revenues Over Expenditures	\$ (69,076)	\$ (69,076)	\$ (130,280)	\$ (61,204)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 36,785	\$ 36,785	\$ -	\$ (36,785)
Net Change in Fund Balances	\$ (32,291)	\$ (32,291)	\$ (130,280)	\$ (97,989)
Fund Balance - January 1	\$ 14,126	\$ 14,126	\$ 14,126	\$ -
Fund Balance - December 31	\$ (18,165)	\$ (18,165)	\$ (116,153)	\$ (97,989)

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY  
Lakota, North Dakota

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

	2015			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 69,060	\$ 69,060	\$ 68,688	\$ (372)
Intergovernmental	10,520	10,520	9,114	(1,406)
Charges for Services	89,100	89,100	113,528	24,428
Miscellaneous	12,700	12,700	7,506	(5,194)
Total Revenues	\$ 181,380	\$ 181,380	\$ 198,836	\$ 17,456
<u>Expenditures:</u>				
Current:				
Culture & Recreation	\$ 377,000	\$ 377,000	\$ 224,714	\$ 152,286
Debt Service:				
Principal	-	-	144,458	(144,458)
Interest & Service Charges	-	-	7,223	(7,223)
Total Expenditures	\$ 377,000	\$ 377,000	\$ 376,395	\$ 605
Excess (Deficiency) of Revenues Over Expenditures	\$ (195,620)	\$ (195,620)	\$ (177,559)	\$ 18,061
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 121,000	\$ 121,000
Net Change in Fund Balances	\$ (195,620)	\$ (195,620)	\$ (56,559)	\$ 139,061
Fund Balance - January 1	\$ 27,720	\$ 27,720	\$ 27,720	\$ -
Fund Balance - December 31	\$ (167,900)	\$ (167,900)	\$ (28,839)	\$ 139,061

The notes to the required supplementary information are an integral part of this statement.



NELSON COUNTY  
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE  
OASIS & SOCIAL SECURITY FUND  
For the Year Ended December 31, 2015

	2015			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 486,350	\$ 486,350	\$ 480,035	\$ (6,315)
Intergovernmental	46,400	46,400	43,247	(3,153)
Total Revenues	\$ 532,750	\$ 532,750	\$ 523,282	\$ (9,468)
<u>Expenditures:</u>				
Current:				
General Government	\$ 434,300	\$ 434,300	\$ 400,070	\$ 34,230
Excess (Deficiency) of Revenues Over Expenditures	\$ 98,450	\$ 98,450	\$ 123,212	\$ 24,762
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (92,000)	\$ (92,000)	\$ (92,000)	\$ -
Net Change in Fund Balances	\$ 6,450	\$ 6,450	\$ 31,212	\$ 24,762
Fund Balance - January 1	\$ 29,205	\$ 29,205	\$ 29,205	\$ -
Fund Balance - December 31	\$ 35,655	\$ 35,655	\$ 60,417	\$ 24,762

The notes to the required supplementary information are an integral part of this statement.

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NELSON COUNTY  
Lakota, North Dakota

PENSION SCHEDULES  
For the Years Ended December 31, 2016 and 2015

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability (asset)	0.138191%	0.136437%	0.142919%
District's proportionate share of the net pension liability (asset)	\$ 1,346,806	\$ 927,748	\$ 907,137
District's covered-employee payroll	\$ 1,392,642	\$ 1,215,486	\$ 1,203,918
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

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

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 99,156	\$ 86,543	\$ 85,719
Contributions in relation to the statutorily required contribution	\$ (99,156)	\$ (86,543)	\$ (85,719)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,392,642	\$ 1,215,486	\$ 1,203,918
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%

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

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NELSON COUNTY  
Lakota, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2016 and 2015

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NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: PENSIONS - CHANGES OF ASSUMPTIONS

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2016. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**NELSON COUNTY**

## Notes to the Required Supplementary Information - Continued

**NOTE 3: LEGAL COMPLIANCE - BUDGETS****BUDGET AMENDMENTS**

The board of county commissioners amended the county budget for the year ended December 31, 2015 as follows:

