

# **AUDIT REPORT**

WELLS COUNTY  
Fessenden, North Dakota

For the Years Ended December 31, 2017 and 2016

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

Wells County  
Fessenden, North Dakota

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For the Years Ended December 31, 2017 and 2016

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WELLS COUNTY  
Fessenden, North Dakota

COUNTY OFFICIALS

Mary Hager	Commission Chairman
Randi Suckut	Commission Vice Chairman
Stan Buxa	Commissioner
Dennis Dockter	Commissioner
Danny Maxwell	Commissioner
Julie Krosbakken	Auditor
Joyce Larson	Treasurer
Chris Kluth	Sheriff
Carla Johnson	Clerk of Court
Carrie Krause	County Recorder
Kathleen Murray	States Attorney
Julie Krosbakken	Superintendent of Schools

# Rath & Mehrer, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Wells County  
Fessenden, 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 Wells County, Fessenden, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wells County, Fessenden, North Dakota, as of December 31, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, budgeting comparison information on pages 41 through 51 and the schedule of employer's share of net pension liability on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2018 on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the county's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 4, 2018

WELLS COUNTY

Management's Discussion and Analysis

December 31, 2017 and 2016

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

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

**FINANCIAL HIGHLIGHTS**

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

- \* Net position of the county increased \$592,760 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$5,481,758.
- \* Total revenues from all sources were \$6,994,080.
- \* Total expenses were \$6,401,321.
- \* The county's general fund had \$3,208,625 in total revenues and \$2,406,928 in total expenditures. There was a total of \$73,208 paid from other financing uses. Overall, the general fund balance increased by \$728,489 for the year ended December 31, 2017.

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

- \* Net position of the county decreased \$115,606 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$4,888,998.
- \* Total revenues from all sources were \$8,051,737.
- \* Total expenses were \$8,167,342.
- \* The county's general fund had \$2,765,392 in total revenues and \$2,554,083 in total expenditures. There was a total of \$566,416 paid from other financing uses. Overall, the general fund balance decreased by \$355,108 for the year ended December 31, 2016.

## USING THIS ANNUAL REPORT

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

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

## REPORTING ON THE COUNTY AS A WHOLE

### Statement of Net Position and Statement of Activities

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

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

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

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

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

## REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

### Balance Sheet - Governmental Funds

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

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

### FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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

As indicated in the financial highlights above, the county's net position increased by \$592,760 and decreased by \$115,606 for the years ended December 31, 2017 and 2016, respectively. Changes in net position may serve over time as a useful indicator of the county's financial position.

As of December 31, 2017 the county's net position of \$5,481,758 is segregated into three separate categories. Net investment in capital assets totals \$1,380,367 of the county's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position is \$2,846,332 of the county's total net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$1,255,059, which includes (\$1,273,429) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$2,528,488 is available to meet the county's ongoing obligations.

As of December 31, 2016 the county's net position of \$4,888,998 is segregated into three separate categories. Net investment in capital assets totals \$1,514,730 of the county's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position is \$2,789,110 of the county's total net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is 585,158, which includes (\$1,201,896) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$1,787,054 is available to meet the county's ongoing obligations.



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

	2017	2016	2015
<b>Assets</b>			
Current Assets	6,456,374	5,598,147	5,928,027
Capital Assets (net of accumulated depreciation)	2,880,565	1,933,783	1,786,974
<b>Total Assets</b>	<b>9,336,939</b>	<b>7,531,930</b>	<b>7,715,001</b>
Deferred Outflows of Resources	581,669	282,037	211,022
<b>Liabilities</b>			
Current Liabilities	331,524	109,076	106,629
Long-Term Liabilities	1,216,754	359,618	452,481
Net Pension Liability	1,612,598	1,053,878	1,182,150
<b>Total Liabilities</b>	<b>3,160,876</b>	<b>1,522,572</b>	<b>1,741,260</b>
Deferred Inflows of Resources	1,275,974	1,402,397	1,180,159
<b>Net Position</b>			
Net Investment in Capital Assets	1,380,367	1,514,730	1,262,265
Restricted	2,846,332	2,789,110	2,806,273
Unrestricted	1,255,059	585,158	936,065
<b>Total Net Position</b>	<b>5,481,758</b>	<b>4,888,998</b>	<b>5,004,604</b>

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

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

	2017	2016	2015
<b>Revenues</b>			
<b>Program Revenues:</b>			
Charges for Services	285,478	288,404	322,094
Operating Grants and Contributions	1,177,018	3,142,575	3,737,451
<b>General Revenues:</b>			
Property Taxes	3,959,361	3,556,278	3,316,979
Other Taxes	22,056	22,056	22,056
State Aid - Unrestricted	435,377	478,879	667,220
Federal Aid - Unrestricted			21,269
Interest Earnings and Other Revenue	1,114,790	563,545	119,929
Gain on Trade-in of Capital Assets			272,000
<b>Total Revenues</b>	<b>6,994,080</b>	<b>8,051,737</b>	<b>8,478,998</b>
<b>Expenses</b>			
General Government	2,136,752	2,147,616	1,852,479
Public Safety	485,656	492,072	464,045
Highways and Public Improve.	2,230,087	4,164,421	3,983,172
Health and Welfare	899,013	845,921	871,541
Culture and Recreation	85,123	82,913	69,335
Conser. and Economic Dvlpmnt.	285,417	316,607	270,997
Other	260,385	104,869	74,762
Interest on Long-Term Debt	18,888	12,924	4,385
<b>Total Expenses</b>	<b>6,401,321</b>	<b>8,167,342</b>	<b>7,590,714</b>
<b>Net Change in Position</b>	<b>592,760</b>	<b>(115,606)</b>	<b>888,284</b>

Property taxes constituted 57%, unrestricted state aid 6%, operating grants and contributions 17%, and charges for services made up 4% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2017.

General government constituted 33%, public safety 8%, highways and public improvement 35%, and health and welfare 14% of total expenses for governmental activities during the fiscal year ended December 31, 2017.

Property taxes constituted 44%, unrestricted state aid 6%, operating grants and contributions 39%, and charges for services made up 4% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2016.

General government constituted 26%, public safety 6%, highways and public improvement 51%, and health and welfare 10% of total expenses for governmental activities during the fiscal year ended December 31, 2016.

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

Table III

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

	Total Cost Year Ended December 31, 2017	Total Cost Year Ended December 31, 2017
General Government	2,136,752	2,011,013
Public Safety	485,656	387,524
Highways and Public Improvement	2,230,087	1,554,352
Health and Welfare	899,013	409,695
Culture and Recreation	85,123	85,123
Conservation and Economic Dvlpmnt.	285,417	220,881
Other	260,385	251,349
Interest on Long-Term Debt	18,888	18,888
Total Expenses	6,401,321	4,938,824

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

	Total Cost Year Ended December 31, 2016	Total Cost Year Ended December 31, 2016
General Government	2,147,616	2,035,800
Public Safety	492,072	320,327
Highways and Public Improvement	4,164,421	1,556,326
Health and Welfare	845,921	358,284
Culture and Recreation	82,913	82,913
Conservation and Economic Dvlpmnt.	316,607	272,936
Other	104,869	96,855
Interest on Long-Term Debt	12,924	12,924
Total Expenses	8,167,342	4,736,364

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the county's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the county's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The county's governmental funds had total revenue of \$6,974,814 and expenditures of \$7,508,515 for the year ended December 31, 2017. As of December 31, 2017, the unassigned fund balance of the county's general fund was \$2,501,264. The county's governmental funds had total revenue of \$8,042,118 and expenditures of \$8,404,560 for the year ended December 31, 2016. As of December 31, 2016, the unassigned fund balance of the county's general fund was \$1,772,775.

**GENERAL FUND BUDGET HIGHLIGHTS**

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

Actual revenue for the year ended December 31, 2017 was \$245,265 less than budgeted. Actual expenditures for the year ended December 31, 2017 were under budget by \$608,688. This budget variance was mainly due to excess appropriations for general government purposes.

