



Pembina County  
Cavalier, North Dakota

# Audit Report

For the Year Ended December 31, 2017

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

Office of the State Auditor  
Division of Local Government

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PEMBINA COUNTY  
Cavalier, North Dakota

TABLE OF CONTENTS  
For the Year Ended December 31, 2017

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	<u>Page(s)</u>
County Officials and Audit Staff	1
Independent Auditor's Report	2 - 3
Basic Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Fiduciary Assets and Liabilities - Agency Funds	10
Notes to the Financial Statements	11 - 30
Required Supplementary Information	
Budgetary Comparison Schedules	31 - 37
Pension & OPEB Schedules	38 - 40
Notes to Required Supplementary Information	41 - 42
Supplementary Information	
Schedule of Fund Activity	43
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	44 - 45
Summary of Auditor's Results and Findings	46
Governance Communication	47 - 49

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PEMBINA COUNTY  
Cavalier, North Dakota

December 31, 2017

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**COUNTY OFFICIALS**

Nick Rutherford	Commissioner - Chairperson
James Benjaminson	Commissioner - Vice-Chairperson
Hugh Ralston	Commissioner
Hetty Walker	Commissioner
Laverne Doyle	Commissioner
Linda Schlittenhard	County Auditor/Treasurer/Supt. of Schools
Kay Braget	County Clerk of Court/County Recorder
Terry Meidinger	Sheriff
Rebecca Flanders	State's Attorney
Mikka Willits	Tax Director
Devin Johnson	Highway Superintendent
Andrew Kirking	Disaster Emergency Director/Weed Officer
Liz Beck	E-911/GIS Coordinator
Eric Gauthier	Veterans Services Officer
Jill Denault	Social Services Director
Tanya Wieler	Human Resources Director
Jeanna Kujava	Public Health Administrator
Kari Helgoe	County Extension Agent
Samantha Lahman	County Extension Agent

**AUDIT STAFF**

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Rick Kremer	Audit In-Charge



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  
Pembina County  
Cavalier, North Dakota

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

## PEMBINA COUNTY

### Independent Auditor's Report - Continued

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#### **Emphasis of a Matter**

As discussed in Note 16 to the financial statements, Pembina County adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

#### **Other Matters**

##### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension & OPEB schedules, and the notes to the required supplementary information* on pages 31-42 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 Pembina 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 September 27, 2018 on our consideration of Pembina 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 Pembina County's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
September 27, 2018

PEMBINA COUNTY  
Cavalier, North Dakota

STATEMENT OF NET POSITION  
December 31, 2017

	Primary	Component Units	
	Governmental Activities	Water Resource District	Job Development Authority
<b>ASSETS:</b>			
Cash and Investments	\$ 3,604,472	\$ 917,678	\$ 244,934
Intergovernmental Receivable	279,943	8,626	1,900
Accounts Receivable	64,232	-	-
Special Assessments Receivable	-	3,530	-
Road Accounts Receivable	12,782	-	-
Taxes Receivable	96,739	4,808	765
Job Development Loans Receivable	-	-	325,626
Capital Assets (not being depreciated):			
Land	4,900	-	-
Construction in Progress	-	199,026	-
Capital Assets (being depreciated):			
Buildings	1,238,763	-	-
Equipment and Vehicles	1,144,417	-	-
Infrastructure	7,520,212	14,236,920	-
Total Capital Assets	<u>\$ 9,908,292</u>	<u>\$ 14,435,946</u>	<u>\$ -</u>
Total Assets	<u>\$ 13,966,460</u>	<u>\$ 15,370,588</u>	<u>\$ 573,225</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension & OPEB	<u>\$ 2,086,044</u>	<u>\$ 48,643</u>	<u>\$ -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,052,504</u>	<u>\$ 15,419,231</u>	<u>\$ 573,225</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 38,124	\$ 79,300	\$ -
Salaries Payable	9,648	5,932	-
Grants Received in Advance	83,025	-	-
Long-Term Liabilities:			
Due Within One Year:			
Lines of Credit Payable	-	1,156,097	-
Compensated Absences Payable	14,843	312	-
Due After One Year:			
Registered Drain Warrants Payable	-	1,047,893	-
Compensated Absences Payable	133,588	2,808	-
Net Pension and OPEB Liability	4,660,235	106,854	-
Total Liabilities	<u>\$ 4,939,463</u>	<u>\$ 2,399,196</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension & OPEB	<u>\$ 182,888</u>	<u>\$ 4,193</u>	<u>\$ -</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 5,122,351</u>	<u>\$ 2,403,389</u>	<u>\$ -</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	\$ 9,908,292	\$ 13,279,849	\$ -
Restricted for:			
Highways and Bridges	1,857,880	-	-
Emergencies	388,154	-	-
Economic Development	-	-	247,599
Loans	-	-	325,626
Unrestricted	<u>(1,224,173)</u>	<u>(264,007)</u>	<u>-</u>
Total Net Position	<u>\$ 10,930,153</u>	<u>\$ 13,015,842</u>	<u>\$ 573,225</u>

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

PEMBINA COUNTY  
Cavalier, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Job Development Authority
<u>Primary Government:</u>							
General Government	\$ 2,636,200	\$ 160,315	\$ -	\$ -	\$ (2,475,885)		
Public Safety	1,487,386	362,281	52,122	-	(1,072,983)		
Highways and Bridges	2,208,473	280,953	1,139,222	-	(788,298)		
Flood Repair	59,996	-	59,996	-	-		
Emergency	-	-	-	-	-		
Health and Welfare	1,337,257	159,500	336,523	-	(841,234)		
Conserv. of Natural Resources	337,659	19,840	-	-	(317,819)		
<b>Total Governmental Activities</b>	<b>\$ 8,074,017</b>	<b>\$ 982,889</b>	<b>\$ 1,587,863</b>	<b>\$ -</b>	<b>\$ (5,503,265)</b>		
<u>Component Units:</u>							
Water Resource District	\$ 2,081,892	\$ -	\$ 169,868	\$ 103,607		\$ (1,808,417)	\$ -
Job Development Authority	131,130	-	-	-		-	(131,130)
<b>Total Component Units</b>	<b>\$ 2,213,022</b>	<b>\$ -</b>	<b>\$ 169,868</b>	<b>\$ 103,607</b>		<b>\$ (1,808,417)</b>	<b>\$ (131,130)</b>
<u>General Revenues:</u>							
<u>Taxes:</u>							
Property taxes; levied for general purposes				\$ 2,508,788	\$ 216,825	\$ -	
Property taxes; levied for special purposes				1,635,977	-	90,410	
Property taxes; levied for debt service				79,188	-	-	
Property taxes; levied for drains/maintenance				-	1,421,634	-	
State Aid & Grants not restricted to specific programs				626,216	4,953	7,580	
Unrestricted Investment Earnings				29,485	3,240	-	
Miscellaneous Revenue				311,460	123,310	1,630	
<b>Total General Revenues</b>				<b>\$ 5,191,114</b>	<b>\$ 1,769,962</b>	<b>\$ 99,620</b>	
<b>Change in Net Position</b>				<b>\$ (312,151)</b>	<b>\$ (38,455)</b>	<b>\$ (31,510)</b>	
Net Position - January 1				\$ 11,329,845	\$ 13,043,200	\$ 604,735	
Prior Period Adjustment				(87,541)	11,097	-	
<b>Net Position - January 1, as restated</b>				<b>\$ 11,242,304</b>	<b>\$ 13,054,297</b>	<b>\$ 604,735</b>	
<b>Net Position - December 31</b>				<b>\$ 10,930,153</b>	<b>\$ 13,015,842</b>	<b>\$ 573,225</b>	