	<b>EXPENDITURES</b>		
	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
<b>Major Funds:</b>			
County Road & Bridge	\$ 1,369,405	\$ 61,595	\$ 1,431,000
County Park	166,000	211,000	377,000
<b>Non-Major Funds:</b>			
Park/Village Coordinator	1,200	600	1,800
Health Insurance	492,200	13,500	505,700
Promotion & Advertising	12,000	100	12,100

**OVERSPENT FUNDS**

The following fund was overspent for the year ended December 31, 2016:

<b>Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Overspent</b>
FEMA Funds	\$ 3,895	\$ 21,933	\$ (18,038)

The following funds were overspent for the year ended December 31, 2015:

<b>Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Overspent</b>
County Road & Bridge	\$ 1,431,000	\$ 1,482,722	\$ (51,722)
County Emergency	-	2,310	(2,310)
Park Stabilization	-	33,165	(33,165)

NELSON COUNTY  
Lakota, North Dakota

SCHEDULE OF FUND ACTIVITY  
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-16
<b>Major Funds:</b>							
General Fund	\$ 699,070.25	\$ 2,132,165.28	\$ 113,806.98	\$ -	\$ 28,839.46	\$ 2,288,148.21	\$ 628,054.84
FEMA	28,073.68	30,383.32	10,647.08	-	30,501.43	21,933.31	16,669.34
Farm to Market Roads & Inv.	421,304.16	-	6,233.28	-	427,537.44	-	-
Road and Bridge	(29,171.69)	5,214,820.87	1,058,153.48	-	-	5,432,641.26	811,161.40
Highway Distribution	481,740.14	-	-	-	481,740.14	-	-
Park Stabilization Project	14,126.42	198,266.34	-	-	-	328,545.91	(116,153.15)
<b>Total Major Funds</b>	<b>\$1,615,142.96</b>	<b>\$ 7,575,635.81</b>	<b>\$1,188,840.82</b>	<b>\$ -</b>	<b>\$ 968,618.47</b>	<b>\$ 8,071,268.69</b>	<b>\$1,339,732.43</b>
<b>Non-Major Special Revenue Funds:</b>							
<b>Special Revenue Funds:</b>							
Courthouse Repairs	\$ 44,942.27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,942.27
Enbridge Pipeline	3,900.00	-	-	-	3,900.00	-	-
Highway Maintenance	131,458.38	-	-	-	131,458.38	-	-
County Emergency	103,850.69	27,879.93	-	-	-	-	131,730.62
Weed Control	73,949.63	115,015.88	-	-	491.00	133,211.80	55,262.71
Hazardous Chemicals	4,405.49	1,025.00	-	-	-	128.78	5,301.71
Law Enforcement	88,613.96	49,329.44	-	-	-	43,540.77	94,402.63
LLE Block Grants	10,450.03	4,525.87	-	-	-	2,982.54	11,993.36
Human Services	195,302.63	320,624.29	-	-	-	402,963.05	112,963.87
Park/Village Coordinator	226.87	-	-	-	226.87	-	-
County Park	(28,839.46)	-	28,839.46	-	-	-	-
Veteran's Service Officer	7,174.52	26,625.72	-	-	3,081.00	21,872.48	8,846.76
County Agent	47,156.42	47,295.03	-	-	5,872.00	55,305.21	33,274.24
Health Insurance	2,067.35	-	-	-	2,067.35	-	-
OASIS & Social Security	60,417.22	-	-	-	60,417.22	-	-
Job Development	305.42	94,635.58	-	-	-	94,627.02	313.98
Promotion & Advertising	4,612.17	-	-	-	4,612.17	-	-
Insurance Reserve	36,935.82	-	-	-	36,935.82	-	-
Document Preservation	22,571.54	3,925.75	-	-	-	200.00	26,297.29
<b>Total Non-Major Special Revenue Funds</b>	<b>\$ 809,500.95</b>	<b>\$ 690,882.49</b>	<b>\$ 28,839.46</b>	<b>\$ -</b>	<b>\$ 249,061.81</b>	<b>\$ 754,831.65</b>	<b>\$ 525,329.44</b>