Actual revenue for the year ended December 31, 2016 was \$13,327 less than budgeted. Actual expenditures for the year ended December 31, 2016 were under budget by \$248,466.

**CAPITAL ASSETS**

As of December 31, 2017 and 2016, the county had \$2,880,565 and \$1,933,783, respectively, invested in capital assets. Table IV shows the balances as of December 31, 2017, 2016 and 2015.

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

	2017	2016	2015
Land	32,940	32,940	940
Buildings	668,167	693,582	718,997
Machinery and Vehicles	2,179,458	1,207,261	1,067,037
Total (net of depreciation)	2,880,565	1,933,783	1,786,974
	=====	=====	=====

As of December 31, 2017, this total represents an increase of \$946,782 in capital assets from January 1, 2017. As of December 31, 2016, this total represents an increase of \$146,809 in capital assets from January 1, 2016. The increase in machinery and vehicles for each year was mainly due to the result of the county purchasing motor graders.

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 4 to the audited financial statements which follow this analysis.

## **DEBT ADMINISTRATION**

As of December 31, 2017, the county had \$1,547,503 in outstanding debt of which \$330,749 was due within one year. As of December 31, 2016, the county had \$467,915 in outstanding debt of which \$108,297 was due within one year. During fiscal year 2017, the county issued three new long-term debt obligations:

Capital Lease Payable in the amount of \$365,800. The county obtained financing to purchase two Caterpillar 160M3 motor graders. This lease will have a final payment on December 20, 2021.

Capital Lease Payable in the amount of \$664,540. The county obtained financing to purchase two Caterpillar 160M3 motor graders. This lease will have a final payment on February 9, 2023.

Capital Lease Payable in the amount of \$315,250. The county obtained financing to purchase a Caterpillar 160M3 motor grader. This lease will have a final payment on March 1, 2024.

For a detailed breakdown of the long-term debt, readers are referred to Note 8 to the audited financial statements which follow this analysis.

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

This financial report is designed to provide our taxpayers and creditors with a general overview of the county's finances and to show the county's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact the County Auditor, Wells County, Fessenden, ND 58438.

WELLS COUNTY  
Fessenden, North Dakota

Statement of Net Position  
December 31, 2017

	Primary Government	Component Units	
	Governmental Activities	Wells County Water Resource District	Wells County Health District
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	6,383,468.20	319,376.14	294,415.54
Taxes Receivable	72,905.94	2,346.97	3,217.76
Capital Assets (net of accumulated depreciation):			
Land	32,940.00		
Buildings	668,167.00		
Machinery and Vehicles	2,179,458.00		
Total Capital Assets	2,880,565.00		
Total Assets	9,336,939.14	321,723.11	297,633.30
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Changes in Resources Related to Pensions	581,669.00		
<b>LIABILITIES:</b>			
Interest Payable	775.43		
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	330,748.92		
Due After One Year:			
Capital Leases Payable	1,169,449.34		
Compensated Absences Payable	47,304.40		14,262.92
Net Pension Liability	1,612,598.00		
Total Liabilities	3,160,876.09		14,262.92
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable Revenue	1,033,474.05		
Changes in Resources Related to Pensions	242,500.00		
Total Deferred Inflows of Resources	1,275,974.05		
<b>NET POSITION:</b>			
Net Investment in Capital Assets	1,380,366.74		
Restricted for:			
Special Purposes	2,846,331.89		
Unrestricted	1,255,059.37	321,723.11	283,370.38
Total Net Position	5,481,758.00	321,723.11	283,370.38

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

WELLS COUNTY  
Fessenden, North Dakota

Statement of Net Position  
December 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Wells County Water Resource District	Wells County Health District
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	5,544,507.20	312,599.64	375,770.04
Taxes Receivable	53,639.32	1,826.61	2,022.34
Capital Assets (net of accumulated depreciation):			
Land	32,940.00		
Buildings	693,582.00		
Machinery and Vehicles	1,207,261.00		
Total Capital Assets	1,933,783.00		
Total Assets	7,531,929.52	314,426.25	377,792.38
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Changes in Resources Related to Pensions	282,037.00		
<b>LIABILITIES:</b>			
Interest Payable	778.94		
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	108,296.88		
Due After One Year:			
Capital Leases Payable	310,756.47		
Compensated Absences Payable	48,861.26		10,701.80
Net Pension Liability	1,053,878.00		
Total Liabilities	1,522,571.55		10,701.80
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable Revenue	972,341.58		
Changes in Resources Related to Pensions	430,055.00		
Total Deferred Inflows of Resources	1,402,396.58		
<b>NET POSITION:</b>			
Net Investment in Capital Assets	1,514,729.65		
Restricted for:			
Special Purposes	2,789,110.30		
Unrestricted	585,158.44	314,426.25	367,090.58
Total Net Position	4,888,998.39	314,426.25	367,090.58

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

WELLS COUNTY  
Fessenden, North Dakota

Statement of Activities  
For the Year Ended December 31, 2017

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Gov't	Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Wells County Water Resource District	Wells County Health District
<b>Functions/Programs</b>						
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General Government	2,136,752.03	111,873.96	13,865.22	(2,011,012.85)		
Public Safety	485,655.72	89,183.75	8,948.44	(387,523.53)		
Highways and Public Improve.	2,230,086.65	75,384.84	600,349.70	(1,554,352.11)		
Health and Welfare	899,013.40		489,318.29	(409,695.11)		
Culture and Recreation	85,122.78			(85,122.78)		
Conser. and Economic Dvlpmnt.	285,417.24		64,536.45	(220,880.79)		
Other	260,384.61	9,035.50		(251,349.11)		
Interest on Long-Term Debt	18,888.17			(18,888.17)		
<b>Total Governmental Activities</b>	<b>6,401,320.60</b>	<b>285,478.05</b>	<b>1,177,018.10</b>	<b>(4,938,824.45)</b>		
<b>Component Units:</b>						
Water Resource District	209,177.69		35,000.00		(174,177.69)	
Health District	543,820.32	60,116.51	206,969.42			(276,734.39)
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes; levied for general purposes			2,295,548.66	180,314.35		186,618.77
Property taxes; levied for special purposes			1,663,812.32			
Telecommunications taxes			22,055.99			
<b>State aid not restricted to specific program:</b>						
State aid distribution			435,377.44			
Earnings on investments and other revenue			1,114,789.65	1,160.20		6,395.42
<b>Total General Revenues</b>			<b>5,531,584.06</b>	<b>181,474.55</b>		<b>193,014.19</b>
<b>Change in Net Position</b>			<b>592,759.61</b>	<b>7,296.86</b>		<b>(83,720.20)</b>
<b>Net Position - January 1</b>			<b>4,888,998.39</b>	<b>314,426.25</b>		<b>367,090.58</b>
<b>Net Position - December 31</b>			<b>5,481,758.00</b>	<b>321,723.11</b>		<b>283,370.38</b>

