



Walsh County  
Grafton, 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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WALSH COUNTY  
Grafton, North Dakota

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For the Year Ended December 31, 2017

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WALSH COUNTY  
Grafton, North Dakota

December 31, 2017

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**COUNTY OFFICIALS**

Lawrence Burianek	Chairman
Lauren Wild	Commissioner
Ernie Barta	Commissioner
Karen Anderson	Commissioner
Luther Meberg	Commissioner
Kris Molde	Auditor
Jill Trendera	Treasurer
Diane Link	County Recorder
Bev Stremick	Clerk of Court
Ron Jurgens	Sheriff
Kelley Cole	State's Attorney

**AUDITOR PERSONNEL**

Dave Mix	Audit Manager
Jon Worrall	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  
Walsh County  
Grafton, 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 Walsh County, Grafton, 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 of material misstatement.

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

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

**Opinions**

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

## WALSH COUNTY

### Independent Auditor's Report - Continued

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

As discussed in Note 27 to the financial statements, Walsh 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 40-50 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 Walsh County's basic financial statements. The *schedule of fund activity arising from cash transactions* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2018 on our consideration of Walsh 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 Walsh County's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 13, 2018

WALSH COUNTY  
Grafton, North Dakota  
STATEMENT OF NET POSITION  
December 31, 2017

	Governmental Activities	Component Units		
		Water Resource District	Job Develop. Authority	Health District
<b>ASSETS</b>				
Cash, Cash Equivalents and Investments	\$ 6,446,122	\$ 2,501,019	\$ 657,399	\$ 491,413
Intergovernmental Receivable	399,851	-	-	31,475
Accounts Receivable	35,462	-	-	1,029
Due from County	-	1,292	856	949
Loans Receivable	-	-	286,213	-
Road Receivables	11,164	-	-	-
Taxes Receivable	139,456	5,788	3,835	4,105
Other Assets	-	6,570	800	153
Capital Assets (not being depreciated):				
Land	15,479	-	-	-
Easements	-	57,271	-	-
Construction in Progress	9,021,170	2,579,338	-	-
Capital Assets (net of accumulated depreciation):				
Buildings	1,128,789	-	-	-
Equipment	2,415,206	-	-	2,502
Infrastructure	14,103,218	7,842,678	-	-
Total Capital Assets	<u>\$ 26,683,862</u>	<u>\$ 10,479,287</u>	<u>\$ -</u>	<u>\$ 2,502</u>
Total Assets	<u>\$ 33,715,917</u>	<u>\$ 12,993,956</u>	<u>\$ 949,103</u>	<u>\$ 531,626</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension & OPEB	\$ 2,464,559	\$ 41,329	\$ -	\$ 192,547
Total Assets and Deferred Outflows of Resources	<u>\$ 36,180,476</u>	<u>\$ 13,035,285</u>	<u>\$ 949,103</u>	<u>\$ 724,173</u>
<b>LIABILITIES</b>				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 5,789	\$ 299,635	\$ -	\$ 1,036
Salaries Payable	3,803	1,845	-	-
Grants Received in Advance	181,971	-	-	-
Withholdings Payable	-	749	126	-
Liability for Cash Held as Agent	-	-	34,774	-
Retainage Payable	7,503	34,050	-	-
Interest Payable	7,969	5,408	-	-
<u>Non-Current Liabilities:</u>				
Due Within One Year:				
Capital Leases Payable	163,386	-	-	-
Loan Payable	70,361	691,270	-	-
Compensated Absences Payable	20,753	321	902	2,092
Due After One Year:				
Capital Leases Payable	419,003	-	-	-
Warrants Payable	-	6,350,000	-	-
Loan Payable	98,387	46,429	-	-
Compensated Absences Payable	186,773	2,892	8,116	18,830
Net Pension & OPEB Liability	5,542,140	78,229	-	417,448
Total Liabilities	<u>\$ 6,707,838</u>	<u>\$ 7,510,828</u>	<u>\$ 43,918</u>	<u>\$ 439,406</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension & OPEB	\$ 216,854	\$ 4,900	\$ -	\$ 45,700
Taxes Received in Advance	1,202,969	-	-	-
Total Deferred Inflows of Resources	<u>\$ 1,419,823</u>	<u>\$ 4,900</u>	<u>\$ -</u>	<u>\$ 45,700</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 8,127,661</u>	<u>\$ 7,515,728</u>	<u>\$ 43,918</u>	<u>\$ 485,106</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 25,932,725	\$ 10,479,287	\$ -	\$ 2,502
Restricted for:				
Health and Welfare	-	-	-	236,565
Conservation of Natural Resources	485,222	-	-	-
Emergencies	284,097	-	-	-
Economic Development	-	-	905,185	-
Capital Projects	1,134,261	-	-	-
General Government	72,890	-	-	-
Unrestricted	143,620	(4,959,730)	-	-
Total Net Position	<u>\$ 28,052,815</u>	<u>\$ 5,519,557</u>	<u>\$ 905,185</u>	<u>\$ 239,067</u>

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

WALSH COUNTY  
Grafton, North Dakota  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units		
						Water Resource District	Job Develop. Authority	Health District
<b>Governmental Activities:</b>								
General Government	\$ 2,219,654	\$ 110,197	\$ -	\$ -	\$ (2,109,457)	\$ -	\$ -	\$ -
Public Safety	2,288,809	251,238	329,048	-	(1,708,523)	-	-	-
Highways	4,331,105	144,088	1,771,843	52,631	(2,362,543)	-	-	-
Flood Repair	19,176	-	112,774	-	93,598	-	-	-
Health and Welfare	1,662,888	-	413,078	-	(1,249,810)	-	-	-
Culture and Recreation	118,969	100,756	-	-	(18,213)	-	-	-
Conserv. of Natural Resources	354,345	-	59,611	-	(294,734)	-	-	-
Interest on Long-Term Debt	14,030	-	-	-	(14,030)	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 11,008,976</b>	<b>\$ 606,279</b>	<b>\$ 2,686,354</b>	<b>\$ 52,631</b>	<b>\$ (7,663,712)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Component Unit:</b>								
Water Resource District	\$ 1,657,122	\$ 5,650	\$ 179,942	\$ 1,103,157	\$ -	\$ (368,373)	\$ -	\$ -
Job Development Authority	143,316	6,014	1,000	-	-	-	(136,302)	-
Health District	667,519	130,670	281,388	-	-	-	-	(255,461)
<b>Total Component Units</b>	<b>\$ 2,467,957</b>	<b>\$ 142,334</b>	<b>\$ 462,330</b>	<b>\$ 1,103,157</b>	<b>\$ -</b>	<b>\$ (368,373)</b>	<b>\$ (136,302)</b>	<b>\$ (255,461)</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes; levied for general purposes					\$ 2,077,510	\$ 1,076,298	\$ 141,614	\$ 175,231
Property taxes; levied for special purposes					3,510,174	-	-	-
Property taxes; levied for drain maintenance purposes					-	213,210	-	-
State aid & grants not restricted to specific programs					871,099	-	-	32,944
Unrestricted investment earnings					26,398	1,471	1,716	1,852
Miscellaneous revenue					145,318	11,150	10	2,005
<b>Total General Revenues</b>					<b>\$ 6,630,499</b>	<b>\$ 1,302,129</b>	<b>\$ 143,340</b>	<b>\$ 212,032</b>
<b>Change in Net Position</b>					<b>\$ (1,033,213)</b>	<b>\$ 933,756</b>	<b>\$ 7,038</b>	<b>\$ (43,429)</b>
<b>Net Position - January 1</b>					<b>\$ 29,358,253</b>	<b>\$ 4,604,396</b>	<b>\$ 898,147</b>	<b>\$ 285,981</b>
<b>Prior Period Adjustments</b>					<b>(272,225)</b>	<b>(18,595)</b>	<b>-</b>	<b>(3,485)</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 29,086,028</b>	<b>\$ 4,585,801</b>	<b>\$ 898,147</b>	<b>\$ 282,496</b>
<b>Net Position - December 31</b>					<b>\$ 28,052,815</b>	<b>\$ 5,519,557</b>	<b>\$ 905,185</b>	<b>\$ 239,067</b>