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

PEMBINA COUNTY  
Cavalier, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2017

	General	Highway Funds	County Road and Bridge	Emergency Fund	Weed Control	Social Services	Flood Emergency	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ 541,212	\$ 1,255,882	\$ 1,005,092	\$ 431,816	\$ -	\$ 141,116	\$ 83,025	\$ 146,329	\$ 3,604,472
Intergovernmental Receivable	127,487	90,231	10,466	-	238	37,020	-	14,501	279,943
Accounts Receivable	57,461	6,771	-	-	-	-	-	-	64,232
Due from Other Funds	150,274	-	-	-	-	-	-	-	150,274
Road Accounts Receivable	-	-	12,782	-	-	-	-	-	12,782
Taxes Receivable	56,334	-	15,121	997	1,658	20,036	-	2,593	96,739
<b>Total Assets</b>	<b>\$ 932,768</b>	<b>\$ 1,352,884</b>	<b>\$ 1,043,461</b>	<b>\$ 432,813</b>	<b>\$ 1,896</b>	<b>\$ 198,172</b>	<b>\$ 83,025</b>	<b>\$ 163,423</b>	<b>\$ 4,208,442</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts Payable	\$ 19,302	\$ 14,561	\$ 71	\$ -	\$ -	\$ 2,244	\$ -	\$ 1,946	\$ 38,124
Salaries Payable	170	9,478	-	-	-	-	-	-	9,648
Grants Received in Advance	-	-	-	-	-	-	83,025	-	83,025
Due to Other Funds	-	-	-	-	114,278	-	-	35,996	150,274
<b>Total Liabilities</b>	<b>\$ 19,472</b>	<b>\$ 24,039</b>	<b>\$ 71</b>	<b>\$ -</b>	<b>\$ 114,278</b>	<b>\$ 2,244</b>	<b>\$ 83,025</b>	<b>\$ 37,942</b>	<b>\$ 281,071</b>
<b>Deferred Inflows of Resources:</b>									
Road Receivable	\$ -	\$ -	\$ 12,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,782
Taxes Receivable	56,334	-	15,121	997	1,658	20,036	-	2,593	96,739
<b>Total Deferred Inflows of Resources</b>	<b>\$ 56,334</b>	<b>\$ -</b>	<b>\$ 27,903</b>	<b>\$ 997</b>	<b>\$ 1,658</b>	<b>\$ 20,036</b>	<b>\$ -</b>	<b>\$ 2,593</b>	<b>\$ 109,521</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 75,806</b>	<b>\$ 24,039</b>	<b>\$ 27,974</b>	<b>\$ 997</b>	<b>\$ 115,936</b>	<b>\$ 22,280</b>	<b>\$ 83,025</b>	<b>\$ 40,535</b>	<b>\$ 390,592</b>
<b>Fund Balances:</b>									
<b>Restricted:</b>									
Highways and Bridges	\$ -	\$ 1,328,845	\$ 1,015,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,344,332
Health and Welfare	-	-	-	-	-	175,892	-	58,869	234,761
Public Safety	-	-	-	-	-	-	-	70,581	70,581
Conservation of Natural Resources	-	-	-	-	-	-	-	17,863	17,863
Emergencies	-	-	-	431,816	-	-	-	-	431,816
General Government & Other Purposes	-	-	-	-	-	-	-	6,020	6,020
<b>Unassigned:</b>	<b>856,962</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(114,040)</b>	<b>-</b>	<b>-</b>	<b>(30,445)</b>	<b>712,477</b>
<b>Total Fund Balances</b>	<b>\$ 856,962</b>	<b>\$ 1,328,845</b>	<b>\$ 1,015,487</b>	<b>\$ 431,816</b>	<b>\$ (114,040)</b>	<b>\$ 175,892</b>	<b>\$ -</b>	<b>\$ 122,888</b>	<b>\$ 3,817,850</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 932,768</b>	<b>\$ 1,352,884</b>	<b>\$ 1,043,461</b>	<b>\$ 432,813</b>	<b>\$ 1,896</b>	<b>\$ 198,172</b>	<b>\$ 83,025</b>	<b>\$ 163,423</b>	<b>\$ 4,208,442</b>

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

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PEMBINA COUNTY  
Cavalier, North Dakota

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

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Total *Fund Balances* of Governmental Funds \$ 3,817,850

Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of Capital Assets	\$ 65,970,187	
Less Accumulated Depreciation	<u>(56,061,895)</u>	9,908,292

Property taxes and road department 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 inflow of resources in the funds.

Property Taxes Receivable	\$ 96,739	
Road Department Accounts Receivable	<u>12,782</u>	109,521

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

Deferred Outflows Related to Pensions & OPEB	\$ 2,086,044	
Deferred Inflows Related to Pensions & OPEB	<u>(182,888)</u>	1,903,156

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2017 are:

Compensated Absences Payable	\$ (148,431)	
Net Pension and OPEB Liability	<u>(4,660,235)</u>	<u>(4,808,666)</u>