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

WELLS COUNTY  
Fessenden, North Dakota

Statement of Activities  
For the Year Ended December 31, 2016

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Gov't	Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Wells County Water Resource District	Wells County Health District
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	2,147,615.92	103,278.00	8,538.25	(2,035,799.67)		
Public Safety	492,071.97	88,456.27	83,289.01	(320,326.69)		
Highways and Public Improve.	4,164,420.58	69,157.54	2,538,937.54	(1,556,325.50)		
Health and Welfare	845,920.99		487,636.68	(358,284.31)		
Culture and Recreation	82,913.08			(82,913.08)		
Conser. and Economic Dvlpmnt.	316,606.95	19,497.50	24,173.25	(272,936.20)		
Other	104,869.19	8,014.50		(96,854.69)		
Interest on Long-Term Debt	12,923.61			(12,923.61)		
<b>Total Governmental Activities</b>	<b>8,167,342.29</b>	<b>288,403.81</b>	<b>3,142,574.73</b>	<b>(4,736,363.75)</b>		
<hr style="border-top: 1px dashed black;"/>						
<u>Component Units:</u>						
Water Resource District	141,734.68		31,440.84	(110,293.84)	(110,293.84)	
Health District	420,952.72	57,762.41	189,162.31	(174,028.00)		(174,028.00)
<hr style="border-top: 1px dashed black;"/>						
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes			1,779,227.64	201,914.92	133,412.96	
Property taxes; levied for special purposes			1,777,049.82			
Telecommunications taxes			22,055.99			
<u>State aid not restricted to specific program:</u>						
State aid distribution			478,879.45			
Earnings on investments and other revenue			563,545.20	763.24	28,016.11	
<b>Total General Revenues</b>			<b>4,620,758.10</b>	<b>202,678.16</b>	<b>161,429.07</b>	
<b>Change in Net Position</b>			<b>(115,605.65)</b>	<b>92,384.32</b>	<b>(12,598.93)</b>	
<b>Net Position - January 1</b>			<b>5,004,604.04</b>	<b>222,041.93</b>	<b>379,689.51</b>	
<b>Net Position - December 31</b>			<b>4,888,998.39</b>	<b>314,426.25</b>	<b>367,090.58</b>	

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



WELLS COUNTY  
Fessenden, North Dakota

Balance Sheet  
Governmental Funds  
December 31, 2017

Major Funds

	General	Road	Social Welfare	Highway Tax	Federal Aid Road	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash, Cash Equivalents and Investments	3,247,994.65	135,650.27	1,454,031.29	213,493.96	50,348.97	1,281,949.06	6,383,468.20
Taxes Receivable	40,553.26	7,327.21	14,429.33		2,930.87	7,665.27	72,905.94
<b>Total Assets</b>	<b>3,288,547.91</b>	<b>142,977.48</b>	<b>1,468,460.62</b>	<b>213,493.96</b>	<b>53,279.84</b>	<b>1,289,614.33</b>	<b>6,456,374.14</b>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Deferred Inflows of Resources:							
Unavailable Revenue	787,283.52	131,781.87	14,429.33		52,713.20	120,172.07	1,106,379.99
<b>Fund Balances:</b>							
Restricted for:							
General Government						11,644.13	11,644.13
Public Safety						306,031.96	306,031.96
Highways and Public Improvements		11,195.61		213,493.96	566.64	388,191.35	225,256.21
FEMA Disaster			1,454,031.29				1,454,031.29
Health and Welfare						19.16	19.16
Culture and Recreation						53,900.55	53,900.55
Conservation and Economic Development						409,463.56	409,463.56
Emergency Services						191.55	191.55
Other Purposes							
Unassigned	2,501,264.39						2,501,264.39
<b>Total Fund Balances</b>	<b>2,501,264.39</b>	<b>11,195.61</b>	<b>1,454,031.29</b>	<b>213,493.96</b>	<b>566.64</b>	<b>1,169,442.26</b>	<b>5,349,994.15</b>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>3,288,547.91</b>	<b>142,977.48</b>	<b>1,468,460.62</b>	<b>213,493.96</b>	<b>53,279.84</b>	<b>1,289,614.33</b>	<b>6,456,374.14</b>

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

WELLS COUNTY  
Fessenden, North Dakota

Balance Sheet  
Governmental Funds  
December 31, 2016

Major Funds

	General	Road	Social Welfare	Highway Tax	Federal Aid Road	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>							
Cash, Cash Equivalents and Investments	2,341,174.97	131,285.29	1,279,043.36	258,084.08	81,983.19	1,452,936.31	5,544,507.20
Taxes Receivable	26,926.65	5,638.29	11,922.74		2,261.08	6,890.56	53,639.32
<b>Total Assets</b>	<b>2,368,101.62</b>	<b>136,923.58</b>	<b>1,290,966.10</b>	<b>258,084.08</b>	<b>84,244.27</b>	<b>1,459,826.87</b>	<b>5,598,146.52</b>
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
Deferred Inflows of Resources:							
Unavailable Revenue	595,326.33	100,371.39	196,747.38		40,153.89	93,381.91	1,025,980.90
<u>Fund Balances:</u>							
Restricted for:							
General Government						7,286.50	7,286.50
Public Safety						360,352.29	360,352.29
Highways and Public Improvements		36,552.19		258,084.08	44,090.38	388,191.35	338,726.65
FEMA Disaster							388,191.35
Health and Welfare			1,094,218.72			41.20	1,094,218.72
Culture and Recreation						44,313.97	44,313.97
Conservation and Economic Development						565,978.57	565,978.57
Emergency Services						281.08	281.08
Other Purposes							
Unassigned	1,772,775.29						1,772,775.29
<b>Total Fund Balances</b>	<b>1,772,775.29</b>	<b>36,552.19</b>	<b>1,094,218.72</b>	<b>258,084.08</b>	<b>44,090.38</b>	<b>1,366,444.96</b>	<b>4,572,165.62</b>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>2,368,101.62</b>	<b>136,923.58</b>	<b>1,290,966.10</b>	<b>258,084.08</b>	<b>84,244.27</b>	<b>1,459,826.87</b>	<b>5,598,146.52</b>

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

WELLS COUNTY  
Fessenden, North Dakota

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

Total Fund Balances for Governmental Funds		5,349,994.15
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	4,761,498.00	
Less Accumulated Depreciation	(1,880,933.00)	
Net Capital Assets		2,880,565.00
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.</p>		
		72,905.94
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources	581,669.00	
Total Deferred Inflows of Resources	(242,500.00)	
Net Deferred Outflows/Inflows of Resources		339,169.00
<p>Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2017 are:</p>		
Capital Leases Payable	(1,500,198.26)	
Interest Payable	(775.43)	
Compensated Absences Payable	(47,304.40)	
Net Pension Liability	(1,612,598.00)	
Total Long-Term Liabilities		(3,160,876.09)
Total Net Position of Governmental Activities		5,481,758.00

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

WELLS COUNTY  
Fessenden, North Dakota

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

Total Fund Balances for Governmental Funds		4,572,165.62
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	3,453,768.00	
Less Accumulated Depreciation	(1,519,985.00)	
Net Capital Assets		1,933,783.00
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.</p>		
		53,639.32
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources	282,037.00	
Total Deferred Inflows of Resources	(430,055.00)	
Net Deferred Outflows/Inflows of Resources		(148,018.00)
<p>Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:</p>		
Capital Leases Payable	(419,053.35)	
Interest Payable	(778.94)	
Compensated Absences Payable	(48,861.26)	
Net Pension Liability	(1,053,878.00)	
Total Long-Term Liabilities		(1,522,571.55)
Total Net Position of Governmental Activities		4,888,998.39 =====

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

WELLS COUNTY  
Fessenden, North Dakota

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

	Major Funds					Total Governmental Funds
	General	Road	Social Welfare	Highway Tax	Federal Aid Road	
<b>Revenues:</b>						
Taxes	2,303,978.04	380,645.19	743,582.14		152,263.32	3,962,150.35
Licenses, Permits and Fees	4,550.00					89,183.75
Intergovernmental	321,947.46	136,243.64	489,318.29	600,349.70		1,612,395.54
Charges for Services	107,323.96	75,384.84			9,035.50	191,744.30
Miscellaneous	470,825.25	627,464.81	16,015.66		483.93	1,114,789.65
<b>Total Revenues</b>	<b>3,208,624.71</b>	<b>1,219,738.48</b>	<b>1,248,916.09</b>	<b>600,349.70</b>	<b>152,263.32</b>	<b>6,974,813.59</b>
<b>Expenditures:</b>						
Current:						
General Government	2,058,340.32					2,058,340.32
Public Safety	272,996.88				192,725.79	465,722.67
Highways and Public Improve.		713,818.29		644,939.82	266,787.06	1,625,545.17
Health and Welfare	2,628.00		889,103.52			891,731.52
Culture and Recreation	72,962.59				5,760.19	78,722.78
Conser. and Economic Dvlpmnt.					285,261.22	285,261.22
Other		1,593,530.00			260,384.61	260,384.61
Capital Outlay						1,593,530.00
Debt Service:						
Principal		230,385.09				230,385.09
Interest		18,891.68				18,891.68
<b>Total Expenditures</b>	<b>2,406,927.79</b>	<b>2,556,625.06</b>	<b>889,103.52</b>	<b>644,939.82</b>	<b>266,787.06</b>	<b>7,508,515.06</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>801,696.92</b>	<b>(1,336,886.58)</b>	<b>359,812.57</b>	<b>(44,590.12)</b>	<b>(114,523.74)</b>	<b>(533,701.47)</b>