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

WALSH COUNTY  
Grafton, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2017

	General	Highway Distribution	Farm to Market Road	Social Services	Human Services	Flood Funds	General Obligation Bond	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and Investments	\$ 2,899,621	\$ 97,314	\$ 370,136	\$ -	\$ 15,200	\$ 181,971	\$ 1,134,261	\$ 1,747,619	\$ 6,446,122
Intergovernmental Receivable	214,530	126,549	-	48,398	-	-	-	10,374	399,851
Accounts Receivable	23,511	-	-	-	-	-	-	11,951	35,462
Due from Other Funds	172,455	-	-	-	-	-	-	-	172,455
Road Receivables	-	-	-	-	-	-	-	11,164	11,164
Taxes Receivable	43,920	-	36,176	-	27,525	-	-	31,835	139,456
<b>Total Assets</b>	<b>\$ 3,354,037</b>	<b>\$ 223,863</b>	<b>\$ 406,312</b>	<b>\$ 48,398</b>	<b>\$ 42,725</b>	<b>\$ 181,971</b>	<b>\$ 1,134,261</b>	<b>\$ 1,812,943</b>	<b>\$ 7,204,510</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts Payable	\$ 4,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,253	\$ 5,789
Salaries Payable	3,790	13	-	-	-	-	-	-	3,803
Grants Received In Advance	-	-	-	-	-	181,971	-	-	181,971
Due to Other Funds	-	-	-	152,151	-	-	-	20,304	172,455
<b>Total Liabilities</b>	<b>\$ 8,326</b>	<b>\$ 13</b>	<b>\$ -</b>	<b>\$ 152,151</b>	<b>\$ -</b>	<b>\$ 181,971</b>	<b>\$ -</b>	<b>\$ 21,557</b>	<b>\$ 364,018</b>
<b>Deferred Inflows of Resources:</b>									
Road Receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,164	\$ 11,164
Taxes Received in Advance	651,855	-	296,298	-	-	-	-	254,816	1,202,969
Taxes Receivable	43,920	-	36,176	-	27,525	-	-	31,835	139,456
<b>Total Deferred Inflows of Resources</b>	<b>\$ 695,775</b>	<b>\$ -</b>	<b>\$ 332,474</b>	<b>\$ -</b>	<b>\$ 27,525</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 297,815</b>	<b>\$ 1,353,589</b>
<b>Total Liabilities And Deferred Inflows of Resources</b>	<b>\$ 704,101</b>	<b>\$ 13</b>	<b>\$ 332,474</b>	<b>\$ 152,151</b>	<b>\$ 27,525</b>	<b>\$ 181,971</b>	<b>\$ -</b>	<b>\$ 319,372</b>	<b>\$ 1,717,607</b>
<b>Fund Balances:</b>									
<b>Restricted for:</b>									
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 471,485	\$ 471,485
Highways and Bridges	-	223,850	73,838	-	-	-	-	162,278	459,966
Health and Welfare	-	-	-	-	15,200	-	-	25,851	41,051
Conservation of Natural Resources	-	-	-	-	-	-	-	486,576	486,576
Emergencies	-	-	-	-	-	-	-	284,097	284,097
Capital Projects	-	-	-	-	-	-	1,134,261	-	1,134,261
General Government	-	-	-	-	-	-	-	72,890	72,890
<b>Unassigned:</b>	<b>2,649,936</b>	<b>-</b>	<b>-</b>	<b>(103,753)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,606)</b>	<b>2,536,577</b>
<b>Total Fund Balances</b>	<b>\$ 2,649,936</b>	<b>\$ 223,850</b>	<b>\$ 73,838</b>	<b>\$ (103,753)</b>	<b>\$ 15,200</b>	<b>\$ -</b>	<b>\$ 1,134,261</b>	<b>\$ 1,493,571</b>	<b>\$ 5,486,903</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,354,037</b>	<b>\$ 223,863</b>	<b>\$ 406,312</b>	<b>\$ 48,398</b>	<b>\$ 42,725</b>	<b>\$ 181,971</b>	<b>\$ 1,134,261</b>	<b>\$ 1,812,943</b>	<b>\$ 7,204,510</b>

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



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WALSH COUNTY  
Grafton, North Dakota

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

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Total *Fund Balances* for Governmental Funds \$ 5,486,903

Total *net position* reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	\$ 39,480,601	
Less Accumulated Depreciation	<u>(12,796,739)</u>	26,683,862

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

Road Department Accounts Receivable	\$ 11,164	
Property Taxes Receivable	<u>139,456</u>	150,620

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

Deferred Outflows Related to Pensions	\$ 2,464,559	
Deferred Inflows Related to Pensions	<u>(216,854)</u>	2,247,705

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2017 are the following:

Capital Leases Payable	\$ (582,389)	
Retainage Payable	(7,503)	
Loan Payable	(168,748)	
Interest Payable	(7,969)	
Compensated Absences	(207,526)	
Net Pension & OPEB Liability	<u>(5,542,140)</u>	<u>(6,516,275)</u>

Total Net Position of Governmental Activities		<u>\$ 28,052,815</u>
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The notes to the financial statements are an integral part of this statement.

WALSH COUNTY  
Grafton, North Dakota  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017

	General	Highway Distribution	Farm to Market Road	Social Services	Human Services	Flood Funds	General Obligation Bond	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>									
Taxes	\$ 2,081,922	\$ -	\$ 1,310,908	\$ -	\$ 1,046,874	\$ -	\$ -	\$ 1,152,421	\$ 5,592,125
Intergovernmental	1,148,694	1,272,785	13,073	332,922	10,319	112,774	551,689	167,828	3,610,084
Charges for Services	144,517	35,596	-	-	-	-	-	416,191	596,304
Licenses, Permits and Fees	25	11,429	-	-	-	-	1,604	-	13,058
Interest Income	23,489	-	-	-	-	-	2,899	10	26,398
Miscellaneous	51,631	29,823	-	3,285	-	-	48,617	11,961	145,317
<b>Total Revenues</b>	<b>\$ 3,450,278</b>	<b>\$ 1,349,633</b>	<b>\$ 1,323,981</b>	<b>\$ 336,207</b>	<b>\$ 1,057,193</b>	<b>\$ 112,774</b>	<b>\$ 604,809</b>	<b>\$ 1,748,411</b>	<b>\$ 9,983,286</b>
<b>Expenditures:</b>									
<b>Current:</b>									
General Government	\$ 2,000,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,022	\$ 2,039,862
Public Safety	1,734,790	-	-	-	-	-	-	358,705	2,093,495
Highways and Bridges	-	1,364,915	1,165,001	-	-	-	-	1,161,892	3,691,808
Flood Repair	-	-	-	-	-	19,176	-	-	19,176
Health and Welfare	-	-	-	1,517,198	-	-	-	56,151	1,573,349
Culture and Recreation	99,232	-	-	-	-	-	-	-	99,232
Conserv. of Natural Resources	-	-	-	-	-	-	-	333,922	333,922
Capital Outlay	-	-	-	-	-	-	408,019	20,520	428,539
<b>Debt Service:</b>									
Principal	37,840	15,825	21,977	-	-	-	-	72,682	148,324
Interest and Fees	2,656	1,317	1,787	-	-	-	-	7,509	13,269
<b>Total Expenditures</b>	<b>\$ 3,875,358</b>	<b>\$ 1,382,057</b>	<b>\$ 1,188,765</b>	<b>\$ 1,517,198</b>	<b>\$ -</b>	<b>\$ 19,176</b>	<b>\$ 408,019</b>	<b>\$ 2,050,403</b>	<b>\$ 10,440,976</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (425,080)	\$ (32,424)	\$ 135,216	\$ (1,180,991)	\$ 1,057,193	\$ 93,598	\$ 196,790	\$ (301,992)	\$ (457,690)
<b>Other Financing Sources (Uses):</b>									
Transfers In	\$ 14,265	\$ -	\$ -	\$ 915,000	\$ -	\$ -	\$ 93,598	\$ 10,395	\$ 1,033,258
Lease Financing	-	-	-	-	-	-	-	415,812	415,812
Transfers Out	(24,660)	-	-	-	(915,000)	(93,598)	-	-	(1,033,258)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (10,395)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 915,000</b>	<b>\$ (915,000)</b>	<b>\$ (93,598)</b>	<b>\$ 93,598</b>	<b>\$ 426,207</b>	<b>\$ 415,812</b>
<b>Net Change in Fund Balances</b>	<b>\$ (435,475)</b>	<b>\$ (32,424)</b>	<b>\$ 135,216</b>	<b>\$ (265,991)</b>	<b>\$ 142,193</b>	<b>\$ -</b>	<b>\$ 290,388</b>	<b>\$ 124,215</b>	<b>\$ (41,878)</b>
Fund Balances - January 1	\$ 3,085,411	\$ 256,274	\$ (61,378)	\$ 162,238	\$ (126,993)	\$ -	\$ 843,873	\$ 1,370,518	\$ 5,529,943
Prior Period Adjustment	-	-	-	-	-	-	-	(1,162)	(1,162)
<b>Fund Balances - December 31</b>	<b>\$ 2,649,936</b>	<b>\$ 223,850</b>	<b>\$ 73,838</b>	<b>\$ (103,753)</b>	<b>\$ 15,200</b>	<b>\$ -</b>	<b>\$ 1,134,261</b>	<b>\$ 1,493,571</b>	<b>\$ 5,486,903</b>

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

WALSH COUNTY  
Grafton, North Dakota

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

Net Change in *Fund Balances* - Total Governmental Funds \$ (41,878)

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

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

Current Year Capital Outlay	\$ 1,381,565	
Capital Contributions	52,631	
Current Year Depreciation Expense	<u>(1,443,844)</u>	(9,648)

The net result of miscellaneous transactions involving capital assets was a net decrease to capital assets. (318,940)

Retainages payable is not an expenditure at the fund level. Retainages are paid or will be paid more than two months after year-end. This is the net change in retainages payable. 147,622

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

Issuance of Debt - Capital Leases	\$ (415,812)	
Repayment of Debt - Capital Leases	80,062	
Repayment of Debt - Loans	<u>68,262</u>	(267,488)

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

Net Increase in Compensated Absences	\$ (3,571)	
Net Increase in Interest Payable	<u>(761)</u>	(4,332)

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

Net Decrease in Road Department Receivables	\$ (3,082)	
Net Decrease in Taxes Receivable	<u>(4,441)</u>	(7,523)

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

Increase in Net Pension & OPEB Liability	\$ (2,031,152)	
Increase in Deferred Outflows of Resources Related to Pensions & OPEB	1,491,648	
Decrease in Deferred Inflows of Resources Related to Pensions & OPEB	<u>8,478</u>	<u>(531,026)</u>

Change in Net Position of Governmental Activities \$ (1,033,213)

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

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WALSH COUNTY  
Grafton, North Dakota

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

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	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 2,553,611</u>
<u>Liabilities:</u>	
Due to Other Governments/Entities	<u>\$ 2,553,611</u>

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

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WALSH COUNTY  
Grafton, 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 Walsh 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 Walsh 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 Walsh 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 Walsh County.