Net Position of Governmental Activities \$ 10,930,153

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

PEMBINA COUNTY  
Cavalier, North Dakota

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

	General	Highway Funds	County Road and Bridge	Emergency Fund	Weed Control	Social Services	Flood Emergency	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>									
Taxes	\$ 2,495,625	\$ -	\$ 593,630	\$ 58,327	\$ 97,059	\$ 857,684	\$ -	\$ 113,726	\$ 4,216,051
Intergovernmental	572,363	1,139,224	43,727	301	16,246	249,741	59,996	132,482	2,214,080
Charges for Services	554,381	270,335	-	-	-	85,461	-	59,143	969,320
Licenses, Permits and Fees	2,950	-	-	-	-	-	-	-	2,950
Interest Income	29,485	-	-	-	-	-	-	-	29,485
Miscellaneous	207,850	102,227	-	-	-	1,113	-	270	311,460
<b>Total Revenues</b>	<b>\$ 3,862,654</b>	<b>\$ 1,511,786</b>	<b>\$ 637,357</b>	<b>\$ 58,628</b>	<b>\$ 113,305</b>	<b>\$ 1,193,999</b>	<b>\$ 59,996</b>	<b>\$ 305,621</b>	<b>\$ 7,743,346</b>
<b>Expenditures:</b>									
<b>Current:</b>									
General Government	\$ 2,482,585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,482,585
Public Safety	1,288,291	-	-	-	-	-	-	79,103	1,367,394
Highways and Bridges	277,334	1,676,888	558,459	-	-	-	-	-	2,512,681
Flood Repair	-	-	-	-	-	-	59,996	-	59,996
Health and Welfare	29,643	-	-	-	-	1,073,652	-	123,061	1,226,356
Conserv. of Natural Resources	-	-	-	-	174,396	-	-	153,609	328,005
<b>Total Expenditures</b>	<b>\$ 4,077,853</b>	<b>\$ 1,676,888</b>	<b>\$ 558,459</b>	<b>\$ -</b>	<b>\$ 174,396</b>	<b>\$ 1,073,652</b>	<b>\$ 59,996</b>	<b>\$ 355,773</b>	<b>\$ 7,977,017</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (215,199)	\$ (165,102)	\$ 78,898	\$ 58,628	\$ (61,091)	\$ 120,347	\$ -	\$ (50,152)	\$ (233,671)
Fund Balances - January 1	\$ 1,072,161	\$ 1,493,947	\$ 936,589	\$ 373,188	\$ (52,949)	\$ 55,545	\$ -	\$ 173,040	\$ 4,051,521
Fund Balances - December 31	\$ 856,962	\$ 1,328,845	\$ 1,015,487	\$ 431,816	\$ (114,040)	\$ 175,892	\$ -	\$ 122,888	\$ 3,817,850

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

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PEMBINA COUNTY  
Cavalier, North Dakota

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

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Net Change in *Fund Balances* - Total Governmental Funds \$ (233,671)

Amounts reported for governmental activities in the statement of activities are different because:

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

Current Year Capital Outlay	\$ 488,112	
Current Year Depreciation Expense	<u>(366,808)</u>	121,304

The net result of miscellaneous transactions involving capital assets was a net decrease to capital assets. (46,656)

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.

Decrease in Compensated Absences	\$ 7,076	
Decrease in Retainage Payable	<u>256,248</u>	263,324

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

Increase in Taxes Receivable	\$ 7,902	
Increase in Road Accounts Receivable	<u>10,618</u>	18,520

The net pension and OPEB liability and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these items do not involve current financial resources, and are not reported in the funds.

Increase in Net Pension and OPEB Liability	\$ (1,778,199)	
Increase in Deferred Outflows of Resources Related to Pensions and OPEB	1,307,204	
Decrease in Deferred Inflows of Resources Related to Pensions and OPEB	<u>36,023</u>	<u>(434,972)</u>

Change in Net Position of Governmental Activities \$ (312,151)

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

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PEMBINA COUNTY  
Cavalier, North Dakota

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

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	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Cash Equivalents	<u>\$ 4,490,713</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>\$ 4,490,713</u>

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

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PEMBINA COUNTY  
Cavalier, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

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

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

**A. Reporting Entity**

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

Based on these criteria, there are two discretely presented component units to be included within the 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 two component units. These units are reported in separate columns to emphasize that they are legally separate from the county.

**Pembina County Job Development Authority**

The County's governing board appoints a voting majority of the members of the Pembina County Job Development Authority. The County has the authority to approve or modify the Job Development Authority's operational and capital budgets. The county's governing board must approve the tax levy established by the Job Development Authority. The Job Development Authority has the authority to issue bonded debt.

**Pembina County Water Resource District**

The County's governing board appoints a voting majority of the members of the Pembina County Water Resource District Board (hereon referred to as "Water Resource District"). 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 units are presented in the county's basic financial statements. Complete financial statements of the component units can be obtained from the Pembina County Auditor/Treasurer, Pembina County, 301 Dakota Street West, Cavalier, North Dakota, 58220.

**B. Basis of Presentation**

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government, Pembina County, and its component units. 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.

*Highway Funds.* This fund accounts for repair and improvement of highways that are legally restricted from state highway tax distribution. The major sources of revenues are a restricted tax levy and state/Federal grants/reimbursements.

*County Road and Bridge Fund.* This fund accounts for repair and improvement of County roads and bridges that are legally restricted from taxes levied. The major sources of revenues are a restricted tax levy and state/Federal grants/reimbursements.

*Emergency Fund.* This fund accounts for the costs associated with emergency situations. The major source of revenue is restricted tax revenue.

*Social Services Fund.* This fund accounts for the costs of providing social service benefits and programs to needy residents of the County. The major sources of revenues are restricted state/Federal grants/reimbursements.

*Weed Control Fund.* This fund accounts for the costs of spraying weeds. The major sources of revenues are restricted state/Federal grants/reimbursements and a restricted tax levy.

*Flood Emergency Fund.* This fund accounts for state and federal grants for flood disaster repairs and the related disbursements. The major primary source of revenue is restricted Federal and state grants/reimbursements for flood related repairs.

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 and fiduciary 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. 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 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.

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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

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

**Discretely Presented Component Unit**

Pembina County Water Resource District

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

General infrastructure assets acquired prior to January 1, 2004 consisting of various drain and dam projects are not reported in the financial statements, as the Water Resource District was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. The Water Resource District reported various infrastructure projects in progress at December 31, 2004 as construction in progress.

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

<b>Assets</b>	<b>Years</b>
Infrastructure	20
Equipment	5 - 7

**F. Compensated Absences**

Vacation leave is earned at the rate of eight to sixteen hours per month depending on years of service. Employees are allowed to accrue a maximum of 30 days of vacation. Upon termination of employment, employees will be paid for vacation benefits that have accrued through the last day of the week. Sick leave benefits are earned at the rate of eight hours per month regardless of the years of service. An unlimited number of sick leave hours may be carried over. Employees that reach the Rule of 85 are paid at a rate of five dollars per hour of total sick leave accumulated. Terminated employees are not paid for accumulated sick leave. A liability for the vested portion of compensated absences for governmental funds is reported in the government-wide statement of net position.

<b>Years of Service</b>	<b>Hours per Month</b>
1 through 3 years	8
4 through 7 years	10
8 through 12 years	12
13 through 18 years	14
19 years and above	16

**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, when applicable, are recognized in the current period since the amounts are not material.

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

**H. Pension**

For purposes of measuring 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.

**I. Other Post-Employment Benefits (OPEB)**

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

**J. Fund Balance**

**Fund Balance Spending Policy**

It is the policy of the 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.

**Restricted Fund Balances**

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

**K. 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 less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

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

Restrictions of net position in the statement of net position is shown by primary function and are restricted for highways & bridges, emergencies, economic development, loans, and other general government purposes.

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.

**L. 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.

**NOTE 2: DEPOSITS**

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

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

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

At year ended December 31, 2017, the County's carrying amount of deposits was \$7,795,058 and the bank balances totaled \$8,478,557. Of the bank balances, \$2,739,048 was deposited at the Bank of North Dakota, and \$1,500,000 was covered by Federal Depository Insurance, while 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, 2017, the Water Resource District's carrying amount of deposits was \$917,678 and the bank balances totaled \$1,054,208. Of the bank balances, \$353,844 was covered by Federal Depository Insurance, while the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

**Credit Risk**

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

- (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.