<u>Other Financing Sources (Uses):</u>					
Transfers In				71,000.00	73,207.82
Transfers Out	(73,207.82)				(73,207.82)
Proceeds from Capital Lease		1,311,530.00			1,311,530.00
<hr/>					
Total Other Financing Sources (Uses)	(73,207.82)	1,311,530.00		71,000.00	2,207.82
<hr/>					
Net Change in Fund Balances	728,489.10	(25,356.58)	359,812.57	(44,590.12)	(43,523.74)
					(197,002.70)
<hr/>					
Fund Balance - January 1	1,772,775.29	36,552.19	1,094,218.72	258,084.08	44,090.38
					1,366,444.96
<hr/>					
Fund Balance - December 31	2,501,264.39	11,195.61	1,454,031.29	213,493.96	566.64
					1,169,442.26
					5,349,994.15
					=====

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

WELLS COUNTY  
Fessenden, North Dakota

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

	Major Funds					Total Governmental Funds
	General	Road	Social Welfare	Highway Tax	Federal Aid Road	
<b>Revenues:</b>						
Taxes	1,795,362.83	372,889.55	747,353.74		149,170.08	3,568,714.77
Licenses, Permits and Fees	6,380.00					114,333.77
Intergovernmental	420,849.89	149,856.82	487,636.68	582,285.25	1,922,314.86	3,621,454.18
Charges for Services	96,898.00	69,157.54				174,070.04
Miscellaneous	445,900.97	696.05	18,336.01		96,463.61	563,545.20
<b>Total Revenues</b>	<b>2,765,391.69</b>	<b>592,599.96</b>	<b>1,253,326.43</b>	<b>582,285.25</b>	<b>2,167,948.55</b>	<b>8,042,117.96</b>
<b>Expenditures:</b>						
Current:						
General Government	2,142,355.29					2,142,355.29
Public Safety	274,826.24					449,568.62
Highways and Public Improve.		205,908.46		750,339.21	2,808,061.85	3,999,359.12
Health and Welfare	2,624.00		816,667.75			819,291.75
Culture and Recreation	69,030.33					76,513.08
Conser. and Economic Dvlpmnt.						316,582.49
Other	65,247.00	312,000.00				104,869.19
Capital Outlay						377,247.00
Debt Service:						
Principal		105,655.50				105,655.50
Interest		13,117.71				13,117.71
<b>Total Expenditures</b>	<b>2,554,082.86</b>	<b>636,681.67</b>	<b>816,667.75</b>	<b>750,339.21</b>	<b>2,808,061.85</b>	<b>8,404,559.75</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>211,308.83</b>	<b>(44,081.71)</b>	<b>436,658.68</b>	<b>(148,053.96)</b>	<b>(640,113.30)</b>	<b>(362,441.79)</b>

<u>Other Financing Sources (Uses):</u>					
Transfers In	9,583.60			576,000.00	585,583.60
Transfers Out	(576,000.00)			(9,583.60)	(585,583.60)
<hr/>					
Total Other Financing Sources (Uses)	(566,416.40)			576,000.00	(9,583.60)
<hr/>					
Net Change in Fund Balances	(355,107.57)	(44,081.71)	436,658.68	(148,053.96)	(187,743.93)
				(64,113.30)	(362,441.79)
<hr/>					
Fund Balance - January 1	2,127,882.86	80,633.90	657,560.04	406,138.04	1,554,188.89
				108,203.68	4,934,607.41
<hr/>					
Fund Balance - December 31	1,772,775.29	36,552.19	1,094,218.72	258,084.08	1,366,444.96
				44,090.38	4,572,165.62
<hr/>					

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



WELLS COUNTY  
Fessenden, 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 777,828.53

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

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

Current Year Capital Outlay	1,593,530.00	
Current Year Depreciation Expense	(646,748.00)	946,782.00

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

Debt Proceeds	(1,311,530.00)	
Repayment of Debt	230,385.09	(1,081,144.91)

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

Net Decrease in Interest Payable	3.51	
Net Decrease in Compensated Absences	1,556.86	
Net Increase to Pension Expense	(71,533.00)	(69,972.63)

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

Net Increase in Taxes Receivable		19,266.62

Change in Net Position of Governmental Activities		592,759.61

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

WELLS COUNTY  
Fessenden, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds (362,441.79)

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

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

Current Year Capital Outlay	377,247.00	
Current Year Depreciation Expense	(230,438.00)	146,809.00

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

Debt Proceeds	0.00	
Repayment of Debt	105,655.50	105,655.50

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

Net Decrease in Interest Payable	194.10	
Net Increase in Compensated Absences	(15,433.14)	
Net Increase to Pension Expense	(8.00)	(15,247.04)

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

Net Increase in Taxes Receivable		9,618.68

Change in Net Position of Governmental Activities		(115,605.65)

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

WELLS COUNTY  
Fessenden, North Dakota

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

	Agency Funds
<u>Assets:</u>	
Cash, Cash Equivalents and Investments	1,714,940.09 =====
<u>Liabilities:</u>	
Due to Other Governments	1,714,940.09 =====

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

WELLS COUNTY  
Fessenden, North Dakota

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

	Agency Funds
<u>Assets:</u>	
Cash, Cash Equivalents and Investments	1,318,507.75 =====
<u>Liabilities:</u>	
Due to Other Governments	1,318,507.75 =====

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

WELLS COUNTY  
Fessenden, North Dakota

Notes to the Financial Statements  
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

Wells County Health District: The Wells County Health District's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the health district budget. The health district has the authority to issue its own debt.

The financial statements of each of the two discretely presented component units are presented in the basic financial statements. Additional information may be obtained from the Wells County Auditor, Fessenden, ND 58438.

## B. Basis of Presentation

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government, Wells 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 nonexchange transactions.

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

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

The county reports the following major governmental funds:

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

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

*Social Welfare.* This is the county's primary health and welfare fund. It accounts for a special levy and all financial resources related to health and welfare, except those required to be accounted for in another fund.

*Highway Tax.* This fund accounts for the highway tax distribution from the State of North Dakota to be used for the maintenance and repair of roads within the county.

*Farm to Market Road.* This fund accounts for a special levy and state grants received for the purpose of maintenance and repair of federal aid farm to market roads within the county.

The county reports the following fund type:

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

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

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings	25 to 150 years
Vehicles	3 to 10 years
Equipment	4 to 20 years

#### F. Compensated Absences

Regular non-social service employees earn vacation benefits of 7 to 20 days per year, depending on length of service with the county. Employees are eligible for vacation benefits after the first year of employment and may carry over up to 80 hours of vacation time each year. Upon non-disciplinary termination of employment, regular non-social service employees will be paid for unused vacation benefits. Full time social service employees are granted sick leave and vacation benefits from 8 to 16 hours per month, depending on tenure with the county. Upon termination of employment, social service employees will be paid for vacation benefits that have accrued to a maximum of 240 hours and 10% of accumulated sick leave. Full time health district employees are granted vacation and sick leave benefits of 8 hours per month and part time health district employees are granted vacation benefits of 4 hours per month. Vacation is allowed to accumulate with no maximum. Upon termination of employment, health district employees will be paid for vacation benefits that have accrued. Sick leave is paid out at 10% upon termination. Vested or accumulated leave is reported in the government wide statements.