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

**Component Units**

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

Blended Component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. All of the component units have the same fiscal year end as Walsh County.

*Walsh County Park:* The Walsh County Park is governed by substantively the same governing board as the County. Walsh County Park does not have the right to sue in its own name without recourse to the County. Walsh County Park is reported as if it were part of the County.

Discretely Presented Component Units: The component units' columns in the financial statements includes the financial data of the county's three component units. These units are reported in separate columns to emphasize that they are legally separate from the county.

*Walsh County Water Resource District:* The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget. The County must also approve the tax levy established by the Water Resource District.

*Walsh County Job Development Authority:* The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget. The County must also approve the tax levy established by the Job Development Authority.

*Walsh County Health District:* The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget. The County must also approve the tax levy established by the Health District.

### **B. Basis of Presentation**

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government, Walsh County and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the county's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, 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 Tax Distribution Fund.* This fund accounts for the repair and improvement of highways. This major source of revenue is restricted state highway tax funds.

*Farm to Market Road Fund.* This fund accounts for the costs of constructing and maintaining federal aid farm to market roads within the county. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

*Social Service Fund.* This fund accounts for the costs of providing social service benefits to needy residents. The major sources of revenue are a restricted tax levy and State/Federal grants and reimbursements.

*Human Services Fund.* This fund accounts for the restricted tax levy for the costs of providing social service benefits to needy residents. The major sources of revenue are a restricted tax levy and State/Federal grants and reimbursements. Funds from the human services fund are transferred to the social services fund that reports the expenditures.

*Flood Funds.* This fund accounts for the revenue and costs of repairing flood damage to roads. The major source of revenue is restricted State/Federal grants and reimbursements.

*General Obligation Bond Fund.* This fund accounts for the bond proceeds that were collected and for the construction of assets that the bond was appropriated to.

Additionally, the County reports the following fund type:

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

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

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

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

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

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.

### **D. Cash and Investments**

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the year ended December 31, 2017 consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

**E. Capital Assets****Primary Government**

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

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

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

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

<b>Assets</b>	<b>Years</b>
Buildings	20-50
Vehicles and Equipment	5-50
Land	Indefinite
Infrastructure	15-20

**Discretely Presented Component Units****Walsh County Water Resource District**

Capital assets of the Walsh County Water Resource District, a discretely presented component unit of Walsh County, include drain infrastructure and Easements. Assets are reported in a discretely presented component unit 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 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.

Drain assets acquired prior to January 1, 2004 consisting of various drain projects 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.

Capital assets are depreciated using the straight-line method over 30 years and the easements are not amortized.

**Walsh County Public Health District**

Capital assets of the Walsh County Public Health District, a discretely presented component unit of Walsh County, include equipment. Assets are reported in a discretely presented component unit 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 cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.



Capital assets are depreciated using the straight-line method over 5 years.

**F. Compensated Absences**

Annual leave is a benefit granted to full time and part time employees. Employees will accrue annual leave from the first day of work. Annual leave will be determined by years of service and will range from 8 hours to 16 hours per month. All new employees must complete 60 days of satisfactory service prior to using annual leave. A maximum of 200 hours may be carried beyond January 15th of each year. Hours in excess of 200 hours on January 16th will be lost (except for approval of the county board). Upon termination of employment, employees will be paid for unused vacation hours at that time. Sick leave benefits of one working day per month are allowed to accumulate without limit. No liability is recorded for sick leave benefits due to the fact that these hours will not be paid to an employee upon termination.

**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.

**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. Fund Balances****Fund Balance Spending Policy**

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

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

Purposes and major revenue sources of the major special revenue funds (farm to market road, highway tax distribution, social services, human services and FEMA flood funds) are disclosed in more detail in Note 1B in the discussion of major funds.

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

**GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**

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

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

Walsh County reports restricted and unassigned fund balances at December 31, 2017.

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, health & welfare, culture & recreation, conservation of natural resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security). 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).

**Special Revenue Funds – Restricted & Committed Fund Balances:**

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
  - Restricted grants/reimbursements – primarily includes FEMA funds, other grant funds, and highway tax distribution.

**Unassigned Fund Balances:**

Unassigned fund balances at year-end 2017 consist of an amount in the general fund and amounts reported for negative fund balances in various non-major funds.

**J. 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.

**WALSH COUNTY**

Notes to the Financial Statements – Continued

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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 are shown by primary function and are restricted for highways and bridges, public safety, health & welfare, culture & recreation, conservation of natural resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

Unrestricted net position is primarily unrestricted amounts related to the general fund. The unrestricted net position is available to meet the district's ongoing obligations.

**K. 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 another state of the United States or such other securities approved by the banking board.

At December 31, 2017, the county's carrying amount of deposits was \$8,244,499 and the bank balances were \$7,983,191. Of the bank balances, \$1,659,912 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2017, Walsh County Water Resource District's carrying amount of deposits was \$2,501,019 and the bank balance was \$2,541,509. Of the bank balances, \$597,631 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

**WALSH COUNTY**

Notes to the Financial Statements – Continued

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At December 31, 2017, Walsh County Job Development Authority's carrying amount of deposits was \$657,399 and the bank balance was \$666,621, all was covered by Federal Depository Insurance.

At December 31, 2017, Walsh County Public Health District's carrying amount of deposits was \$491,311 and the bank balance was \$477,489. Of the bank balances, \$333,562 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2017, the County held certificates of deposit in the amount of \$574,700, and the Public Health District held \$87,611, all of which are 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: ACCOUNTS RECEIVABLE**

Accounts receivable of the primary government consists of amounts due from other entities earned but not collected prior to year-end.

**NOTE 4: INTERGOVERNMENTAL RECEIVABLES**

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

**NOTE 5: ROAD RECEIVABLES**

Road department receivables of the primary government consist of amounts due for road work for townships and individuals.

**NOTE 6: TAXES RECEIVABLE**

Taxes receivable included in the deferred inflows of resources on the balance sheet represents the past three years of delinquent uncollected taxes. No allowance has been established or uncollectible taxes receivable.

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

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

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

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

**NOTE 7: DUE FROM COUNTY**

Due from county represents amounts held in county agency funds for taxes collected and not yet distributed to the aggregate discretely presented component units.

**NOTE 8: JOB DEVELOPMENT LOANS RECEIVABLE**

The Job Development Authority, a discretely presented component unit of Walsh County, provides loans to businesses for either startup costs or expansion costs. The Development Authority receives applications from various businesses within the community and either approves or denies the applications based on majority board decision. The Authority had the following activity in loans outstanding for the year ended December 31, 2017.

<b>Name/Business</b>	<b>Balance January 1</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance December 31</b>
Grafton Park District	\$ -	\$ 24,856	\$ -	\$ 24,856
Heartland Eye Care #2	-	3,174	-	3,174
Heartland Eye Care #1	-	14,053	-	14,053
The Spin	-	5,000	-	5,000
Park River Dental #2	-	9,887	-	9,887
Park River Dental #1	-	2,102	-	2,102
Tracy L. Laaveg	-	2,535	-	2,535
Dugout Bar & Grill	7,813	-	1,835	5,978
KBL Enterprises	4,685	-	-	4,685
Hoople Grocery	18,052	-	2,666	15,386
Jim's Super Valu	2,264	-	-	2,264
Lundquist Enterprises	4,934	-	-	4,934
Park River Equipment	12,500	-	-	12,500
Summertime Inc.	7,420	-	-	7,420
Golden Valley Veterinary	5,000	-	-	5,000
Kringstad/Safe-T-Pull	11,813	-	-	11,813
Walsh County Grain	116,054	-	19,342	96,712
Diverse Energy Systems	5,470	-	-	5,470
Kieley Electric	8,726	-	2,426	6,300
Side Track Bar	4,500	-	962	3,538
Northdale Oil	13,433	-	-	13,433
Kringstad Ironworks #3	6,039	-	-	6,039
Leo's Potato Dumplings	2,630	-	-	2,630
1st United/Irvine's	4,885	-	700	4,185
Beauties & Beasts	9,269	-	-	9,269
Harriston/Mayo #1	9,917	-	2,761	7,156
Harriston/Mayo #2	4,032	-	539	3,493
Kringstad Ironworks	10,236	-	1,424	8,812
On the Level Construction	9,938	-	9,938	-
Sand Iron & Steel	1,442	-	-	1,442
True Value hardware	19,775	-	3,628	16,147
<b>Total</b>	<b>\$ 300,827</b>	<b>\$ 61,607</b>	<b>\$ 46,221</b>	<b>\$ 316,213</b>
Allowance for Doubtful Accounts	\$ (30,000)	\$ -	\$ -	(30,000)
<b>Net Loans Receivable</b>	<b>\$ 270,827</b>	<b>\$ 61,607</b>	<b>\$ 46,221</b>	<b>\$ 286,213</b>