<b>Debt Service Fund (Non-Major):</b>							
County Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Non-Major Funds</b>	<b>\$ 809,500.95</b>	<b>\$ 690,882.49</b>	<b>\$ 28,839.46</b>	<b>\$ -</b>	<b>\$ 249,061.81</b>	<b>\$ 754,831.65</b>	<b>\$ 525,329.44</b>
<b>Total Governmental Funds</b>	<b>\$2,424,643.91</b>	<b>\$ 8,266,518.30</b>	<b>\$1,217,680.28</b>	<b>\$ -</b>	<b>\$1,217,680.28</b>	<b>\$ 8,826,100.34</b>	<b>\$1,865,061.87</b>
<b>Agency Funds:</b>							
Historical Society	\$ 28.71	\$ 6,314.57	\$ -	\$ -	\$ -	\$ 6,323.67	\$ 19.61
Senior Citizens	76.33	45,471.27	-	-	-	45,469.09	78.51
State Taxes	76.33	23,748.17	-	-	-	23,745.99	78.51
Extension Agent Trust	510.45	90.00	-	-	-	64.43	536.02
Game & Fish	(271.00)	22,115.78	-	-	-	22,115.78	(271.00)
Game & Fish Passbook Revenue	919.23	0.55	-	-	-	648.78	271.00
Estimated Tax	-	974.06	-	-	-	974.06	-
Protest Tax	-	18,949.33	-	-	-	18,949.33	-
Prepaid Taxes	1,237,203.88	1,141,056.44	-	-	-	1,237,203.88	1,141,056.44
Incident Command Unit	1,240.91	-	-	-	-	97.75	1,143.16
Teachers Retirement	36.46	975.24	-	-	-	970.72	40.98
Payroll Deductions	2,958.73	293,059.65	-	-	-	292,914.89	3,103.49
Employee Insurance	391.89	7,038.03	-	-	-	7,110.85	319.07
Flex Plan	1,008.60	45,470.46	-	-	-	42,069.69	4,409.37
Domestic Violence	35.00	745.00	-	-	-	710.00	70.00
Victim Witness Advocate	-	2,329.90	-	-	-	2,500.00	(170.10)
County Library	76.33	27,969.57	-	-	-	27,967.39	78.51
Health District	155.27	42,752.15	-	-	-	42,767.87	139.55
Soil Conservation District	152.71	47,065.17	-	-	-	47,067.30	150.58
Michigan Ambulance	105.21	46,587.77	-	-	-	46,605.82	87.16
Lakota Ambulance	37.29	27,402.65	-	-	-	27,247.01	192.93
Water Resource District	305.42	101,973.18	-	-	-	101,964.45	314.15
Garrison Diversion	76.33	25,708.92	-	-	-	25,706.74	78.51
Devils Lake Joint Water District	2,799.24	8,932.54	-	-	-	9,000.00	2,731.78
Red River Joint Water District	(1,656.98)	20,429.56	-	-	-	20,742.90	(1,970.32)
Total Cities	4,485.46	498,836.81	-	-	-	500,529.80	2,792.47
Total School Districts	5,472.06	1,766,098.19	-	-	-	1,765,883.42	5,686.83
Total Townships	1,234.46	682,946.28	-	-	-	682,878.18	1,302.56
Total Drains	24.42	223,667.08	-	-	-	223,232.63	458.87
Total Fire Districts	587.34	159,017.40	-	-	-	159,194.43	410.31
<b>Total Agency Funds</b>	<b>\$1,258,070.08</b>	<b>\$ 5,287,725.72</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,382,656.85</b>	<b>\$1,163,138.95</b>
<b>Total Primary Government</b>	<b>\$3,682,713.99</b>	<b>\$13,554,244.02</b>	<b>\$1,217,680.28</b>	<b>\$ -</b>	<b>\$1,217,680.28</b>	<b>\$14,208,757.19</b>	<b>\$3,028,200.82</b>
<b>Component Unit:</b>							
Water Resource District	\$ 679,142.26	\$ 1,266,768.75	\$ 76,926.39	\$ 50,000.00	\$ 76,926.39	\$ 1,699,556.72	\$ 296,354.29
<b>Total Reporting Entity</b>	<b>\$4,361,856.25</b>	<b>\$14,821,012.77</b>	<b>\$1,294,606.67</b>	<b>\$ 50,000.00</b>	<b>\$1,294,606.67</b>	<b>\$15,908,313.91</b>	<b>\$3,324,555.11</b>