#### G. Long-Term Obligations

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

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

#### H. Pension

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



## I. Fund Equity

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

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

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

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

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

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

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

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

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

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

#### J. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

#### K. Use of Estimates

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

#### Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2017 the county's carrying amount of deposits was \$8,090,253 and the bank balance was \$8,145,983. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance. The remaining balance of \$7,145,983 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2016 the county's carrying amount of deposits was \$6,856,414 and the bank balance was \$7,239,951. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance. The remaining balance of \$6,239,951 was collateralized with securities held by the pledging financial institution's agent in the government's name.

### Credit Risk

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

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

At December 31, 2017 the county held certificates of deposit in the amount of \$2,538,828, which are all considered deposits.

At December 31, 2016 the county held certificates of deposit in the amount of \$2,533,804, which are all considered deposits.

### Concentration of Credit Risk

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

### Note 3 TAXES RECEIVABLE

Taxes receivable represent the past two years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

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

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

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

Note 4 CAPITAL ASSETS

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

	<u>2017</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	32,940			32,940
Capital assets being depreciated:				
Buildings	1,073,126			1,073,126
Machinery & Vehicles	2,347,702	1,593,530	285,800	3,655,432
Total	<u>3,420,828</u>	<u>1,593,530</u>	<u>285,000</u>	<u>4,728,558</u>
Less accumulated depreciation for:				
Buildings	379,544	25,415		404,959
Machinery & Vehicles	1,140,441	621,333	285,800	1,475,974
Total	<u>1,519,985</u>	<u>646,748</u>	<u>285,800</u>	<u>1,880,933</u>
Total capital assets being depreciated, net	<u>1,900,843</u>	<u>946,782</u>		<u>2,847,625</u>
Governmental Activities Capital Assets, Net	<u>1,933,783</u>	<u>946,782</u>	<u>-0-</u>	<u>2,880,565</u>

	<u>2016</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	940	32,000		32,940
Capital assets being depreciated:				
Buildings	1,073,126			1,073,126
Machinery & Vehicles	2,310,696	345,247	308,241	2,347,702
Total	<u>3,383,822</u>	<u>345,247</u>	<u>308,241</u>	<u>3,420,828</u>
Less accumulated depreciation for:				
Buildings	354,129	25,415		379,544
Machinery & Vehicles	1,243,659	205,023	308,241	1,140,441
Total	<u>1,597,788</u>	<u>230,438</u>	<u>308,241</u>	<u>1,519,985</u>
Total capital assets being depreciated, net	<u>1,786,034</u>	<u>114,809</u>		<u>1,900,843</u>
Governmental Activities Capital Assets, Net	<u>1,786,974</u>	<u>146,809</u>	<u>-0-</u>	<u>1,933,783</u>

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

	<u>2017</u>	<u>2016</u>
General Government	6,256	6,256
Public Safety	20,030	40,888
Highways and Public Improve.	604,510	164,687
Health and Welfare	9,552	12,207
Culture and Recreation	6,400	6,400
Total Depreciation Expense	<u>646,748</u>	<u>230,438</u>
	=====	=====

Note 5 INTEREST PAYABLE

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

Note 6 UNAVAILABLE REVENUE

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

Unavailable revenue on the government-wide financial statements consists of prepaid property taxes.

Note 7 LEASES PAYABLE

Operating Leases - Wells County is committed under leases for road equipment. These leases are considered, for accounting purposes, to be operating leases. Lease expenditures were \$64,927.45 for the years ended December 31, 2017 and 2016, respectively.

Capital Leases - Wells County has entered into lease agreements for the purchase of road equipment for the road department.

The county has entered into the following lease agreements:

Lease-purchase of a Caterpillar 160M3 motor grader due in annual installments of \$30,651.15 through December 15, 2019; payments include interest at 2.5%.	59,077.78
Lease-purchase of two Caterpillar 160M3 motor graders due in annual installments of \$88,122.06 through December 1, 2020; payments include interest at 2.5%.	251,678.69
Lease-purchase of two Caterpillar 160M3 motor graders due in annual installments of \$65,251.78 through December 20, 2021; payments include interest at 2.8%.	243,711.79
Lease-purchase of two Caterpillar 160M3 motor graders due in annual installments of \$112,465.67 through February 9, 2023; payments include interest at 2.8%.	630,480.00
Lease-purchase of a Caterpillar 160M3 motor grader due in annual installments of \$48,851.09 through March 1, 2024; payments include interest at 2.8%.	315,250.00

Total Capital Leases

1,500,198.26

=====

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

Year Ending <u>December 31</u>	<u>Payments</u>
2018	345,341.75
2019	345,341.75
2020	314,690.60
2021	226,568.54
2022	161,316.76
2023-2024	210,167.85
Total minimum lease payments	1,603,427.25
Less: amount representing interest	(103,228.99)
Present value of future minimum lease payments	1,500,198.26
	=====

Note 8 LONG-TERM DEBT

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

	<u>2017</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Leases	419,053	1,311,530	230,385	1,500,198	330,749
Compensated Absences *	48,861		1,557	47,304	
Total	467,914	1,311,530	231,942	1,547,502	330,749
	=====	=====	=====	=====	=====
	<u>2016</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Leases	524,709		105,656	419,053	108,297
Compensated Absences *	33,428	15,433		48,861	
Total	558,137	15,433	105,656	467,914	108,297
	=====	=====	=====	=====	=====

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

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

	<u>2017</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Compensated Absences *	10,702	3,561	-0-	14,263	-0-
	=====	=====	=====	=====	=====
	<u>2016</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Compensated Absences *	13,379	-0-	2,677	10,702	-0-
	=====	=====	=====	=====	=====

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Note 9 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2017</u>		
Federal Aid Road General	71,000.00	71,000.00
Preservation General	2,207.82	2,207.82
To subsidize expenditures.		
<u>December 31, 2016</u>		
Federal Aid Road General	576,000.00	576,000.00
To subsidize expenditures.		
General Loan	9,583.60	9,583.60
To close fund.		

Note 10 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the Wells County Senior Citizens, Historical Society and Job Development. However, the county's accountability for these entities does not extend beyond levying the tax. In 2017 and 2016, the county remitted \$92,005.55 and \$86,519.90 to the Senior Citizens, \$5,760.19 and \$7,482.75 to the Historical Society and \$64,854.11 and \$63,415.72 to the Job Development, respectively.

Note 11 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The county pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$3,786,724 for public assets.

The county also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The county pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the county with a blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The county has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

Note 12 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS benefits program is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by active membership of the NDPERS system; and one member elected by the retired public employees.



### **Pension Benefits**

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

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

### **Death and Disability Benefits**

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

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

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

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

**Member and Employer Contributions**

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

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

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

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

At December 31, 2017, Wells County reported a liability of \$1,612,598 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016 the county's proportion was .165463 percent, which was an increase of .010477 from its proportion measured as of June 30, 2015.

For the year ended December 31, 2017 the county recognized pension expense of \$189,995. At December 31, 2017 the county reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources -----	Deferred Inflows of Resources -----
Differences between expected and actual experience	24,225	14,931
Changes in assumptions	148,661	80,114
Net difference between projected and actual earnings on pension plan investments	224,981	
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,220	147,455
County contributions subsequent to the measurement date (see below)	120,582	
<b>Total</b>	<u>581,669</u> =====	<u>242,500</u> =====

\$120,582 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

Year ended June 30:	
-----	
2018	30,534
2019	30,534
2020	79,613
2021	43,161
2022	34,745
Thereafter	0

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

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

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Morality Table with ages set back one year for males (not set back for females) multiplied by 125%.