**WALSH COUNTY**

Notes to the Financial Statements – Continued

**NOTE 9: CAPITAL ASSETS**

**Primary Government**

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

<b>Governmental Activities:</b>	<b>Balance Jan 1 (Adj.)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 15,479	\$ -	\$ -	\$ -	\$ 15,479
Construction in Progress	8,345,214	675,956	-	-	9,021,170
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 8,360,693</b>	<b>\$ 675,956</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,036,649</b>
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,491,565	\$ 62,653	\$ -	\$ -	\$ 2,554,218
Equipment	5,500,741	695,587	604,167	-	5,592,161
Infrastructure	22,297,573	-	-	-	22,297,573
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 30,289,879</b>	<b>\$ 758,240</b>	<b>\$ 604,167</b>	<b>\$ -</b>	<b>\$ 30,443,952</b>
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,378,806	\$ 46,623	\$ -	\$ -	\$ 1,425,429
Equipment	3,188,772	273,410	285,227	-	3,176,955
Infrastructure	7,070,542	1,123,813	-	-	8,194,355
<b>Total Accumulated Depreciation</b>	<b>\$ 11,638,120</b>	<b>\$ 1,443,846</b>	<b>\$ 285,227</b>	<b>\$ -</b>	<b>\$ 12,796,739</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 18,651,759</b>	<b>\$ (685,606)</b>	<b>\$ 318,940</b>	<b>\$ -</b>	<b>\$ 17,647,213</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 27,012,452</b>	<b>\$ (9,650)</b>	<b>\$ 318,940</b>	<b>\$ -</b>	<b>\$ 26,683,862</b>

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

<b>Governmental Activities:</b>	<b>Amounts</b>
General Government	\$ 6,520
Public Safety	73,438
Highways and bridges	1,323,447
Health and Welfare	8,510
Culture & Recreation	15,682
Conservation of Natural Resources	16,249
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,443,846</b>

**Discretely Presented Component Units**

Walsh County Water Resource District

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

<b>Enterprise Activities:</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated:</i>					
Easements	\$ 57,271	\$ -	\$ -	\$ -	\$ 57,271
Construction in Progress	1,309,569	3,881,412	18,970	(2,592,673)	2,579,338
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 1,366,840</b>	<b>\$ 3,881,412</b>	<b>\$ 18,970</b>	<b>\$ (2,592,673)</b>	<b>\$ 2,636,609</b>
<i>Capital assets being depreciated:</i>					
Infrastructure	\$ 7,344,251	\$ -	\$ -	\$ 2,592,673	\$ 9,936,924
<i>Less Accumulated Depreciation for:</i>					
Infrastructure	\$ 1,763,015	\$ 331,231	\$ -	\$ -	\$ 2,094,246
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 5,581,236</b>	<b>\$ (331,231)</b>	<b>\$ -</b>	<b>\$ 2,592,673</b>	<b>\$ 7,842,678</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 6,948,076</b>	<b>\$ 3,550,181</b>	<b>\$ 18,970</b>	<b>\$ -</b>	<b>\$ 10,479,287</b>

Depreciation expense totaling \$331,231 was charged to the conservation of natural resources function.

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

Walsh County Public Health District

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

<b>Enterprise Activities:</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets being depreciated:</i>					
Equipment	\$ 6,255	\$ -	\$ -	\$ -	\$ 6,255
<i>Less Accumulated Depreciation for:</i>					
Equipment	\$ 2,502	\$ 1,251	\$ -	\$ -	\$ 3,753
<i>Governmental Activities Capital Assets, Net</i>	\$ 3,753	\$ (1,251)	\$ -	\$ -	\$ 2,502

Depreciation expense totaling \$1,251 was charged to the health and welfare function.

**NOTE 10: DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources in the government wide financial statements consist of amounts related to net pension and OPEB liabilities. See more detail about deferred outflows of resources in Notes 21 and 22.

**NOTE 11: ACCOUNTS PAYABLE**

Accounts payable consists of a liability account reflecting amounts on open accounts owing for goods and services received prior to December 31, 2017.

**NOTE 12: SALARIES PAYABLE**

Salaries payable consists of a liability account reflecting amounts owing to employees for work provided on behalf of the county prior to December 31, 2017.

**NOTE 13: TAXES RECEIVED IN ADVANCE**

Taxes received in advance consist of tax collections received in the current year not applicable as revenue until the next year at the fund level and government wide level. Taxes received in advance meet asset recognition criteria, but not revenue recognition criteria.

**NOTE 14: GRANTS RECEIVED IN ADVANCE**

Grants received in advance consist of funds received in the FEMA fund where the eligibility requirements have not been met at December 31, 2017.

**NOTE 15: INTEREST PAYABLE**

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2017.

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 16: LONG-TERM LIABILITIES****Primary Government**

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

<b>Governmental Activities - County:</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Leases Payable	\$ 246,640	\$ 415,812	\$ 80,063	\$ 582,389	\$ 163,386
Loans Payable	237,009	-	68,262	168,747	70,361
Compensated Absences *	203,955	3,570	-	207,525	20,753
Net Pension & OPEB Liability *	3,510,988	2,031,152	-	5,542,140	-
<b>Total Governmental Activities</b>	<b>\$ 4,198,592</b>	<b>\$ 2,450,534</b>	<b>\$ 148,325</b>	<b>\$ 6,500,801</b>	<b>\$ 254,500</b>

\* 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.

Outstanding long-term liabilities (excluding compensated absences and net pension liability) at December 31, 2017 consists of the following issues:

Capital Leases Payable

\$219,800 capital lease with Kinetic Leasing, due in annual installments of \$44,398 to \$45,566 through 2019; interest at 2.3%.

\$ 89,964

\$187,026 capital lease with Kinetic Leasing, due in annual installments of \$37,796 to \$38,817 through 2019; interest at 2.16%.

76,613

\$215,392 capital lease with Kinetic Leasing, due in annual installments of \$41,692 to \$45,040 through 2022; interest at 2.5%.

215,392

\$200,420 capital lease with First United Bank, due in annual installments of \$39,500 to \$41,854 through 2022; interest at 2.7%.

200,420

Total Capital Leases \$ 582,389

Loans Payable

\$217,314 loan payable with First United Bank, payable in annual installments of \$40,497 through 2018; interest at 3.45%.

\$ 39,170

\$159,999 loan payable for an excavator, payable in annual installments of \$34,468 through 2021; interest at 2.53%.

129,577

Total Loans Payable \$ 168,747

The requirements to amortize loans payable and capital leases payable is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Year Ending December 31</b>	<b>Capital Leases Payable</b>		<b>Loans Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 163,386	\$ 12,389	\$ 70,361	\$ 4,603
2019	164,858	10,917	31,980	2,488
2020	82,551	6,595	32,789	1,680
2021	84,699	4,446	33,617	850
2022	86,895	2,252	-	-
<b>Total</b>	<b>\$ 582,389</b>	<b>\$ 36,599</b>	<b>\$ 168,747</b>	<b>\$ 9,621</b>



**WALSH COUNTY**

Notes to the Financial Statements – Continued

**Discretely Presented Component Units**

**Walsh County Water Resource District**

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

<b>Governmental Activities - WRD:</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Warrants Payable	\$ -	\$ 6,350,000	\$ -	\$ 6,350,000	\$ -
Loans Payable	2,706,013	3,001,461	4,969,775	737,699	691,270
Compensated Absences *	1,652	1,561	-	3,213	321
Net Pension & OPEB Liability *	51,533	26,696	-	78,229	-
<b>Total Governmental Activities</b>	<b>\$ 2,759,198</b>	<b>\$ 3,029,718</b>	<b>\$ 4,969,775</b>	<b>\$ 819,141</b>	<b>\$ 691,591</b>

\* 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.

Outstanding long-term liabilities (excluding compensated absences and net pension liability) at December 31, 2017 consists of the following issues:

Loans Payable

\$81,402 loan payable with Bremer Bank, due on demand; if no demand is made, payable in annual installments of \$11,900 through 2025; variable interest rate of 5 year LIBOR rate plus 4%; interest at 5.635%.	\$ 58,394
\$40,460 loan payable with First United Bank, due on demand; if no demand is made, payable in an annual installment of \$24,876 in 2018; interest at 4.3%.	19,429
\$450,000 loan payable with First United Bank, due on September 1, 2018; interest at 4.3%.	450,000
\$185,000 loan payable with First United Bank, due on June 15, 2018; interest at 4.3%.	185,000
\$46,438 loan payable with First United Bank, due on demand; if no demand is made, payable in one annual installment of \$24,876 in 2018; interest at 4.3%.	<u>24,876</u>
<b>Total Loans Payable</b>	<b>\$ 737,699</b>

Warrants Payable

\$6,350,000 Refunding Improvement Bonds of 2017; due in a single payment of \$6,350,000 on December 1, 2019; interest at 2.50%.	<u>\$ 6,350,000</u>
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The requirements to amortize WRD loans and bonds payable is as follows:

<b>GOVERNMENTAL ACTIVITIES - WRD</b>				
<b>Year Ending December 31</b>	<b>Warrants Payable</b>		<b>Loans Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ -	\$ -	\$ 691,270	\$ 9,350
2019	6,350,000	-	12,648	5,502
2020	-	-	13,357	4,793
2021	-	-	14,133	4,017
2022	-	-	6,291	10,575
<b>Total</b>	<b>\$ 6,350,000</b>	<b>\$ -</b>	<b>\$ 737,699</b>	<b>\$ 34,237</b>

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

There are no set payment schedules for the interest on the warrants payable totaling \$6,350,000 at December 31, 2017; thus, the future interest payments for the next five years individually are not disclosed.