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

As of December 31, 2017, the County had certificates of deposit totaling \$1,067,117, 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**

Taxes receivable represent the past three 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 are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

**NOTE 4: CAPITAL ASSETS****Primary Government**

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

<b>Primary Government</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 4,900	\$ -	\$ -	\$ -	\$ 4,900
Construction in Progress	5,774,838	305,476	-	(6,080,314)	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 5,779,738</b>	<b>\$ 305,476</b>	<b>\$ -</b>	<b>\$ (6,080,314)</b>	<b>\$ 4,900</b>
<i>Capital assets being depreciated:</i>					
Buildings	\$ 3,078,184	\$ 6,200	\$ -	\$ -	\$ 3,084,384
Equipment	3,567,583	176,435	145,205	-	3,598,813
Infrastructure	53,201,776	-	-	6,080,314	59,282,090
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 59,847,543</b>	<b>\$ 182,635</b>	<b>\$ 145,205</b>	<b>\$ 6,080,314</b>	<b>\$ 65,965,287</b>
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,783,011	\$ 62,610	\$ -	\$ -	\$ 1,845,621
Equipment	2,374,439	178,506	98,549	-	2,454,396
Infrastructure	51,636,187	125,691	-	-	51,761,878
<b>Total Accumulated Depreciation</b>	<b>\$ 55,793,637</b>	<b>\$ 366,807</b>	<b>\$ 98,549</b>	<b>\$ -</b>	<b>\$ 56,061,895</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 4,053,906</b>	<b>\$ (184,172)</b>	<b>\$ 46,656</b>	<b>\$ 6,080,314</b>	<b>\$ 9,903,392</b>
<b>Primary Government Capital Assets, Net</b>	<b>\$ 9,833,644</b>	<b>\$ 121,304</b>	<b>\$ 46,656</b>	<b>\$ -</b>	<b>\$ 9,908,292</b>

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

<b>Primary Government</b>	<b>Amounts</b>
General Government	\$ 30,075
Public Safety	81,682
Highways and Bridges	247,617
Health and Welfare	3,475
Conservation of Natural Resource	3,958
<b>Total Depreciation Expense - Primary Government</b>	<b>\$ 366,807</b>

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

**Discretely Presented Component Unit**

Pembina County Water Resource District

The following is a summary of changes in capital assets for the Water Resource District for the year ended December 31, 2017:

<b>Water Resource District</b>	<b>Bal. Jan. 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated:</i>					
Construction in Progress	\$ 4,562,480	\$ 302,157	\$ -	\$ (4,665,611)	\$ 199,026
<i>Capital assets being depreciated:</i>					
Equipment	\$ 74,391	\$ -	\$ -		\$ 74,391
Infrastructure	12,886,243	-	-	4,665,611	17,551,854
Total Capital Assets, Being Depreciated	\$ 12,960,634	\$ -	\$ -	\$ 4,665,611	\$ 17,626,245
<i>Less Accumulated Depreciation for:</i>					
Equipment	\$ 74,391	\$ -	\$ -	\$ -	\$ 74,391
Infrastructure	2,437,341	877,593	-	-	3,314,934
Total Accumulated Depreciation	\$ 2,511,732	\$ 877,593	\$ -	\$ -	\$ 3,389,325
Total Capital Assets Being Depreciated, Net	\$ 10,448,902	\$ (877,593)	\$ -	\$ 4,665,611	\$ 14,236,920
<i>Water Resource District Capital Assets, Net</i>	\$ 15,011,382	\$ (575,436)	\$ -	\$ -	\$ 14,435,946

Depreciation expense totaling \$877,593 was charged to the conservation of natural resources function for the year ended December 31, 2017.

**NOTE 5: LONG-TERM LIABILITIES**

**Primary Government**

During the year ended December 31, 2017; the following changes occurred in governmental activities long-term liabilities for the primary government:

<b>Primary Government</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 155,507	\$ -	\$ 7,076	\$ 148,431	\$ 14,843
Net Pension and OPEB Liability *	2,882,036	1,778,199	-	4,660,235	-
Total Primary Government	\$ 3,037,543	\$ 1,778,199	\$ 7,076	\$ 4,808,666	\$ 14,843

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

**Discretely Presented Component Unit**

Pembina County Water Resource District

During the year ended December 31, 2017, the following changes occurred in the long-term liabilities of the Water Resource District:

<b>Water Resource District</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Registered Drain Warrants Payable	\$ 1,228,705	\$ -	\$ 180,812	\$ 1,047,893	\$ -
Lines of Credit Payable	1,361,017	48,888	253,808	1,156,097	1,156,097
Compensated Absences *	4,078	-	958	3,120	312
Net Pension and OPEB Liability *	43,944	62,910	-	106,854	-
Total Water Resource District	\$ 2,637,744	\$ 111,798	\$ 435,578	\$ 2,313,964	\$ 1,156,409

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

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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Schedule of Maturities

The annual debt service requirements for long-term debt outstanding as of December 31, 2017, are as follows:

<b>WATER RESOURCE DISTRICT</b>		
<b>Year Ending Dec 31</b>	<b>Line of Credit</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 1,156,097	\$ 31,950

Registered Drain Warrants Payable

Under North Dakota Century Code 61-21-29, water resource districts may issue registered drain warrants for payment of locating and construction of drains. There is no set maturity for these registered drain warrants, and the interest rate is set by the water resource board at a rate not to exceed eight percent per annum. There are no set payment schedules for registered drain warrants; future debt payments for the next five years individually and five-year increments thereafter are not able to be disclosed.

**NOTE 6: 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 and bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans and bonds, ownership of the acquired facilities transfers to the private-sector entity served by the loan issuance. Neither the County, the 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, 2017, there is one Community Development Block Grant Loan outstanding (Dakota Valley Growers), with a principal amount payable of \$58,418.

**NOTE 7: PENSION PLAN**

**General Information about the 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 nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2017, the County reported a liability of \$4,453,426 and the Water Resource District reported a liability of \$102,112 for their proportionate shares of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Their proportion of the net pension liability was based on the County’s and Water Resource District’s share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the County’s proportion share was .277070 percent, which was an increase of .002811 percent from its proportion measured as of June 30, 2016, and the Water Resource District’s proportion was .006353 percent, which was an increase of .002176 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$669,669 and the Water Resource District recognized pension expense of \$15,355. At December 31, 2017, the County and Water Resource District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 26,471	\$ 21,698
Changes of Assumptions	1,826,205	100,445
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	59,895	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	35,393	47,881
District Contributions Subsequent to the Measurement Date	101,916	-
<b>Total Primary Government</b>	<b>\$ 2,049,881</b>	<b>\$ 170,024</b>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 607	\$ 497
Changes of Assumptions	41,873	2,303
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	1,373	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	812	1,098
District Contributions Subsequent to the Measurement Date	3,022	-
<b>Total Water Resource District</b>	<b>\$ 47,686</b>	<b>\$ 3,898</b>

\$101,231 and \$3,022 for the County and Water Resource District, respectively, are reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.