NELSON COUNTY  
Lakota, North Dakota

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

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
<b>Major Funds:</b>						
General Fund	\$ 660,567.01	\$ 1,152,832.67	\$ 16,096.93	\$ 213,940.00	\$ 916,486.36	\$ 699,070.25
FEMA	55,423.08	-	-	12,250.03	15,099.37	28,073.68
Farm to Market Roads	874,708.65	369,028.26	-	202,965.02	619,467.73	421,304.16
Road and Bridge	676,323.16	573,035.37	217,895.72	65,780.00	1,430,645.94	(29,171.69)
Highway Distribution	45,688.45	436,051.69	-	-	-	481,740.14
OASIS & Social Security	29,205.13	523,282.35	-	92,000.00	400,070.26	60,417.22
County Park	25,643.68	200,911.42	121,000.00	-	376,394.56	(28,839.46)
Total Major Funds	\$ 2,367,559.16	\$ 3,255,141.76	\$ 354,992.65	\$ 586,935.05	\$ 3,758,164.22	\$ 1,632,594.30
<b>Non-Major Special Revenue Funds:</b>						
<u>Special Revenue Funds:</u>						
Courthouse Repairs	\$ 34,942.27	\$ -	\$ 10,000.00	\$ -	\$ -	\$ 44,942.27
Enbridge Pipeline	-	3,900.00	-	-	-	3,900.00
Road & Bridge Contingency	39,882.43	-	-	-	39,882.43	-
Highway Maintenance	426.33	131,032.05	-	-	-	131,458.38
County Emergency	78,464.55	30,136.81	-	2,440.67	2,310.00	103,850.69
Weed Control	79,398.54	100,742.99	-	542.00	105,649.90	73,949.63
Hazardous Chemicals	4,182.56	1,025.00	-	-	802.07	4,405.49
Law Enforcement	78,886.17	49,482.98	-	-	39,755.19	88,613.96
LLE Block Grants	7,780.07	9,930.15	-	-	7,260.19	10,450.03
Human Services	309,064.99	312,585.46	-	-	426,347.82	195,302.63
Park/Village Coordinator	1,927.72	-	-	-	1,700.85	226.87
Veteran's Service Officer	7,649.66	26,738.82	-	4,221.00	22,992.96	7,174.52
County Agent	62,262.17	50,186.75	-	8,338.00	56,954.50	47,156.42
Stump Lake Café	-	1,000.00	-	1,000.00	-	-
Health Insurance	24,081.01	241,957.17	241,720.00	-	505,690.83	2,067.35
Park Stabilization	-	47,291.00	-	-	33,164.58	14,126.42
Homeland Security	(11,250.00)	26,050.00	-	-	14,800.00	-
Job Development	321.30	91,001.46	-	-	91,017.34	305.42
Promotion & Advertising	5,202.20	11,494.72	-	-	12,084.75	4,612.17
Insurance Reserve	32,921.28	70,288.91	-	-	66,274.37	36,935.82
Document Preservation	17,332.54	5,439.00	-	-	200.00	22,571.54
Total Non-Major Special Revenue Funds	\$ 773,475.79	\$ 1,210,283.27	\$ 251,720.00	\$ 16,541.67	\$ 1,426,887.78	\$ 792,049.61
<u>Debt Service Fund (Non-Major):</u>						
County Loan	\$ 3,225.39	\$ 10.54	\$ -	\$ 3,235.93	\$ -	\$ -
Total Non-Major Funds	\$ 776,701.18	\$ 1,210,293.81	\$ 251,720.00	\$ 19,777.60	\$ 1,426,887.78	\$ 792,049.61
Total Governmental Funds	\$ 3,144,260.34	\$ 4,465,435.57	\$ 606,712.65	\$ 606,712.65	\$ 5,185,052.00	\$ 2,424,643.91
<u>Agency Funds:</u>						
Historical Society	\$ 20.77	\$ 6,224.11	\$ -	\$ -	\$ 6,216.17	\$ 28.71
Senior Citizens	83.06	43,777.86	-	-	43,784.59	76.33
State Taxes	83.06	22,843.37	-	-	22,850.10	76.33
Extension Agent Trust	-	1,610.00	-	-	1,099.55	510.45
Game & Fish	(271.00)	41,164.00	-	-	41,164.00	(271.00)
Game & Fish Passbook Revenue	1,173.29	6,352.94	-	-	6,607.00	919.23
Estimated Tax	-	4,695.31	-	-	4,695.31	-
Protest Tax	-	19,774.36	-	-	19,774.36	-
Prepaid Taxes	1,385,936.42	1,237,203.88	-	-	1,385,936.42	1,237,203.88
Incident Command Unit	1,240.91	-	-	-	-	1,240.91
Teachers Retirement	31.91	921.00	-	-	916.45	36.46
Payroll Deductions	2,907.21	278,948.82	-	-	278,897.30	2,958.73
Employee Insurance	396.75	4,926.29	-	-	4,931.15	391.89
Flex Plan	1,317.67	33,704.50	-	-	34,013.57	1,008.60
Domestic Violence	70.00	490.00	-	-	525.00	35.00