**Job Development Authority**

Changes in Long-Term Liabilities - During the year ended December 31, 2017, the following changes occurred in long-term liabilities for Walsh County Public Health District:

<b>Governmental Activities - JDA:</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 6,103	\$ 2,914	\$ -	\$ 9,017	\$ 902

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

**Walsh County Public Health District**

Changes in Long-Term Liabilities - During the year ended December 31, 2017, the following changes occurred in long-term liabilities for Walsh County Public Health District:

<b>Governmental Activities - Health:</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 17,569	\$ 3,353	\$ -	\$ 20,922	\$ 2,092
Net Pension & OPEB Liability *	286,619	130,829	-	417,448	-
<b>Total Governmental Activities</b>	<b>\$ 304,188</b>	<b>\$ 134,182</b>	<b>\$ -</b>	<b>\$ 438,370</b>	<b>\$ 2,092</b>

\* 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.

Operating Lease Payments:

Walsh County has an operating lease for copiers with Marco. The lease was entered into during 2012 for a term of 60 months with monthly payments of \$1,210. The lease was amended in 2016.

The remaining operating lease rental payments at December 31, 2017 is outlined below:

<b>GOVERNMENTAL ACTIVITIES</b>	
<b>Year Ending Dec 31</b>	<b>Operating Lease</b>
2018	\$ 382
2019	382
2020	382
2021	192
<b>Total</b>	<b>\$ 1,338</b>

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 18: TRANSFERS**

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2017:

	Transfers In	Transfers Out
<b>Major Funds:</b>		
General Fund	\$ 14,265	\$ 24,660
Social Services	915,000	-
Human Services	-	915,000
General Obligation Bond	93,598	-
FEMA Flood Funds	-	93,598
<b>Nonmajor Special Revenue Funds</b>		
ROD-DOC Preserve	6,237	-
Recorders Spec Trust	4,158	-
<b>Total Transfers</b>	<b>\$ 1,033,258</b>	<b>\$ 1,033,258</b>

Transfers are used to move unrestricted general revenue to finance programs that the county accounts for in other funds in accordance with budget authority and to subsidize other programs.

**NOTE 19: DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, such amounts include the amount for net pension and OPEB liabilities. See more detail in Notes 21 and 22 about deferred inflows of resources.

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

**NOTE 20: DUE TO/ FROM OTHER FUNDS**

The due to/due from other funds represents the amounts of negative cash in several funds borrowed from the general fund in 2017.

	Due To	Due From
<b>Major Funds</b>		
General Fund	\$ -	\$ 172,455
Social Services	152,151	-
<b>Nonmajor Funds</b>		
Chase Building	6,336	-
Park River - Sheriff	6,280	-
Drug Tax	140	-
City Task Force	7,316	-
EWC Community Service Program	232	-
<b>Total</b>	<b>\$ 172,455</b>	<b>\$ 172,455</b>

**NOTE 21: 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.

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 \$5,296,195, the Water Resource District reported a liability of \$74,757, and the Public Health District reported a liability of \$398,123, 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. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the County's proportion was .329503 percent, which was a decrease of .005416 percent from its proportion measured as of June 30, 2016. The Water Resource District's proportion was .004651 percent, which was a decrease of .000279 percent. The Public Health District's proportion was .024819 percent, which was a decrease of .002682 percent.

For the year ended December 31, 2017 the County recognized pension expense of \$792,004, the Water Resource District recognized pension expense of \$12,413, and the Public Health District recognized pension expense of \$52,054. At December 31, 2017, the County, Water Resource District, and Public Health 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	\$ 31,480	\$ 25,804
Changes in Assumptions	2,171,797	119,454
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	71,229	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	18,245	56,299
Contributions - Employer	127,094	-
<b>Total</b>	<b>\$ 2,419,845</b>	<b>\$ 201,557</b>

**WALSH COUNTY**

Notes to the Financial Statements – Continued

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 444	\$ 364
Changes in Assumptions	30,655	1,686
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,005	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,911	2,634
Contributions - Employer	2,516	-
<b>Total</b>	<b>\$ 40,531</b>	<b>\$ 4,684</b>

<b>Public Health District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 2,371	\$ 1,944
Changes in Assumptions	163,585	8,998
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	5,365	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	33,606
Contributions - Employer	16,232	-
<b>Total</b>	<b>\$ 187,553</b>	<b>\$ 44,548</b>

\$127,094, \$2,516 and \$16,232 reported by the County, Water Resource District, and Public Health District, respectively, as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

	<b>County</b>	<b>Water Resource District</b>	<b>Public Health District</b>
2018	\$ 452,036	\$ 7,345	\$ 26,447
2019	549,772	8,724	33,809
2020	475,873	7,687	28,249
2021	397,957	6,647	23,327
2022	215,556	2,928	14,941
Thereafter	-	-	-

**Actuarial assumptions**

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount rate**

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

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

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

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

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

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.44%)</b>	<b>Current Discount Rate (6.44%)</b>	<b>1% Increase (7.44%)</b>
County	\$ 7,189,746	\$ 5,296,195	\$ 3,720,839
Water Resource District	101,485	74,757	52,520
Public Health District	541,550	398,923	280,263

**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 22: 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.



**WALSH COUNTY**

## Notes to the Financial Statements – Continued

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 \$245,945, the Water Resource District reported a liability of \$3,472, and the Public Health District reported a liability of \$18,525, 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 Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the County's proportion was .310925, the Water Resource District's proportion was .004389 percent and the Public Health District's proportion was .023419 percent.

For the year ended December 31, 2017 the County recognized OPEB expense of \$29,731, the Water Resource District recognized OPEB expense of \$427, and the Public Health District recognize OPEB expense of \$2,327. At December 31, 2017, the County, Water Resource District, and Public Health District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>County</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 5,998
Changes of Assumptions	23,821	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	9,299
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	544	-
Contributions - Employer	20,349	-
<b>Total</b>	<b>\$ 44,714</b>	<b>\$ 15,297</b>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 85
Changes of Assumptions	336	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	131
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	59	-
Contributions - Employer	403	-
<b>Total</b>	<b>\$ 798</b>	<b>\$ 216</b>

**WALSH COUNTY**

Notes to the Financial Statements – Continued

<b>Public Health District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 452
Changes of Assumptions	1,794	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	700
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	601	-
Contributions - Employer	2,599	-
<b>Total</b>	<b>\$ 4,994</b>	<b>\$ 1,152</b>

\$20,349, \$403, and \$2,599 reported by the County, Water Resource District, and Public Health District, respectively, reported 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>County</b>	<b>Water Resource District</b>	<b>Public Health District</b>
2018	\$ 550	\$ 16	\$ 129
2019	550	16	129
2020	550	16	129
2021	550	16	129
2022	2,875	48	304
2023	2,875	48	304
Thereafter	1,118	19	119

**Actuarial assumptions**

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

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of re-turn (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 as-set class included in the RHIC’s target asset allocation as of July 1, 2017 are summarized in the following table:

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

**Discount rate**

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

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

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

<b>Proportionate Share of the OPEB Liability</b>	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
County	\$ 307,893	\$ 245,945	\$ 192,844
Water Resource District	4,346	3,472	2,722
Public Health District	23,191	18,525	14,525

**NOTE 23: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Walsh County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF for automobile is limited to losses of one million dollars per occurrence and for general liability is limited to losses of two million dollars per occurrence. Mobile equipment and portable property (public assets) coverage is limited to \$3,021,266 for the county.

Walsh County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Walsh County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Walsh 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.

Walsh County has workers' compensation with the North Dakota Workforce, Safety and Insurance.

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

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 24: JOINT VENTURES**Red River Joint Water Resource District

Under authorization of state statutes, the Walsh County Water Resourced 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, Walsh County, Nelson County, Ransom 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 depends on where Red River Joint Water Resource Board projects are being undertaken. For more information, write the Red River Joint Water Resource Board, PO Box 10, Hillsboro, ND 58045.

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

	<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

Park River Joint Water Resource District

On February 11, 2014, Walsh County and Pembina 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, and 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

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

Forest River Joint Water Resource District

In December 2016, Walsh County, Nelson County, and Grand Forks County formed the Forest River Joint Water Resource District to address common water issues and problems with the portions of the Forest River Watershed in those counties. The Joint District's Board consists of three members, appointed by each county. Under the agreement, and 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>Forest River Joint Water Resource Board</b>
Total Assets	\$ 126,003
Total Liabilities	-
Net Position	\$ 126,003
Total Revenues	\$ 136,871
Total Expenses	77,918
Change in Net Position	\$ 58,953

**NOTE 25: CONDUIT DEBT**

From time to time, the County has issued Community Development Block Grant Loans to provide financial assistance to private-sector entities for various purposes. The loans are secured by the property financed and are payable solely from payments received on the underlying block grant loans. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the community development block grant loans are not reported as liabilities in the accompanying financial statements.

At December 31, 2017, there were three series of Community Development Block Grant Loans issued to Northern Valley Growers and Glacier Bay, Inc. with original principal balances totaling \$374,860, and remaining principal balances totaling \$368,586.