**Discount rate**

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

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

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

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

The following presents the County's and Water Resource District's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

<b>Proportionate Share of the OPEB Liability</b>	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Primary Government	\$ 258,898	\$ 206,808	\$ 162,157
Water Resource District	5,936	4,742	3,718

**Pension Plan Fiduciary Net Position**

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

**NOTE 8: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

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

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

**OPEB Benefits**

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

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

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

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

At December 31, 2017, the County reported a liability of \$206,808 and Water Resource District reported a liability of \$4,742 for their proportionate shares of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's and Water Resource District's proportion of the net OPEB liability was based on their share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017 the County's proportion was 0.263430 percent, and the Water Resource District's proportion was 0.004012 percent.

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

For the year ended December 31, 2017 the County recognized OPEB expense of \$25,023 and the Water Resource District recognized pension expense of \$574. At December 31, 2017 the County and Water Resource District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 5,044
Changes of Assumptions	20,031	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	7,820
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	609	-
District Contributions Subsequent to the Measurement Date	16,208	-
<b>Total Primary Government</b>	<b>\$ 36,848</b>	<b>\$ 12,864</b>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 116
Changes of Assumptions	459	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	179
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	14	-
District Contributions Subsequent to the Measurement Date	484	-
<b>Total Water Resource District</b>	<b>\$ 957</b>	<b>\$ 295</b>

\$16,208 and \$484 was reported for the County and Water Resource District, respectively, as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

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

	<b>Primary Government</b>	<b>Water Resource District</b>
2018	\$ 486	\$ 11
2019	486	11
2020	486	11
2021	486	11
2022	2,441	56
2023	2,441	56
Thereafter	950	22

**Actuarial assumptions**

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

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

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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

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

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

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Proportionate Share of the OPEB Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Primary Government	\$ 258,898	\$ 206,808	\$ 162,157
Water Resource District	5,936	4,742	3,718

**NOTE 9: RISK MANAGEMENT**

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

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$1,982,627 for public assets (mobile equipment and portable property).

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

The County has workers compensation with the Workforce, Safety and Insurance. The water resource district purchases commercial insurance for employee health and accident insurance.

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

**NOTE 10: JOINT VENTURES**

Red River Joint Water Resource District

Under authorization of state statutes, the Pembina 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 Richland County, Pembina County, Traill County, Steele County, Nelson County, Ransom County, Grand Forks County, Walsh County, Barnes County, and Sargent County to establish and operate a joint exercise of powers agreement for water management districts located with 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 each year depends on where Red River Joint Water Resource Board projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2017, which is the most current audited information available:

	<b>Red River Joint Water Resource Board</b>
Total Assets	\$ 10,183,698
Total Liabilities	117,178
Net Position	\$ 10,066,520
Total Revenues	\$ 3,735,429
Total Expenses	859,223
Change in Net Position	\$ 2,876,206

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

Complete financial statements for the Red River Joint Water Resource District may be obtained from the Treasurer's office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

Park River Joint Water Resource District

On February 11, 2014, Pembina County and Walsh County formed the Park River Joint Water Resource District to address common water issues and problems with the portions of the Park River Watershed in those counties. The Joint District's Board consists of six members, three of which are appointed by each county. Under the agreement, assessment project costs will be assessed and paid from the properties benefited by the project, and any excess costs of such project will be shared equally from the individual water resource district general funds. Other general and administrative costs will be paid by the individual water resource districts as described in the joint powers agreement.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2017:

	<b>Park River Joint Water Resource Board</b>
Total Assets	\$ 190,782
Total Liabilities	-
Net Position	\$ 190,782
Total Revenues	\$ 209,332
Total Expenses	131,054
Change in Net Position	\$ 78,278

**NOTE 11: DEFICIT CASH FUND BALANCES**

At December 31, 2017, the following funds had deficit cash fund balances, and were also reported as due to other funds on the balance sheet:

	<b>Balance</b>
<b>Major Funds</b>	
Weed Control	\$ (114,278)
<b>Nonmajor Funds</b>	
County Agent	(24,448)
Veteran's Service	(5,342)
Homeland Security	(6,206)

It is anticipated that future grant reimbursements, program fees, tax revenues and/or transfers from the general fund will alleviate the deficit fund balances.

**NOTE 12: COMMITMENTS****Discretely Presented Component Unit**Pembina County Water Resource District

The Water Resource District had the following open construction contracts at December 31, 2017:

<b>Water Resource District</b>	<b>Amended Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>	<b>% Complete</b>
Drain #79 Design	\$ 201,000	\$ 199,026	\$ -	\$ 1,974	99.02%

**NOTE 13: TAX ABATEMENTS**

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

The County will state individually the parties 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 40-57.1-03) and the guidelines stated below. The following criteria are only guidelines.

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

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

**Exemption Criteria**

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 80%, Year 3 — 60%, Year 4 — 40%, Year 5 — 20%.

**2017 Reduction in Taxes**

Total program reduction in taxes – \$36,954

**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.

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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2017 Reduction in Taxes

Total program reduction in taxes – \$11,391

**NOTE 14: PRIOR PERIOD ADJUSTMENTS**

**Primary Government**

Change in Accounting Principle – GASB 75 - OPEB

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

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

Capital Asset Errors

A prior period adjustment was necessary to the beginning balance construction in progress.

The effect of the prior period adjustments to beginning net position for the change in accounting principal, Fund reclassification, and for the capital asset errors for the county is as follows:

<b>Primary Government</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 11,329,845
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Capital Assets - Cost - CIP	121,620
Net OPEB Liability	(209,161)
Net Position January 1, as restated	\$ 11,242,304

**Discretely Presented Component Unit**

Pembina County Water Resource District

Change in Accounting Principle – GASB 75 - OPEB:

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

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

Capital Asset & Registered Drain Warrants Payable Errors

A prior period adjustment was necessary to the beginning balance construction in progress and to properly restate warrants payable.

The effect of the prior period adjustments to beginning net position for the change in accounting principal, Fund reclassification, and for the capital asset errors for the county is as follows:

<b>Water Resource District</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 13,043,200
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Capital Assets - Cost - CIP	3,179
Warrants Payable	11,107
Net OPEB Liability	(3,189)
Net Position January 1, as restated	\$ 13,054,297

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PEMBINA COUNTY  
Cavalier, North Dakota