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

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

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

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

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

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

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
	-----	-----	-----
The county's proportionate share of the net pension liability	2,287,439	1,612,598	1,044,009

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

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	2,521,552.05	2,521,552.05	2,303,978.04	(217,574.01)
Licenses, Permits and Fees			4,550.00	4,550.00
Intergovernmental	487,000.00	487,000.00	321,947.46	(165,052.54)
Charges for Services			107,323.96	107,323.96
Miscellaneous	445,338.00	445,338.00	470,825.25	25,487.25
<b>Total Revenues</b>	<b>3,453,890.05</b>	<b>3,453,890.05</b>	<b>3,208,624.71</b>	<b>(245,265.34)</b>
<u>Expenditures:</u>				
Current:				
General Government	2,457,295.00	2,457,295.00	2,058,340.32	398,954.68
Public Safety	405,193.00	405,193.00	272,996.88	132,196.12
Health and Welfare	2,628.00	2,628.00	2,628.00	
Culture and Recreation	150,500.00	150,500.00	72,962.59	77,537.41
<b>Total Expenditures</b>	<b>3,015,616.00</b>	<b>3,015,616.00</b>	<b>2,406,927.79</b>	<b>608,688.21</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>438,274.05</b>	<b>438,274.05</b>	<b>801,696.92</b>	<b>363,422.87</b>
<u>Other Financing (Uses):</u>				
Transfers Out			(73,207.82)	(73,207.82)
<b>Net Change in Fund Balances</b>	<b>438,274.05</b>	<b>438,274.05</b>	<b>728,489.10</b>	<b>290,215.05</b>
<b>Fund Balance - January 1</b>	<b>1,772,775.29</b>	<b>1,772,775.29</b>	<b>1,772,775.29</b>	
<b>Fund Balance - December 31</b>	<b>2,211,049.34</b>	<b>2,211,049.34</b>	<b>2,501,264.39</b>	<b>290,215.05</b>

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	1,846,380.55	1,846,380.55	1,795,362.83	(51,017.72)
Licenses, Permits and Fees			6,380.00	6,380.00
Intergovernmental	487,000.00	487,000.00	420,849.89	(66,150.11)
Charges for Services			96,898.00	96,898.00
Miscellaneous	445,338.00	445,338.00	445,900.97	562.97
<b>Total Revenues</b>	<b>2,778,718.55</b>	<b>2,778,718.55</b>	<b>2,765,391.69</b>	<b>(13,326.86)</b>
<u>Expenditures:</u>				
Current:				
General Government	2,605,197.00	2,605,197.00	2,142,355.29	462,841.71
Public Safety	109,724.00	109,724.00	274,826.24	(165,102.24)
Health and Welfare	2,628.00	2,628.00	2,624.00	4.00
Culture and Recreation	85,000.00	85,000.00	69,030.33	15,969.67
Capital Outlay			65,247.00	(65,247.00)
<b>Total Expenditures</b>	<b>2,802,549.00</b>	<b>2,802,549.00</b>	<b>2,554,082.86</b>	<b>248,466.14</b>
Excess (Deficiency) of Revenues Over Expenditures	(23,830.45)	(23,830.45)	211,308.83	235,139.28
<u>Other Financing Sources (Uses):</u>				
Transfers In			9,583.60	9,583.60
Transfers Out			(576,000.00)	(576,000.00)
<b>Total Other Financing Sources (Uses)</b>			<b>(566,416.40)</b>	<b>(566,416.40)</b>
<b>Net Change in Fund Balances</b>	<b>(23,830.45)</b>	<b>(23,830.45)</b>	<b>(355,107.57)</b>	<b>(331,277.12)</b>
Fund Balance - January 1	2,127,882.86	2,127,882.86	2,127,882.86	
<b>Fund Balance - December 31</b>	<b>2,104,052.41</b>	<b>2,104,052.41</b>	<b>1,772,775.29</b>	<b>(331,277.12)</b>

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	450,853.75	450,853.75	380,645.19	(70,208.56)
Intergovernmental			136,243.64	136,243.64
Charges for Services			75,384.84	75,384.84
Miscellaneous	462,975.00	462,975.00	627,464.81	164,489.81
<b>Total Revenues</b>	<b>913,828.75</b>	<b>913,828.75</b>	<b>1,219,738.48</b>	<b>305,909.73</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	1,275,505.00	1,275,505.00	713,818.29	561,686.71
Capital Outlay			1,593,530.00	(1,593,530.00)
Debt Service:				
Principal			230,385.09	(230,385.09)
Interest			18,891.68	(18,891.68)
<b>Total Expenditures</b>	<b>1,275,505.00</b>	<b>1,275,505.00</b>	<b>2,556,625.06</b>	<b>(1,281,120.06)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(361,676.25)</b>	<b>(361,676.25)</b>	<b>(1,336,886.58)</b>	<b>(975,210.33)</b>
<u>Other Financing Sources:</u>				
Proceeds from Capital Lease			1,311,530.00	1,311,530.00
<b>Net Change in Fund Balances</b>	<b>(361,676.25)</b>	<b>(361,676.25)</b>	<b>(25,356.58)</b>	<b>336,319.67</b>
<b>Fund Balance - January 1</b>	<b>36,552.19</b>	<b>36,552.19</b>	<b>36,552.19</b>	
<b>Fund Balance - December 31</b>	<b>(325,124.06)</b>	<b>(325,124.06)</b>	<b>11,195.61</b>	<b>336,319.67</b>

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	491,753.25	491,753.25	372,889.55	(118,863.70)
Intergovernmental	262,975.00	262,975.00	149,856.82	(113,118.18)
Charges for Services			69,157.54	69,157.54
Miscellaneous			696.05	696.05
<b>Total Revenues</b>	<b>754,728.25</b>	<b>754,728.25</b>	<b>592,599.96</b>	<b>(162,128.29)</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	1,103,142.00	1,103,142.00	205,908.46	897,233.54
Capital Outlay			312,000.00	(312,000.00)
Debt Service:				
Principal			105,655.50	(105,655.50)
Interest			13,117.71	(13,117.71)
<b>Total Expenditures</b>	<b>1,103,142.00</b>	<b>1,103,142.00</b>	<b>636,681.67</b>	<b>466,460.33</b>
<b>Net Change in Fund Balances</b>	<b>(348,413.75)</b>	<b>(348,413.75)</b>	<b>(44,081.71)</b>	<b>304,332.04</b>
<b>Fund Balance - January 1</b>	<b>80,633.90</b>	<b>80,633.90</b>	<b>80,633.90</b>	
<b>Fund Balance - December 31</b>	<b>(267,779.85)</b>	<b>(267,779.85)</b>	<b>36,552.19</b>	<b>304,332.04</b>



WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	759,731.00	759,731.00	743,582.14	(16,148.86)
Intergovernmental			489,318.29	489,318.29
Miscellaneous			16,015.66	16,015.66
Total Revenues	759,731.00	759,731.00	1,248,916.09	489,185.09
<u>Expenditures:</u>				
Current:				
Health and Welfare	1,131,309.00	1,131,309.00	889,103.52	242,205.48
Net Change in Fund Balances	(371,578.00)	(371,578.00)	359,812.57	731,390.57
Fund Balance - January 1	1,094,218.72	1,094,218.72	1,094,218.72	
Fund Balance - December 31	722,640.72	722,640.72	1,454,031.29	731,390.57

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	835,317.00	835,317.00	747,353.74	(87,963.26)
Intergovernmental			487,636.68	487,636.68
Miscellaneous			18,336.01	18,336.01
Total Revenues	835,317.00	835,317.00	1,253,326.43	418,009.43
<u>Expenditures:</u>				
Current:				
Health and Welfare	1,077,073.84	1,077,073.84	816,667.75	260,406.09
Net Change in Fund Balances	(241,756.84)	(241,756.84)	436,658.68	678,415.52
Fund Balance - January 1	657,560.04	657,560.04	657,560.04	
Fund Balance - December 31	415,803.20	415,803.20	1,094,218.72	678,415.52