**NOTE 26: OPEN CONSTRUCTION PROJECTS**

The County had one construction project open at year-end:

Project	Contract Amount	Total Completed	Remaining Balance	Retainage
BRC-5006(063) - Construction	\$ 377,951	\$ 375,146	\$ 2,805	\$ 7,503

The Water Resource District had two construction projects open at year-end:

Project	Contract Amount	Total Completed	Remaining Balance	Retainage
Drain 30-1	\$ 309,429	\$ 309,429	\$ -	\$ 30,943
Drain 31-1	168,786	155,366	13,420	3,107
Total All Projects	\$ 478,215	\$ 464,795	\$ 13,420	\$ 34,050

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 27: PRIOR PERIOD ADJUSTMENTS****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).

**Reclassification of Funds:**

Funds previously reported as special revenue funds were reclassified to Agency Funds.

**Capital Asset Errors:**

There were prior period adjustments for the period ending December 31, 2017 for Governmental Activities involving adjustments to the capital asset listing. There were several assets added and removed from the prior year capital asset listing. Adjustments to amounts for construction in progress and infrastructure were also needed.

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>County Net Position:</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 29,358,253
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Net OPEB Liability	(246,876)
Deferred Outflows of Resources related to pension	(69,541)
Funds reclassified from Special Revenue to Agency	(1,162)
Capital Assets - cost	(167,592)
Capital Assets - depreciation	212,946
Net Position January 1, as restated	\$ 29,086,028

<b>County - Non-Major Funds:</b>	<b>Amounts</b>
Beginning Fund Balances, as previously reported	\$ 1,370,518
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Funds Reclassified from Special Revenue to Agency	(1,162)
Fund Balances January 1, as restated	\$ 1,369,356

<b>Water Resource District</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 4,604,396
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Net OPEB Liability	(18,595)
Net Position January 1, as restated	\$ 4,585,801

<b>Public Health District</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 285,981
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Net OPEB Liability	(3,485)
Net Position January 1, as restated	\$ 282,496

**NOTE 28: TAX ABATEMENTS**

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

Walsh 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 Walsh 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 city/county?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

**Exemption Criteria:**

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

**2017 Reduction in Taxes – Other Entities:**

Total program reduction in taxes – \$107,600

**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.

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**WALSH COUNTY**

Notes to the Financial Statements – Continued

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2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$717,843

**Single Family Residence:**

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

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

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

2017 Reduction in Taxes:

Total Program Reduction in County Only Taxes – \$28,600

**Childhood Services Exemption:**

Childhood Services (also adult daycare) are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(36)) and the guidelines stated below. The following criteria are only guidelines.

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

2017 Reduction in Taxes – Other Entities:

Total Program Reduction in taxes – \$1,039

**Commercial and Residential:**

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-05.2-03) and the guidelines stated below. The following criteria are only guidelines.



**WALSH COUNTY**

Notes to the Financial Statements – Continued

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Under NDCC 57-05.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city and county, for property within city limits and by the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city and county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city and county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$12,963

**NOTE 29: CONTINGENT LIABILITIES**

The County is a defendant in several lawsuits incident to its operations. In the opinion of County Counsel and management, such claims against the County not covered by insurance would not materially affect the condition of the County.

WALSH COUNTY  
Grafton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 3,032,700	\$ 3,032,700	\$ 2,081,922	\$ (950,778)
Intergovernmental	1,042,604	1,042,604	1,148,694	106,090
Licenses, Permits and Fees	1,500	1,500	25	(1,475)
Charges for Services	136,200	136,200	144,517	8,317
Interest Income	10,000	10,000	23,489	13,489
Miscellaneous	150,000	150,000	51,631	(98,369)
<b>Total Revenues</b>	<b>\$ 4,373,004</b>	<b>\$ 4,373,004</b>	<b>\$ 3,450,278</b>	<b>\$ (922,726)</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,164,515	\$ 2,202,496	\$ 2,000,840	\$ 201,656
Public Safety	1,849,391	1,849,391	1,734,790	114,601
Culture and Recreation	108,660	117,628	99,232	18,396
Debt Service:				
Principal	37,840	37,840	37,840	-
Interest	2,656	2,656	2,656	-
<b>Total Expenditures</b>	<b>\$ 4,163,062</b>	<b>\$ 4,210,011</b>	<b>\$ 3,875,358</b>	<b>\$ 334,653</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 209,942</b>	<b>\$ 162,993</b>	<b>\$ (425,080)</b>	<b>\$ (588,073)</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 14,265	\$ 14,265
Transfers Out	-	-	(24,660)	(24,660)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10,395)</b>	<b>\$ (10,395)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 209,942</b>	<b>\$ 162,993</b>	<b>\$ (435,475)</b>	<b>\$ (598,468)</b>
<b>Fund Balances - January 1</b>	<b>\$ 3,085,411</b>	<b>\$ 3,085,411</b>	<b>\$ 3,085,411</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 3,295,353</b>	<b>\$ 3,248,404</b>	<b>\$ 2,649,936</b>	<b>\$ (598,468)</b>

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

WALSH COUNTY  
Grafton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 1,153,201	\$ 1,153,201	\$ 1,272,785	\$ 119,584
Charges for Services	-	-	35,596	35,596
Licenses, Permits, and Fees	-	-	11,429	11,429
Miscellaneous	150,000	150,000	29,823	(120,177)
<b>Total Revenues</b>	<b>\$ 1,303,201</b>	<b>\$ 1,303,201</b>	<b>\$ 1,349,633</b>	<b>\$ 46,432</b>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 1,286,629	\$ 1,382,044	\$ 1,364,915	\$ 17,129
Debt Service:				
Principal	-	-	15,825	(15,825)
Interest	-	-	1,317	(1,317)
<b>Total Expenditures</b>	<b>\$ 1,286,629</b>	<b>\$ 1,382,044</b>	<b>\$ 1,382,057</b>	<b>\$ (13)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 16,572</b>	<b>\$ (78,843)</b>	<b>\$ (32,424)</b>	<b>\$ 46,419</b>
<b>Fund Balances - January 1</b>	<b>\$ 256,274</b>	<b>\$ 256,274</b>	<b>\$ 256,274</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 272,846</b>	<b>\$ 177,431</b>	<b>\$ 223,850</b>	<b>\$ 46,419</b>

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

WALSH COUNTY  
Grafton, North Dakota

BUDGETARY COMPARISON SCHEDULE  
FARM TO MARKET ROAD FUND  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,370,500	\$ 1,370,500	\$ 1,310,908	\$ (59,592)
Intergovernmental	5,000	5,000	13,073	8,073
Total Revenues	<u>\$ 1,375,500</u>	<u>\$ 1,375,500</u>	<u>\$ 1,323,981</u>	<u>\$ (51,519)</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 1,322,504	\$ 1,322,504	\$ 1,165,001	\$ 157,503
Debt Service:				
Principal	-	-	21,977	(21,977)
Interest	-	-	1,787	(1,787)
Total Expenditures	<u>\$ 1,322,504</u>	<u>\$ 1,322,504</u>	<u>\$ 1,188,765</u>	<u>\$ 133,739</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 52,996</u>	<u>\$ 52,996</u>	<u>\$ 135,216</u>	<u>\$ 82,220</u>
Fund Balances - January 1	<u>\$ (61,378)</u>	<u>\$ (61,378)</u>	<u>\$ (61,378)</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ (8,382)</u>	<u>\$ (8,382)</u>	<u>\$ 73,838</u>	<u>\$ 82,220</u>

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

WALSH COUNTY  
Grafton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 330,061	\$ 330,061	\$ 332,922	\$ 2,861
Miscellaneous	-	-	3,285	3,285
<b>Total Revenues</b>	<b>\$ 330,061</b>	<b>\$ 330,061</b>	<b>\$ 336,207</b>	<b>\$ 6,146</b>
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 1,539,760	\$ 1,539,760	\$ 1,517,198	\$ 22,562
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (1,209,699)</b>	<b>\$ (1,209,699)</b>	<b>\$ (1,180,991)</b>	<b>\$ 28,708</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	-	-	\$ 915,000	\$ 915,000
<b>Net Change in Fund Balances</b>	<b>\$ (1,209,699)</b>	<b>\$ (1,209,699)</b>	<b>\$ (265,991)</b>	<b>\$ 943,708</b>
Fund Balances - January 1	\$ 162,238	\$ 162,238	\$ 162,238	-
<b>Fund Balances - December 31</b>	<b>\$ (1,047,461)</b>	<b>\$ (1,047,461)</b>	<b>\$ (103,753)</b>	<b>\$ 943,708</b>

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

WALSH COUNTY  
Grafton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 3,500	\$ 3,500	\$ 1,046,874	\$ 1,043,374
Intergovernmental	7,000	7,000	10,319	3,319
<b>Total Revenues</b>	<b>\$ 10,500</b>	<b>\$ 10,500</b>	<b>\$ 1,057,193</b>	<b>\$ 1,046,693</b>
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 10,500</b>	<b>\$ 10,500</b>	<b>\$ 1,057,193</b>	<b>\$ 1,046,693</b>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (915,000)	\$ (915,000)
<b>Net Change in Fund Balances</b>	<b>\$ 10,500</b>	<b>\$ 10,500</b>	<b>\$ 142,193</b>	<b>\$ 131,693</b>
Fund Balances - January 1	\$ (126,993)	\$ (126,993)	\$ (126,993)	\$ -
<b>Fund Balances - December 31</b>	<b>\$ (116,493)</b>	<b>\$ (116,493)</b>	<b>\$ 15,200</b>	<b>\$ 131,693</b>