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,550,680	\$ 2,550,680	\$ 2,495,625	\$ (55,055)
Intergovernmental	584,330	584,330	572,363	(11,967)
Charges for Services	402,808	402,808	554,381	151,573
Licenses, Permits and Fees	2,975	2,975	2,950	(25)
Interest Income	-	-	29,485	29,485
Miscellaneous	167,444	167,444	207,850	40,406
<b>Total Revenues</b>	<b>\$ 3,708,237</b>	<b>\$ 3,708,237</b>	<b>\$ 3,862,654</b>	<b>\$ 154,417</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,664,131	\$ 2,797,903	\$ 2,482,585	\$ 315,318
Public Safety	1,297,646	1,321,275	1,288,291	32,984
Health and Welfare	247,713	277,655	277,334	321
Economic Development	31,393	31,393	29,643	1,750
<b>Total Expenditures</b>	<b>\$ 4,240,883</b>	<b>\$ 4,428,226</b>	<b>\$ 4,077,853</b>	<b>\$ 350,373</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (532,646)</b>	<b>\$ (719,989)</b>	<b>\$ (215,199)</b>	<b>\$ 504,790</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 33,869	\$ 33,869
Transfers out	-	-	(33,869)	(33,869)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (532,646)</b>	<b>\$ (719,989)</b>	<b>\$ (215,199)</b>	<b>\$ 504,790</b>
<b>Fund Balances - January 1</b>	<b>\$ 1,072,161</b>	<b>\$ 1,072,161</b>	<b>\$ 1,072,161</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 539,515</b>	<b>\$ 352,172</b>	<b>\$ 856,962</b>	<b>\$ 504,790</b>

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

PEMBINA COUNTY  
Cavalier, North Dakota

BUDGETARY COMPARISON SCHEDULE  
HIGHWAY FUNDS  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 1,412,032	\$ 1,412,032	\$ 1,139,224	\$ (272,808)
Charges for Services	75,000	75,000	270,335	195,335
Miscellaneous	35,000	35,000	102,227	67,227
<b>Total Revenues</b>	<b>\$ 1,522,032</b>	<b>\$ 1,522,032</b>	<b>\$ 1,511,786</b>	<b>\$ (10,246)</b>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 2,142,992	\$ 2,142,992	\$ 1,676,888	\$ 466,104
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (620,960)</b>	<b>\$ (620,960)</b>	<b>\$ (165,102)</b>	<b>\$ 455,858</b>
<b>Fund Balances - January 1</b>	<b>\$ 1,493,947</b>	<b>\$ 1,493,947</b>	<b>\$ 1,493,947</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 872,987</b>	<b>\$ 872,987</b>	<b>\$ 1,328,845</b>	<b>\$ 455,858</b>

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

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PEMBINA COUNTY  
Cavalier, North Dakota

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

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	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 605,712	\$ 605,712	\$ 593,630	\$ (12,082)
Intergovernmental	44,000	44,000	43,727	(273)
Total Revenues	<u>\$ 649,712</u>	<u>\$ 649,712</u>	<u>\$ 637,357</u>	<u>\$ (12,355)</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 1,120,000</u>	<u>\$ 1,120,000</u>	<u>\$ 558,459</u>	<u>\$ 561,541</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (470,288)</u>	<u>\$ (470,288)</u>	<u>\$ 78,898</u>	<u>\$ 549,186</u>
Fund Balances - January 1	<u>\$ 936,589</u>	<u>\$ 936,589</u>	<u>\$ 936,589</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 466,301</u>	<u>\$ 466,301</u>	<u>\$ 1,015,487</u>	<u>\$ 549,186</u>

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

PEMBINA COUNTY  
Cavalier, North Dakota

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 60,450	\$ 60,450	\$ 58,327	\$ (2,123)
Intergovernmental	-	-	301	301
<b>Total Revenues</b>	<b>\$ 60,450</b>	<b>\$ 60,450</b>	<b>\$ 58,628</b>	<b>\$ (1,822)</b>
<u>Expenditures:</u>				
	\$ -	\$ -	\$ -	\$ -
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 60,450</b>	<b>\$ 60,450</b>	<b>\$ 58,628</b>	<b>\$ (1,822)</b>
<b>Fund Balances - January 1</b>	<b>\$ 373,188</b>	<b>\$ 373,188</b>	<b>\$ 373,188</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 433,638</b>	<b>\$ 433,638</b>	<b>\$ 431,816</b>	<b>\$ (1,822)</b>

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

PEMBINA COUNTY  
Cavalier, North Dakota

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 100,952	\$ 100,952	\$ 97,059	\$ (3,893)
Intergovernmental	20,950	20,950	16,246	(4,704)
<b>Total Revenues</b>	<b>\$ 121,902</b>	<b>\$ 121,902</b>	<b>\$ 113,305</b>	<b>\$ (8,597)</b>
<u>Expenditures:</u>				
Current:				
Conserv. of Natural Resources	\$ 181,660	\$ 181,660	\$ 174,396	\$ 7,264
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (59,758)</b>	<b>\$ (59,758)</b>	<b>\$ (61,091)</b>	<b>\$ (1,333)</b>
Fund Balances - January 1	\$ (52,949)	\$ (52,949)	\$ (52,949)	-
<b>Fund Balances - December 31</b>	<b>\$ (112,707)</b>	<b>\$ (112,707)</b>	<b>\$ (114,040)</b>	<b>\$ (1,333)</b>

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

PEMBINA COUNTY  
Cavalier, North Dakota

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 879,551	\$ 879,551	\$ 857,684	\$ (21,867)
Intergovernmental	213,000	213,000	249,741	36,741
Charges for Services	86,400	86,400	85,461	(939)
Miscellaneous	700	700	1,113	413
Total Revenues	<u>\$ 1,179,651</u>	<u>\$ 1,179,651</u>	<u>\$ 1,193,999</u>	<u>\$ 14,348</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	<u>\$ 1,173,026</u>	<u>\$ 1,173,026</u>	<u>\$ 1,073,652</u>	<u>\$ 99,374</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,625</u>	<u>\$ 6,625</u>	<u>\$ 120,347</u>	<u>\$ 113,722</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 945,426	\$ 945,426	\$ 830,000	\$ (115,426)
Transfers Out	(945,426)	(945,426)	(830,000)	115,426
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 6,625</u>	<u>\$ 6,625</u>	<u>\$ 120,347</u>	<u>\$ 113,722</u>
Fund Balances - January 1	<u>\$ 55,545</u>	<u>\$ 55,545</u>	<u>\$ 55,545</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 62,170</u></u>	<u><u>\$ 62,170</u></u>	<u><u>\$ 175,892</u></u>	<u><u>\$ 113,722</u></u>

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

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PEMBINA COUNTY  
Cavalier, North Dakota

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

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	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 59,996	\$ (90,004)
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ 150,000	\$ 150,000	\$ 59,996	\$ 90,004
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -
Fund Balances - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balances - December 31	\$ -	\$ -	\$ -	\$ -

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

PEMBINA COUNTY  
Cavalier, North Dakota

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

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

<b>Primary Government - ND PERS - Pension</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset)	0.277070%	0.274254%	0.283066%	0.285196%
County's proportionate share of the net pension liability (asset)	\$ 4,453,426	\$ 2,672,875	\$ 1,924,801	\$ 1,810,202
County's covered-employee payroll	\$ 2,828,447	\$ 2,763,836	\$ 2,521,772	\$ 2,402,441
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