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	571,995.00	571,995.00	600,349.70	28,354.70
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	571,995.00	571,995.00	644,939.82	(72,944.82)
Net Change in Fund Balances			(44,590.12)	(44,590.12)
Fund Balance - January 1	258,084.08	258,084.08	258,084.08	
Fund Balance - December 31	258,084.08	258,084.08	213,493.96	(44,590.12)

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	744,358.00	744,358.00	582,285.25	(162,072.75)
<u>Expenditures:</u>				
<u>Current:</u>				
Highways and Public Improve.	744,358.00	744,358.00	730,339.21	14,018.79
Net Change in Fund Balances			(148,053.96)	(148,053.96)
Fund Balance - January 1	406,138.04	406,138.04	406,138.04	
Fund Balance - December 31	406,138.04	406,138.04	258,084.08	(148,053.96)

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	350,000.00	350,000.00	152,263.32	(197,736.68)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	350,000.00	350,000.00	266,787.06	83,212.94
Excess (Deficiency) of Revenues Over Expenditures			(114,523.74)	(114,523.74)
<u>Other Financing Sources:</u>				
Transfers In			71,000.00	71,000.00
Net Change in Fund Balances			(43,523.74)	(43,523.74)
Fund Balance - January 1	44,090.38	44,090.38	44,090.38	
Fund Balance - December 31	44,090.38	44,090.38	566.64	(43,523.74)

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	350,000.00	350,000.00	149,170.08	(200,829.92)
Intergovernmental			1,922,314.86	1,922,314.86
Miscellaneous			96,463.61	96,463.61
<b>Total Revenues</b>	<b>350,000.00</b>	<b>350,000.00</b>	<b>2,167,948.55</b>	<b>1,817,948.55</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	350,000.00	350,000.00	2,808,061.85	(2,458,061.85)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>			<b>(640,113.30)</b>	<b>(640,113.30)</b>
<u>Other Financing Sources:</u>				
Transfers In			576,000.00	576,000.00
<b>Net Change in Fund Balances</b>			<b>(64,113.30)</b>	<b>(64,113.30)</b>
<b>Fund Balance - January 1</b>	<b>108,203.68</b>	<b>108,203.68</b>	<b>108,203.68</b>	
<b>Fund Balance - December 31</b>	<b>108,203.68</b>	<b>108,203.68</b>	<b>44,090.38</b>	<b>(64,113.30)</b>

WELLS COUNTY  
Fessenden, North Dakota

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

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

The board of county commissioners holds a public hearing where any taxpayer may testify in favor or against any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before the October meeting, the board adopts the final budget and shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. No expenditure shall be made or liability incurred in excess of the total appropriation by fund, except for transfers as authorized by the North Dakota Century Code Section 11-23-07. However, the board of county commissioners may amend the budget, except for property taxes, during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budgets during the years ended December 31, 2017 and 2016.

Excess of Actual Expenditures Over Budget

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

	2017	2016
<u>Special Revenue Funds</u>		
Road	1,281,120.06	
Highway Tax	72,944.82	
Federal Aid Road		2,458,061.85
* FEMA Fund		255,049.60
Emergency	156,993.37	
Weed Control	61,746.37	96,551.50
* Wireless 911	34,699.74	35,264.00
* Preservation Fund	6,885.69	18,349.29
Senior Citizens	32,005.55	29,519.90
Historical Society	60.19	
* Sheriff		404.00

\* A budget was not prepared for these funds.

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

WELLS COUNTY  
Fessenden, North Dakota

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

	2017 -----	2016 -----	2015 -----
County's proportion of the net pension liability	0.165463%	0.154986%	0.186247%
County's proportionate share of the net pension liability	1,612,598	1,053,878	1,182,150
County's covered-employee payroll	1,689,151	1,601,888	1,637,181
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	95.47%	65.79%	72.21%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

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

	2017 -----	2016 -----	2015 -----
Statutorily required contribution	120,268	114,054	108,645
Contributions in relation to the statutorily required contribution	(120,268)	(114,054)	(108,645)
Contribution deficiency (excess)	0	0	0
County's covered-employee payroll	1,689,151	1,601,888	1,637,181
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	6.64%

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

- For changes of assumptions, see Note 12 to the financial statements.



WELLS COUNTY  
Fessenden, North Dakota

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

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<b>Major Governmental Funds:</b>						
General Fund	2,341,174.97	3,386,955.29		73,207.82	2,406,927.79	3,247,994.65
Road	131,285.29	1,249,460.04			1,245,095.06	135,650.27
Social Welfare	1,279,043.36	1,064,091.45			889,103.52	1,454,031.29
Highway Tax	258,084.08	600,349.70			644,939.82	213,493.96
Federal Aid Road	81,983.19	164,152.84	71,000.00		266,787.06	50,348.97
<b>Total Major Governmental Funds</b>	<b>4,091,570.89</b>	<b>6,465,009.32</b>	<b>71,000.00</b>	<b>73,207.82</b>	<b>5,452,853.25</b>	<b>5,101,519.14</b>
<b>Non-Major Governmental Funds:</b>						
<b>FEMA Fund:</b>						
FEMA 2009	65,763.03					65,763.03
FEMA 2010	64,479.41					64,479.41
FEMA 2011	212,759.75					212,759.75
FEMA 2013	45,189.16					45,189.16
Emergency	567,115.80	5,209.74			161,493.37	410,832.17
County Agent	28,315.61	81,827.26			67,660.74	42,482.13
Weed Control	56,784.13	160,559.75			152,746.37	64,597.51
Jail and Transportation	297,736.25	52,661.19			105,727.39	244,670.05
Job Development	16,432.53	69,666.83			64,854.11	21,245.25
Wireless 911	2,904.15	34,632.56			34,699.74	2,836.97
911	69,910.41	54,551.19			52,298.66	72,162.94
Preservation Fund	7,286.50	9,035.50	2,207.82		6,885.69	11,644.13
Senior Citizens	14,870.23	96,368.10			92,005.55	19,232.78
Historical Society	1,461.66	6,184.62			5,760.19	1,886.09
Sheriff	1,927.69	240.00				2,167.69
<b>Total Non-Major Governmental Funds</b>	<b>1,452,936.31</b>	<b>570,936.74</b>	<b>2,207.82</b>		<b>744,131.81</b>	<b>1,281,949.06</b>
<b>Total Governmental Funds</b>	<b>5,544,507.20</b>	<b>7,035,946.06</b>	<b>73,207.82</b>	<b>73,207.82</b>	<b>6,196,985.06</b>	<b>6,383,468.20</b>
<b>Agency Funds:</b>						
State Tax	9,593.70	41,256.60			38,328.45	12,521.85
ND 24/7	6,247.68	10,981.00			9,817.17	7,411.51
Paid Under Protest	7,727.23	2,893.09			2,893.09	7,727.23
Soil Conservation	10,455.83	46,332.38			43,336.84	13,451.37
Estimated Tax	1,047.51	24,852.88			17,538.52	8,361.87
Mobile Home Tax	7,926.08	25,017.99			7,583.42	25,360.65
Drains	19,895.64	58,821.32			54,590.15	24,126.81
County Agency	5,062.30	5,999.49			5,236.21	5,825.58
County Health District	46,907.57	199,223.53			185,423.35	60,707.75
Garrison Diversion	9,593.68	44,084.23			41,158.41	12,519.50
Hazardous Chemical	5,503.50	987.50				6,491.00
Water Resource District	29,794.65	132,232.80			123,682.36	38,345.09

(continued)