County Library	83.06	26,753.07	-	-	26,759.80	76.33
Health District	200.38	43,249.35	-	-	43,294.46	155.27
Soil Conservation District	165.35	47,941.71	-	-	47,954.35	152.71
Michigan Ambulance	36.91	46,368.01	-	-	46,299.71	105.21
Lakota Ambulance	22.14	3,944.04	-	-	3,928.89	37.29
Water Resource District	332.16	100,855.95	-	-	100,882.69	305.42
Garrison Diversion	83.06	25,522.35	-	-	25,529.08	76.33
Devils Lake Joint Water District	2,805.66	8,193.58	-	-	8,200.00	2,799.24
Red River Joint Water District	(0.04)	19,383.06	-	-	21,040.00	(1,656.98)
Upper Sheyenne Jt Water District	1.07	-	-	-	1.07	-
Total Cities	7,594.80	451,384.31	-	-	454,493.65	4,485.46
Total School Districts	6,577.95	1,662,145.39	-	-	1,663,251.28	5,472.06
Total Townships	1,294.14	857,639.69	-	-	857,699.37	1,234.46
Total Drains	952.96	211,336.16	-	-	212,264.70	24.42
Total Fire Districts	559.21	159,183.43	-	-	159,155.30	587.34
Total Agency Funds	\$ 1,413,698.86	\$ 5,366,536.54	\$ -	\$ -	\$ 5,522,165.32	\$ 1,258,070.08
Total Primary Government	\$ 4,557,959.20	\$ 9,831,972.11	\$ 606,712.65	\$ 606,712.65	\$ 10,707,217.32	\$ 3,682,713.99
<u>Component Unit:</u>						
Water Resource District	\$ 1,846,963.46	\$ 1,623,041.25	\$ 4,735.97	\$ 4,735.97	\$ 3,820,686.75	\$ 679,142.26
Total Reporting Entity	\$ 6,404,922.66	\$ 11,455,013.36	\$ 611,448.62	\$ 611,448.62	\$ 14,527,904.07	\$ 4,361,856.25

## STATE AUDITOR

JOSHUA C. GALLION  
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**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
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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**

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#### Independent Auditor's Report

Board of County Commissioners  
Nelson County  
Lakota, 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 Nelson County, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Nelson County's basic financial statements, and have issued our report thereon dated August 21, 2017

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

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

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

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

#### **Compliance and Other Matters**

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

**NELSON COUNTY**

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

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**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 21, 2017



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NELSON COUNTY  
Lakota, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Years Ended December 31, 2016 and 2015

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**Section I - Summary of Auditor's Results**

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Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified?	<u>      </u> Yes	<u>  X  </u> None noted
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Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u> Yes	<u>      </u> None noted
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Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> None noted
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**Section II - Financial Statement Findings**

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No matters reported.

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