<b>Water Resource District - ND PERS - Pension</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Water Resource District's proportion of the net pension liability (asset)	0.006353%	0.004182%	0.003961%	0.003991%
Water Resource District's proportionate share of the net pension liability (asset)	\$ 102,112	\$ 40,755	\$ 26,934	\$ 25,330
Water Resource District's covered-employee payroll	\$ 64,853	\$ 42,142	\$ 35,287	\$ 33,618
Water Resource District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

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

**PEMBINA COUNTY**

Pension and OPEB Schedules - Continued

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

<b>Primary Government - ND PERS - Pension</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutory required contribution	\$ 205,097	\$ 200,097	\$ 191,549	\$ 171,053
Contributions in relation to the statutory required contribution	\$ 209,746	\$ 201,439	\$ 190,876	\$ 171,053
Contribution deficiency (excess)	\$ (4,648)	\$ (1,342)	\$ 673	\$ -
District's covered-employee payroll	\$ 2,828,447	\$ 2,763,836	\$ 2,521,772	\$ 2,402,441
Contributions as a percentage of covered-employee payroll	7.42%	7.29%	7.57%	7.12%

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

<b>Water Resource District - ND PERS - Pension</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutory required contribution	\$ 4,703	\$ 3,051	\$ 2,680	\$ 2,394
Contributions in relation to the statutory required contribution	\$ 4,809	\$ 3,071	\$ 2,671	\$ 2,394
Contribution deficiency (excess)	\$ (107)	\$ (20)	\$ 9	\$ -
District's covered-employee payroll	\$ 64,853	\$ 42,142	\$ 35,287	\$ 33,618
Contributions as a percentage of covered-employee payroll	7.42%	7.29%	7.57%	7.12%

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

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

<b>Primary Government - ND PERS - OPEB</b>	<b>2017</b>
County's proportion of the net OPEB liability (asset)	0.261447%
County's proportionate share of the net OPEB liability (asset)	\$ 206,808
County's covered-employee payroll	\$ 2,828,447
County's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

**PEMBINA COUNTY**

## Pension and OPEB Schedules - Continued

<b>Water Resource District - ND PERS - OPEB</b>	<b>2017</b>
Water Resource District's proportion of the net OPEB liability (asset)	0.005995%
Water Resource District's proportionate share of the net OPEB liability (asset)	\$ 4,742
Water Resource District's covered-employee payroll	\$ 64,853
Water Resource District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

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

<b>Primary Government - ND PERS - OPEB</b>	<b>2017</b>
Statutory required contribution	\$ 32,879
Contributions in relation to the statutory required contribution	\$ 33,583
Contribution deficiency (excess)	\$ (704)
District's covered-employee payroll	\$ 2,828,447
Contributions as a percentage of covered-employee payroll	1.19%

<b>Water Resource District - ND PERS - OPEB</b>	<b>2017</b>
Statutory required contribution	\$ 754
Contributions in relation to the statutory required contribution	\$ 770
Contribution deficiency (excess)	\$ (16)
District's covered-employee payroll	\$ 64,853
Contributions as a percentage of covered-employee payroll	1.19%

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

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

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PEMBINA COUNTY  
Cavalier, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2017

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**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information:

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

**NOTE 2: CHANGES OF ASSUMPTIONS – PENSION AND OPEB**

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

**PEMBINA COUNTY**

Notes to the Required Supplementary Information – Continued

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**NOTE 3: LEGAL COMPLIANCE - BUDGETS**

Budget Amendments

The board of County commissioners amended the county budget for 2017 as follows:

	<b>EXPENDITURES</b>		
	<b>Original Budget</b>	<b>Budget Amendment</b>	<b>Amended Budget</b>
<b>Major Fund</b>			
General Fund	\$ 4,240,883	\$ 187,343	\$ 4,428,226
<b>Nonmajor Funds</b>			
Document Preservation	19,600	16,781	36,381
County Agent	-	8,689	8,689
Nurse Trust	1,000	5,962	6,962
Hazardous Chemicals	2,200	2,720	4,920
Homeland Security	5,000	508	5,508