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

WALSH COUNTY  
Grafton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 112,774	\$ 112,774
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ -	\$ 19,176	\$ 19,176	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (19,176)	\$ 93,598	\$ 112,774
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (93,598)	\$ (93,598)
Net Change in Fund Balances	\$ -	\$ (19,176)	\$ -	\$ 19,176
Fund Balances - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balances - December 31	\$ -	\$ (19,176)	\$ -	\$ 19,176

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

WALSH COUNTY  
Grafton, North Dakota

PENSION & 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>County:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability (asset)	0.329503%	0.334919%	0.331323%	0.338654%
District's proportionate share of the net pension liability (asset)	\$ 5,296,195	\$ 3,264,112	\$ 2,252,940	\$ 2,149,509
District's covered-employee payroll	\$ 3,363,712	\$ 3,375,191	\$ 2,951,687	\$ 2,852,754
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%

<b>Water Resource District:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability (asset)	0.004651%	0.004930%	0.003679%	0.004107%
District's proportionate share of the net pension liability (asset)	\$ 74,757	\$ 48,048	\$ 25,017	\$ 26,608
District's covered-employee payroll	\$ 47,478	\$ 49,680	\$ 32,779	\$ 34,592
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.46%	96.71%	76.32%	76.92%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

<b>Public Health District:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability (asset)	0.024819%	0.027501%	0.031106%	0.031649%
District's proportionate share of the net pension liability (asset)	\$ 398,923	\$ 268,024	\$ 211,515	\$ 200,883
District's covered-employee payroll	\$ 253,360	\$ 277,143	\$ 277,115	\$ 266,607
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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



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

<b>County:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 243,910	\$ 244,359	\$ 224,204	\$ 203,116
Contributions in relation to the statutorily required contribution	\$ (248,138)	\$ (245,626)	\$ (228,804)	\$ (203,116)
Contribution deficiency (excess)	\$ (4,228)	\$ (1,267)	\$ (4,600)	\$ -
District's covered-employee payroll	\$ 3,363,712	\$ 3,375,191	\$ 2,951,687	\$ 2,852,754
Contributions as a percentage of covered-employee payroll	7.38%	7.28%	7.75%	7.12%

<b>Water Resource District:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 3,443	\$ 3,597	\$ 2,490	\$ 2,463
Contributions in relation to the statutorily required contribution	\$ (3,871)	\$ (3,376)	\$ (3,289)	\$ (2,463)
Contribution deficiency (excess)	\$ (428)	\$ 221	\$ (799)	\$ -
District's covered-employee payroll	\$ 47,478	\$ 49,680	\$ 32,779	\$ 34,592
Contributions as a percentage of covered-employee payroll	8.15%	6.80%	10.03%	7.12%

<b>Public Health District:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 18,372	\$ 20,065	\$ 21,049	\$ 18,982
Contributions in relation to the statutorily required contribution	\$ (22,732)	\$ (20,534)	\$ (19,731)	\$ (18,982)
Contribution deficiency (excess)	\$ (4,360)	\$ (469)	\$ 1,318	\$ -
District's covered-employee payroll	\$ 253,360	\$ 277,143	\$ 277,115	\$ 266,607
Contributions as a percentage of covered-employee payroll	8.97%	7.41%	7.12%	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>County:</b>	<b>2017</b>
District's proportion of the net OPEB liability (asset)	0.310925%
District's proportionate share of the net OPEB liability (asset)	\$ 245,945
District's covered-employee payroll	\$ 3,363,712
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%

**WALSH COUNTY**

## Pension &amp; OPEB Schedules - Continued

<b>Water Resource District:</b>	<b>2017</b>
District's proportion of the net OPEB liability (asset)	0.004389%
District's proportionate share of the net OPEB liability (asset)	\$ 3,472
District's covered-employee payroll	\$ 47,478
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%

<b>Public Health District:</b>	<b>2017</b>
District's proportion of the net OPEB liability (asset)	0.023419%
District's proportionate share of the net OPEB liability (asset)	\$ 18,525
District's covered-employee payroll	\$ 253,360
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%

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

<b>County:</b>	<b>2017</b>
Statutory required contribution	\$ 39,101
Contributions in relation to the statutory required contribution	\$ (39,730)
Contribution deficiency (excess)	\$ (629)
District's covered-employee payroll	\$ 3,363,712
Contributions as a percentage of covered-employee payroll	1.18%

<b>Water Resource District:</b>	<b>2017</b>
Statutory required contribution	\$ 552
Contributions in relation to the statutory required contribution	\$ (620)
Contribution deficiency (excess)	\$ (68)
District's covered-employee payroll	\$ 47,478
Contributions as a percentage of covered-employee payroll	1.31%

<b>Public Health District:</b>	<b>2017</b>
Statutory required contribution	\$ 2,945
Contributions in relation to the statutory required contribution	\$ (3,640)
Contribution deficiency (excess)	\$ (695)
District's covered-employee payroll	\$ 253,360
Contributions as a percentage of covered-employee payroll	1.44%

WALSH COUNTY  
Grafton, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2017

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

Budgetary Information:

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

**NOTE 2: PENSIONS & OPEB - CHANGES OF ASSUMPTIONS**

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

**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>Governmental Activities</b>			
<u>Major Funds:</u>			
General Fund	\$ 4,163,062	\$ 46,949	\$ 4,210,011
Highway Distribution	1,286,629	95,415	1,382,044
General Obligation Bonds	300,000	108,019	408,019
FEMA Flood Funds	-	19,176	19,176
<u>Nonmajor Special Revenue Fund:</u>			
County Road	257,000	12,771	269,771

**WALSH COUNTY**

Notes to the Required Supplementary Information – Continued

**NOTE 4: EXPENDITURES IN EXCESS OF BUDGET**

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

	<b>Budget</b>	<b>Actual</b>	<b>Over Budget</b>
<b>Nonmajor Special Revenue Funds:</b>			
Walsh County Farm Account	\$ -	\$ 1,120	\$ (1,120)
Drug Task	-	4,543	(4,543)
City Task Force	-	34,485	(34,485)
County Agent Trust	-	768	(768)
ROC-DOC Preserver	-	4,071	(4,071)
EWC Community Service Program	-	250	(250)
Recorders Spec Trust	-	2,751	(2,751)
Juvenile Comm Service	-	200	(200)
Sheriff Drug Testing	-	22,840	(22,840)
Misc Sheriff Policing	-	1,700	(1,700)