WELLS COUNTY  
Fessenden, North Dakota

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

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<u>Agency Funds (continued):</u>						
SIRM		11,899.50			9,374.00	2,525.50
SAAF		158.50			75.00	83.50
SAVIN		158.50				158.50
Total Cities	194,021.24	1,083,985.27			1,051,589.19	226,417.32
Total Schools	806,277.08	3,499,886.03			3,252,344.47	1,053,818.64
Total Townships	94,870.37	635,840.97			606,054.56	124,656.78
Total Ambulance Districts	42,423.09	184,385.49			174,605.29	52,203.29
Total Fire Districts	21,160.60	98,405.10			87,339.35	32,226.35
<b>Total Agency Funds</b>	<b>1,318,507.75</b>	<b>6,107,402.17</b>			<b>5,710,969.83</b>	<b>1,714,940.09</b>
<b>Total Primary Government</b>	<b>6,863,014.95</b>	<b>13,143,348.23</b>	<b>73,207.82</b>	<b>73,207.82</b>	<b>11,907,954.89</b>	<b>8,098,408.29</b>
<u>Discretely Presented</u>						
<u>Component Units:</u>						
Water Resource District	312,599.64	215,954.19			209,177.69	319,376.14
Wells County Health District	375,770.04	458,904.70			540,259.20	294,415.54
<b>Total Discretely Presented Component Units</b>	<b>688,369.68</b>	<b>674,858.89</b>			<b>749,436.89</b>	<b>613,791.68</b>
<b>Total Reporting Entity</b>	<b>7,551,384.63</b>	<b>13,818,207.12</b>	<b>73,207.82</b>	<b>73,207.82</b>	<b>12,657,391.78</b>	<b>8,712,199.97</b>

WELLS COUNTY  
Fessenden, North Dakota

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

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
<b>Major Governmental Funds:</b>						
General Fund	2,606,713.04	2,854,961.19	9,583.60	576,000.00	2,554,082.86	2,341,174.97
Road	176,509.96	591,457.00			636,681.67	131,285.29
Social Welfare	859,088.28	1,236,622.83			816,667.75	1,279,043.36
Highway Tax	406,138.04	582,285.25			730,339.21	258,084.08
Federal Aid Road	148,509.33	2,165,535.71	576,000.00		2,808,061.85	81,983.19
<b>Total Major Governmental Funds</b>	<b>4,196,958.65</b>	<b>7,430,861.98</b>	<b>585,583.60</b>	<b>576,000.00</b>	<b>7,545,833.34</b>	<b>4,091,570.89</b>
<b>Non-Major Governmental Funds:</b>						
Loan	9,583.60			9,583.60		
FEMA Fund:						
FEMA 2009	65,763.03					65,763.03
FEMA 2010	64,479.41					64,479.41
FEMA 2011	433,471.92	9,390.16			230,102.33	212,759.75
FEMA 2013	45,189.16	24,947.27			24,947.27	45,189.16
Emergency	486,615.13	80,500.67				567,115.80
County Agent	20,553.66	73,377.22			65,615.27	28,315.61
Weed Control	111,094.77	133,240.86			187,551.50	56,784.13
Jail and Transportation	311,277.68	65,773.92			79,315.35	297,736.25
Job Development	17,412.56	62,435.69			63,415.72	16,432.53
Wireless 911	2,950.70	35,217.45			35,264.00	2,904.15
911	76,430.62	53,238.82			59,759.03	69,910.41
Preservation Fund	17,621.29	8,014.50			18,349.29	7,286.50
Senior Citizens	15,329.68	86,060.45			86,519.90	14,870.23
Historical Society	2,055.04	6,889.37			7,482.75	1,461.66
Sheriff	2,331.69				404.00	1,927.69
<b>Total Non-Major Governmental Funds</b>	<b>1,682,159.94</b>	<b>639,086.38</b>		<b>9,583.60</b>	<b>858,726.41</b>	<b>1,452,936.31</b>
<b>Total Governmental Funds</b>	<b>5,879,118.59</b>	<b>8,069,948.36</b>	<b>585,583.60</b>	<b>585,583.60</b>	<b>8,404,559.75</b>	<b>5,544,507.20</b>
<b>Agency Funds:</b>						
State Tax	10,171.13	36,900.27			37,477.70	9,593.70
ND 24/7	3,911.74	12,090.00			9,754.06	6,247.68
Game and Fish	19,248.00	747.00			19,995.00	
Paid Under Protest	9,609.46				1,882.23	7,727.23
Soil Conservation	11,337.83	42,592.40			43,474.40	10,455.83
Estimated Tax	2,337.95	18,264.41			19,554.85	1,047.51
Mobile Home Tax	8,295.43	7,032.40			7,401.75	7,926.08
Drains	23,169.38	61,535.88			64,809.62	19,895.64
County Agency	6,391.83	131.52			1,461.05	5,062.30
County Health District	36,515.31	143,418.46			133,026.20	46,907.57
Garrison Diversion	10,173.29	40,018.27			40,597.88	9,593.68

(continued)

WELLS COUNTY  
Fessenden, North Dakota

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

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
<u>Agency Funds (continued):</u>						
Hazardous Chemical	4,541.00	962.50				5,503.50
Water Resource District	34,744.23	128,489.94			133,439.52	29,794.65
Total Cities	265,624.83	989,513.08			1,061,116.67	194,021.24
Total Schools	765,278.71	2,888,725.30			2,847,726.93	806,277.08
Total Townships	98,463.24	777,967.29			781,560.16	94,870.37
Total Ambulance Districts	22,881.39	101,561.79			82,020.09	42,423.09
Total Fire Districts	21,341.75	86,142.82			86,323.97	21,160.60
<b>Total Agency Funds</b>	<b>1,354,036.50</b>	<b>5,336,093.33</b>			<b>5,371,622.08</b>	<b>1,318,507.75</b>
<b>Total Primary Government</b>	<b>7,233,155.09</b>	<b>13,406,041.69</b>	<b>585,583.60</b>	<b>585,583.60</b>	<b>13,776,181.83</b>	<b>6,863,014.95</b>
<u>Discretely Presented</u>						
<u>Component Units:</u>						
Water Resource District	220,838.14	233,496.18			141,734.68	312,599.64
Wells County Health District	391,433.25	407,967.03			423,630.24	375,770.04
<b>Total Discretely Presented Component Units</b>	<b>612,271.39</b>	<b>641,463.21</b>			<b>565,364.92</b>	<b>688,369.68</b>
<b>Total Reporting Entity</b>	<b>7,845,426.48</b>	<b>14,047,504.90</b>	<b>585,583.60</b>	<b>585,583.60</b>	<b>14,341,546.75</b>	<b>7,551,384.63</b>

# Rath & Mehrer, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Governing Board  
Wells County  
Fessenden, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Wells County, Fessenden, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated May 4, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 4, 2018

WELLS COUNTY  
Fessenden, North Dakota

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

**SECTION I - SUMMARY OF AUDIT RESULTS:**

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

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

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

No matters were reported

# Rath & Mehrer, P.C.

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Governing Board  
Wells County  
Fessenden, North Dakota

Our audits of the financial records of Wells County, Fessenden, North Dakota, for the years ended December 31, 2017 and 2016 have disclosed opportunities for improvements in the operations of the county. Items which we believe should be brought to your attention are set forth below:

\* \* \* \* \*

## BUDGETS

The county's annual budget forms do not include all the required information. The county's budgets do not provide the detail for non-tax revenue and do not provide expenditure detail for county funds other than the general fund and the road & bridge fund. We recommend the county's future annual budgets be prepared using the forms required by NDCC 11-23-02. Also, the county is not budgeting for all special revenue funds. We recommend the county prepare a budget for all funds as required by the century code.

\* \* \* \* \*

We would like to acknowledge all the assistance and many courtesies extended to us by the personnel of the county during our audits.

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the Governing Board, is a matter of public record.



Rath and Mehrer, P.C.

May 4, 2018