PEMBINA COUNTY  
Cavalier, North Dakota

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

	Balance 1-1-17	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-17
<b>Major Funds:</b>							
<b>General Fund</b>							
General Fund	\$ 736,170.36	\$ 3,847,520.14	\$ 33,869.15	\$ -	\$ -	\$ 4,072,174.22	\$ 545,385.43
General Fund Reserve & Bldg Imp	196,909.61	-	-	-	33,869.15	16,940.48	146,099.98
<b>Total General Fund</b>	<b>\$ 933,079.97</b>	<b>\$ 3,847,520.14</b>	<b>\$ 33,869.15</b>	<b>\$ -</b>	<b>\$ 33,869.15</b>	<b>\$ 4,089,114.70</b>	<b>\$ 691,485.41</b>
<b>Special Revenue Funds:</b>							
Highway Funds	\$ 1,718,508.85	\$ 1,253,596.49	\$ -	\$ -	\$ -	\$ 1,716,222.11	\$ 1,255,883.23
Road & Br/F-M/Co Loan	941,267.44	636,660.03	-	-	-	572,836.09	1,005,091.38
Emergency	373,188.17	58,628.28	-	-	-	-	431,816.45
Weed Control	(53,170.58)	113,288.73	-	-	-	174,395.85	(114,277.70)
Social Services	40,335.12	1,173,654.87	830,000.00	-	830,000.00	1,072,873.40	141,116.59
Flood Emergency Fund	82,867.98	60,152.79	-	-	-	59,995.76	83,025.01
<b>Total Major Special Revenue Funds</b>	<b>\$ 3,102,996.98</b>	<b>\$ 3,295,981.19</b>	<b>\$ 830,000.00</b>	<b>\$ -</b>	<b>\$ 830,000.00</b>	<b>\$ 3,596,323.21</b>	<b>\$ 2,802,654.96</b>
<b>Total Major Funds</b>	<b>\$ 4,036,076.95</b>	<b>\$ 7,143,501.33</b>	<b>\$ 863,869.15</b>	<b>\$ -</b>	<b>\$ 863,869.15</b>	<b>\$ 7,685,437.91</b>	<b>\$ 3,494,140.37</b>
<b>Nonmajor Funds:</b>							
WIC	\$ (3,160.17)	\$ 22,504.59	\$ -	\$ -	\$ -	\$ 19,284.37	\$ 60.05
County Agent	(14,227.62)	98,304.36	-	-	-	108,524.79	(24,448.05)
Veteran's Service	11,783.73	27,893.80	-	-	-	45,019.84	(5,342.31)
Sheriff Special Trust	35,886.34	6,625.00	-	-	-	1,943.93	40,567.41
Document Preservation	32,129.86	10,888.50	-	-	-	36,381.19	6,637.17
County Agent Special Trust	10,963.03	8,951.04	-	-	-	8,688.69	11,225.38
County Nurse Special Trust	3,117.16	29,643.00	-	-	-	6,961.97	25,798.19
Hazardous Chem. Preparedness	16,743.67	2,112.50	-	-	-	4,919.94	13,936.23
Victim Witness	28,893.58	50,844.22	-	-	-	66,269.36	13,468.44
Asset Forfeiture Account	5,749.98	270.20	-	-	-	-	6,020.18
Tobacco Funds	30,384.35	49,437.66	-	-	-	51,205.08	28,616.93
Homeland Security Funds	(848.00)	150.00	-	-	-	5,508.20	(6,206.20)
<b>Total Nonmajor Funds</b>	<b>\$ 157,415.91</b>	<b>\$ 307,624.87</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 354,707.36</b>	<b>\$ 110,333.42</b>
<b>Total Governmental Funds</b>	<b>\$ 4,193,492.86</b>	<b>\$ 7,451,126.20</b>	<b>\$ 863,869.15</b>	<b>\$ -</b>	<b>\$ 863,869.15</b>	<b>\$ 8,040,145.27</b>	<b>\$ 3,604,473.79</b>
<b>Agency Funds:</b>							
State Funds	\$ 619.31	\$ 63,136.85	\$ -	\$ -	\$ -	\$ 63,307.84	\$ 448.32
Township Road Fund	-	191,103.48	-	-	-	191,103.48	-
Park River Jt Water Dist	199.59	59,445.34	-	-	-	59,416.98	227.95
County Library	202.75	65,957.25	-	-	-	65,932.05	227.95
Pembina County Water Resource	646.48	214,869.69	-	-	-	214,822.03	694.14
Historical Society Fund	42.34	15,677.94	-	-	-	15,670.76	49.52
Senior Citizen Fund w/ Faith In Action	368.62	174,490.27	-	-	-	174,462.23	396.66
Pembina Co Emergency Med Serve	921.55	310,692.78	-	-	-	310,622.65	991.68
Red River Water Resource	368.65	119,282.80	-	-	-	119,254.74	396.71
Airport	353.02	78,373.13	-	-	-	78,462.96	263.19
Pembina Co Soil Conservation Dist.	255.33	87,024.41	-	-	-	87,000.05	279.69
Investment Interest	11,435.63	18,782.77	-	-	-	29,484.68	733.72
Restitution Special Trust	1,766.77	-	-	-	-	-	1,766.77
Clerk of Court Special Trust Fund	-	140.60	-	-	-	-	140.60
State's Attorney Trust Fund	1,965.83	-	-	-	-	-	1,965.83
Game and Fish Fund	1,226.80	436.85	-	-	-	367.50	1,296.15
Advance Tax Fund	7.74	34,407.41	-	-	-	29,453.25	4,961.90
Protest Fund	-	7,727.55	-	-	-	7,727.55	-
Township Funds	2,805.65	1,121,942.97	-	-	-	1,121,994.49	2,754.13
Fire District Funds	339.50	123,460.32	-	-	-	123,154.40	645.42
City Funds	14,386.59	1,883,726.52	-	-	-	1,878,164.74	19,948.37
School Funds	18,151.91	5,247,454.81	-	-	-	5,244,535.49	21,071.23
Drain Funds	2,071.02	1,426,319.59	-	-	-	1,423,670.67	4,719.94
Flex Spending Account	5,024.91	16,299.50	-	-	-	18,106.15	3,218.26
Prepaid Taxes	3,356,190.82	4,423,514.45	-	-	-	3,356,190.82	4,423,514.45
<b>Total Agency Funds</b>	<b>\$ 3,419,350.81</b>	<b>\$ 15,684,267.28</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,612,905.51</b>	<b>\$ 4,490,712.58</b>
<b>Total Primary Government</b>	<b>\$ 7,612,843.67</b>	<b>\$ 23,135,393.48</b>	<b>\$ 863,869.15</b>	<b>\$ -</b>	<b>\$ 863,869.15</b>	<b>\$ 22,653,050.78</b>	<b>\$ 8,095,186.37</b>
<b>Job Development Authority</b>	<b>\$ 308,465.82</b>	<b>\$ 118,809.24</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 182,340.70</b>	<b>\$ 244,934.36</b>
<b>Total Reporting Entity</b>	<b>\$ 7,921,309.49</b>	<b>\$ 23,254,202.72</b>	<b>\$ 863,869.15</b>	<b>\$ -</b>	<b>\$ 863,869.15</b>	<b>\$ 22,835,391.48</b>	<b>\$ 8,340,120.73</b>



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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**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  
Pembina County  
Cavalier, North Dakota

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

**Internal Control Over Financial Reporting**

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

**PEMBINA 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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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pembina 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*.

**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  
September 27, 2018

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PEMBINA COUNTY  
Cavalier, North Dakota

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

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

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Financial Statements

Type of Auditor's 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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None	Noted
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None	Noted
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None	Noted

**Section II – Financial Statement Findings**

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No matters were reported.

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



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

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

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**GOVERNANCE COMMUNICATION**

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Board of County Commissioners  
Pembina County  
Cavalier, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pembina County, Cavalier, North Dakota, for the year ended December 31, 2017 which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2018. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated August 1, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Pembina County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether Pembina 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 and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

**Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

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

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

**Corrected and Uncorrected Misstatements**

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

<b>PRIMARY GOVERNMENT</b>			
<b>Audit Adjustments</b>			
Intergovernmental Rec'v	\$	273,794	
Accounts Receivable		40,729	
Revenue			\$ 314,523
Revenue		83,025	
Unearned Revenue			83,025
Expenditures		11,310	
Accounts Payable			11,310

<b>DISCRETELY PRESENTED COMPONENT UNITS</b>			
<b>Audit Adjustments - Water Resource District</b>			
Intergovernmental Rec'v	\$	8,626	
Revenue			\$ 8,626
Expenditures		85,232	
Accounts Payable			79,300
Salaries Payable			5,932
<b>Audit Adjustments - Job Development Authority</b>			
Intergovernmental Rec'v	\$	1,900	
Revenue			\$ 1,900

**Disagreements with Management**

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

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated September 27, 2018.

**Management Consultations with Other Independent Accountants**

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

**Difficulties Encountered in Performing the Audit**

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

**Other Audit Findings or Issues**

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

The following presents our informal recommendations:

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**PRIMARY GOVERNMENT**

**Under-pledged Securities**

It was noted Pembina County did not have adequate pledge of securities at KodaBank at December 31, 2017 in the amount of \$67,690. While the county had adequate pledge of securities to cover the deposits in excess of FDIC insurance, they are not in compliance with NDCC 21-04-09, which states in part "When securities are pledged to the board of any public corporation, the treasurer or other individual legally charged with the custody of public funds shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits." Pledges are to be maintained in the amount of 110% of deposits in excess of FDIC coverage.

We recommend that the county ensure that it maintains adequate pledges of securities at any bank where the bank balances exceed FDIC Insurance.

**DISCRETELY PRESENTED COMPONENT UNIT**

**WATER RESOURCE DISTRICT**

**Lack of Segregation of Duties**

The Pembina County Water Resource District has minimal staff responsible for all duties performed by each entity. The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the entities financial condition, whether due to error or fraud. Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the component units of Pembina County.

Due to the size, complexity and the economic realities of the Pembina County Water Resource District, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

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

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

/s/  
Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
September 27, 2018

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