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

WALSH COUNTY  
Grafton, North Dakota

SCHEDULE OF FUND ACTIVITY  
CASH BASIS  
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<b>Major Funds:</b>						
General Fund	\$3,100,483.65	\$ 3,857,358.85	\$ 14,265.39	\$ 24,660.39	\$ 3,875,371.68	\$3,072,075.82
Highway Distribution	143,813.04	1,335,545.40	-	-	1,382,044.03	97,314.41
Farm to Market	100,502.64	1,458,398.81	-	-	1,188,765.44	370,136.01
Social Services	74,098.68	313,295.49	915,000.00	-	1,454,545.11	(152,150.94)
Human Services	2,511.80	927,688.51	-	915,000.00	-	15,200.31
General Obligation Bond	843,873.15	604,809.87	93,597.61	-	408,019.17	1,134,261.46
FEMA Flood Funds	101,556.16	193,188.32	-	93,597.61	19,176.05	181,970.82
<b>Total Major Funds</b>	<b>\$4,366,839.12</b>	<b>\$ 8,690,285.25</b>	<b>\$1,022,863.00</b>	<b>\$1,033,258.00</b>	<b>\$ 8,327,921.48</b>	<b>\$4,718,807.89</b>
<b>Nonmajor Funds:</b>						
<b>Special Revenue Funds:</b>						
Victim Assistance	\$ 53,379.12	\$ 37,923.12	\$ -	\$ -	\$ 42,489.57	\$ 48,812.67
Road and Bridge	77,225.26	680,152.75	-	-	562,739.93	194,638.08
County Road Fund	122,659.86	292,529.76	-	-	269,770.63	145,418.99
Emergency	284,096.71	0.48	-	-	-	284,097.19
Veteran's Assistance	35,517.04	58,335.91	-	-	56,150.54	37,702.41
County Agent	141,836.39	175,007.38	-	-	124,432.36	192,411.41
Weed Control	268,786.89	229,245.29	-	-	208,572.71	289,459.47
Chase Building	(4,151.24)	34,203.00	-	-	36,387.42	(6,335.66)
Park River - Sheriff	(10,158.25)	103,479.07	-	-	99,601.25	(6,280.43)
Walsh County Farm Account	4,738.80	1,710.00	-	-	1,120.00	5,328.80
Walsh County Haz Mat	47,344.81	2,717.70	-	-	6,576.02	43,486.49
Drug Task	-	4,402.84	-	-	4,542.61	(139.77)
City Task Force	(4,407.31)	31,576.33	-	-	34,484.70	(7,315.68)
County Agent Trust	14,980.14	1,154.32	-	-	767.66	15,366.80
ROD-DOC Preserve	59,143.08	8,581.50	6,237.00	-	4,070.72	69,890.86
EWC Community Service Program	(162.54)	180.00	-	-	250.00	(232.54)
State's Attorney Special Drug Acct	2,770.01	550.80	-	-	-	3,320.81
Asset Forfeiture - Sheriff	30,134.22	6,835.83	-	-	-	36,970.05
Recorders Spec Trust	50,787.37	-	4,158.00	-	2,750.65	52,194.72
Juvenile Comm Service	1,930.00	360.00	-	-	199.99	2,090.01
Sheriff Drug Testing	50,572.92	27,444.04	-	-	22,840.35	55,176.61
E911 Emergency	155,576.08	48,986.47	-	-	44,303.77	160,258.78
E911 Cell Phones	110,947.79	93,516.39	-	-	112,361.74	92,102.44
Misc Sheriff Policing	533.89	19,859.44	-	-	1,700.00	18,693.33
Victim Impact Program	200.00	-	-	-	-	200.00
<b>Total Special Revenue Nonmajor Funds</b>	<b>\$1,494,281.04</b>	<b>\$ 1,858,752.42</b>	<b>\$ 10,395.00</b>	<b>\$ -</b>	<b>\$ 1,636,112.62</b>	<b>\$1,727,315.84</b>
<b>Total Governmental Funds</b>	<b>\$5,861,120.16</b>	<b>\$10,549,037.67</b>	<b>\$1,033,258.00</b>	<b>\$1,033,258.00</b>	<b>\$ 9,964,034.10</b>	<b>\$6,446,123.73</b>
<b>Agency Funds:</b>						
County Health District	\$ 20,267.39	\$ 174,929.57	\$ -	\$ -	\$ 158,594.59	\$ 36,602.37
Historical Society	1,701.75	14,583.88	-	-	13,233.46	3,052.17
Senior Citizens	6,806.88	103,786.51	-	-	98,384.71	12,208.68
County Library	15,066.36	135,385.59	-	-	123,584.56	26,867.39
River Soil Con Dist Ins Re	60.55	23.96	-	-	84.50	0.01
River Soil Con Dist General	17,011.17	145,766.77	-	-	132,256.23	30,521.71
Joint Water Resource Board #2	9,607.38	4,282.99	-	-	2,650.00	11,240.37
Red River Basin Commission	-	4,284.00	-	-	4,284.00	-
Water Resource	27,227.76	234,748.92	-	-	213,141.60	48,835.08
Job Development Authority	18,050.83	151,496.78	-	-	141,934.93	27,612.68
Park River Joint Water Res Dist	6,806.89	52,407.21	-	-	52,931.41	6,282.69
Joint Water Resource Board - RR	12,847.73	108,117.21	-	-	103,591.39	17,373.55
State Revenue Tax	6,806.88	59,235.26	-	-	53,833.46	12,208.68
Forest River Joint Water Res Bd	6,794.47	51,927.75	-	-	52,439.88	6,282.34
County Sheriff Judgment Trust Acct	-	12,918.81	-	-	12,918.61	0.20
Game and Fish	5,311.57	-	-	-	302.61	5,008.96
Paid Under Protest	337.82	324.04	-	-	661.86	-
Treasurer's Misc	82.54	38,785.50	-	-	38,816.04	52.00
State Grant 2015	1,657.78	7,186.05	-	-	7,186.05	1,657.78

Continued on next page...

WALSH COUNTY  
Grafton, North Dakota

SCHEDULE OF FUND ACTIVITY  
CASH BASIS  
For the Year Ended December 31, 2017

CONTINUED...	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<u>Agency Funds: Continued</u>						
Drug Prevention	\$ 370.40	\$ -	\$ -	\$ -	\$ -	\$ 370.40
County Sheriff Jt Water Resource	223.00	-	-	-	-	223.00
Sheriff Drug Grant #4 & Cty DUI	-	498.23	-	-	498.23	-
Soc Service SP Trust Fund	2,917.99	0.24	-	-	227.00	2,691.23
Walsh Co EMS 1/4 Sales Tax	24,060.84	233,603.11	-	-	238,154.99	19,508.96
Payroll Deductions	(3.92)	10,449.53	-	-	10,431.51	14.10
Total Cities	130,885.87	2,051,748.47	-	-	1,925,671.80	256,962.54
Total Parks	37,286.47	486,149.72	-	-	456,314.29	67,121.90
Total Schools	806,481.85	7,060,833.88	-	-	6,417,070.48	1,450,245.25
Total Townships	84,688.09	974,575.99	-	-	899,068.28	160,195.80
Total Water Resource Districts	143,993.33	1,052,553.88	-	-	906,018.86	290,528.35
Total Ambulance	307.41	2,271.63	-	-	1,334.64	1,244.40
Total Fire Districts	32,660.95	277,640.94	-	-	251,603.87	58,698.02
<b>Total Agency Funds</b>	<b>\$1,420,318.03</b>	<b>\$13,450,516.42</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$12,317,223.84</b>	<b>\$2,553,610.61</b>
<b>Total Primary Government</b>	<b>\$7,281,438.19</b>	<b>\$23,999,554.09</b>	<b>\$1,033,258.00</b>	<b>\$1,033,258.00</b>	<b>\$22,281,257.94</b>	<b>\$8,999,734.34</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  
Walsh County  
Grafton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit's, each major fund, and the aggregate remaining fund information of Walsh County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Walsh County's basic financial statements, and have issued our report thereon dated August 13, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Walsh 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 Walsh County's internal control. Accordingly, we do not express an opinion on the effectiveness of Walsh 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2017-001].

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Walsh 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*.

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**WALSH 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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**Walsh County's Response to Findings**

Walsh County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Walsh County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 13, 2018



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WALSH COUNTY  
Grafton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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 Report Issued?	
Governmental Activities	Unmodified
Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weaknesses identified?        Yes   X   None Reported

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

Noncompliance material to financial statements noted?        Yes   X   None Reported

**Section II – Financial Statement Findings**

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**2017-001 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS**

**Condition:**

A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

**Effect:**

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.

**Cause:**

Due to the client's size, complexity, organizational structure and the economic realities that the entities face, it is presently not economically feasible to have additional staff for the offices of the entities.

**Criteria:**

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 entities.

**WALSH COUNTY**

Schedule of Findings and Questioned Costs – Continued

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**Recommendation:**

Due to the size, complexity and the economic realities of the component units of Walsh County, 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.

**Views of Responsible Officials / Planned Corrective Actions:**

While we agree with the recommendation, due to the size and nature of the entities, it is not feasible for us to obtain proper segregation of duties.



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  
Walsh County  
Grafton, 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 Walsh County, Grafton, 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 August 13, 2018. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated June 15, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Walsh 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 Walsh 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 Walsh 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.

**WALSH COUNTY**

## Governance Communication - Continued

**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 were corrected by management.

**AUDIT ADJUSTMENTS - COUNTY**

Intergovernmental Rec'v	\$	389,477	
Accounts Receivable		35,462	
Revenues			\$ 424,939
Revenues		1,425,991	
Taxes Received in Advance			1,244,020
Unearned Revenue			181,971
Accounts Payable			5,789
Salaries Payable			3,803
Expenditures		9,592	
Expenditures		415,812	
Other Financing Sources			415,812

**AUDIT ADJUSTMENTS - WRD**

Due From County	\$	1,293	
Revenues			\$ 1,293
Accounts Payable			298,713
Salaries Payable			1,845
Expenditures		300,558	

**AUDIT ADJUSTMENTS - JDA**

Due From County	\$	856	
Revenues			\$ 856

**AUDIT ADJUSTMENTS - HEALTH**

Intergovernmental Rec'v	\$	31,476	
Accounts Receivable		1,257	
Due From County		949	
Revenues			\$ 33,682
Accounts Payable			2,157
Expenditures		2,157	

**WALSH COUNTY**

Governance Communication - Continued

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**Disagreements with Management**

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

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated August 13, 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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**OVERSPENT FUNDS**

A review of client documentation indicated that Walsh County overspent the following funds as noted:

	<b>Over Budget</b>
<b>Nonmajor Special Revenue Funds:</b>	
Walsh County Farm Account	\$ (1,120)
Drug Task	(4,543)
City Task Force	(34,485)
County Agent Trust	(768)
ROC-DOC Preserver	(4,071)
EWC Community Service Program	(250)
Recorders Spec Trust	(2,751)
Juvenile Comm Service	(200)
Sheriff Drug Testing	(22,840)
Misc Sheriff Policing	(1,700)

NDCC section 11-23-06 states "...No county expenditure may be made or liability incurred, nor may a bill be paid for any purpose, in excess of the appropriation, except as provided in section 11-23-07."

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

**WALSH COUNTY**

Governance Communication - Continued

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**LACK OF BUDGET FOR TRANSFERS**

Walsh County did not budget transfers in or transfers out for FY2017. North Dakota Century Code states 11-23-02 "The county auditor shall prepare an annual budget for the general fund, each special revenue fund, and each debt service fund of the county in the form prescribed by the state auditor. The budget must set forth specifically...the transfers in or out for each fund for the preceding year and the estimated transfers in or out for the current year and the ensuing year"

We recommend Walsh County properly prepare budgets for transfers in and transfers out in accordance with North Dakota Century Code.

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

Thank you and the employees of Walsh 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 Walsh County.

/s/  
Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 13, 2018

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