



Pembina County  
Cavalier, North Dakota

# Audit Report

For the Year Ended December 31, 2016

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

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PEMBINA COUNTY  
Cavalier, North Dakota

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For the Year Ended December 31, 2016

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PEMBINA COUNTY  
Cavalier, North Dakota

**COUNTY OFFICIALS**

December 31, 2016

Laverne Doyle	Commissioner - Chairperson
Nick Rutherford	Commissioner - Vice Chairperson
Hugh Ralston	Commissioner
Hetty Walker	Commissioner
James Benjaminson	Commissioner
Linda Schlittenhard	County Auditor/Treasurer/Supt. of Schools
Kay Braget	County Clerk of Court/County Recorder
Terry Meidinger	Sheriff
Ryan Bialas	States Attorney
Julie Doyle	Tax Director
Devin Johnson	Highway Superintendent
Andrew Kirking	Disaster Emergency Director/Weed Officer

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241  
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MANAGER – DAVID MIX  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Pembina County  
Cavalier, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pembina County, Cavalier, North Dakota, as of and for the year ended December 31, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

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

**PEMBINA COUNTY**

Independent Auditor's Report - Continued

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**Other Matters**

*Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and the notes to the required supplementary information* on pages 32-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

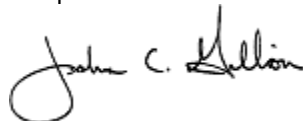
*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017 on our consideration of Pembina County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pembina County's internal control over financial reporting and compliance.



Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
June 26, 2017

PEMBINA COUNTY  
Cavalier, North Dakota

STATEMENT OF NET POSITION  
December 31, 2016

	Primary Governmental Activities	Component Units	
		Water Resource District	Job Development Authority
<b>ASSETS:</b>			
Cash and Investments	\$ 4,193,494	\$ 872,496	\$ 308,466
Intergovernmental Receivable	246,501	55,194	1,773
Accounts Receivable	51,701	-	951
Special Assessments Receivable	-	3,401	-
Road Accounts Receivable	2,164	-	-
Taxes Receivable	88,837	3,058	4,032
Job Development Loans Receivable	-	-	289,513
Capital Assets (not being depreciated):			
Land	4,900	-	-
Construction in Progress	5,653,218	4,559,300	-
Capital Assets (being depreciated):			
Buildings	1,295,173	-	-
Equipment and Vehicles	1,193,144	-	-
Infrastructure	1,565,589	10,448,902	-
Total Capital Assets	<u>\$ 9,712,024</u>	<u>\$ 15,008,202</u>	<u>\$ -</u>
Total Assets	<u>\$ 14,294,721</u>	<u>\$ 15,942,351</u>	<u>\$ 604,735</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	<u>\$ 778,840</u>	<u>\$ 13,669</u>	<u>\$ -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 15,073,561</u>	<u>\$ 15,956,020</u>	<u>\$ 604,735</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 99,893	\$ 128,863	\$ -
Salaries Payable	11,009	4,342	-
Grants Received in Advance	329,273	-	-
Retainage Payable	256,248	130,615	-
Long-Term Liabilities:			
Due Within One Year:			
Compensated Absences Payable	15,551	408	-
Due After One Year:			
Warrants Payable	-	1,239,812	-
Lines of Credit Payable	-	1,361,017	-
Compensated Absences Payable	139,956	3,670	-
Net Pension Liability	2,672,875	40,755	-
Total Liabilities	<u>\$ 3,524,805</u>	<u>\$ 2,909,482</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	<u>\$ 218,911</u>	<u>\$ 3,338</u>	<u>\$ -</u>
Total Liabilities and Deferred Intflows of Resources	<u>\$ 3,743,716</u>	<u>\$ 2,912,820</u>	<u>\$ -</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	\$ 9,712,024	\$ 15,008,202	\$ -
Restricted for:			
Highways and Bridges	1,803,294	-	-
Health and Welfare	49,982	-	-
Conservation of Natural Resources	15,661	-	-
Emergencies	373,507	-	-
Economic Development	-	-	315,222
Loans	-	-	289,513
Unrestricted	<u>(624,623)</u>	<u>(1,965,002)</u>	<u>-</u>
Total Net Position	<u>\$ 11,329,845</u>	<u>\$ 13,043,200</u>	<u>\$ 604,735</u>

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

PEMBINA COUNTY  
Cavalier, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Job Development Authority
<b>Primary Government:</b>							
General Government	\$ 2,862,536	\$ 129,603	\$ -	\$ -	\$ (2,732,933)		
Public Safety	1,248,388	295,600	49,937	-	(902,851)		
Highways and Bridges	1,570,792	180,194	211,068	5,399,862	4,220,332		
Flood Repair	18,569	-	9,436	-	(9,133)		
Emergency	5,540	-	-	-	(5,540)		
Health and Welfare	1,525,869	91,957	349,083	-	(1,084,829)		
Conserv. of Natural Resources	289,497	28,295	286,852	-	25,650		
Economic Development	17,703	-	-	-	(17,703)		
Interest on Long-Term Debt	397	-	-	-	(397)		
<b>Total Governmental Activities</b>	<b>\$ 7,539,291</b>	<b>\$ 725,649</b>	<b>\$ 906,376</b>	<b>\$ 5,399,862</b>	<b>\$ (507,404)</b>		
<b>Component Units:</b>							
Water Resource District	\$ 2,929,176	\$ -	\$ 705,177	\$ 508,708	\$ (1,715,291)	\$ -	
Job Development Authority	137,123	9,757	-	-	-	(127,366)	
<b>Total Component Units</b>	<b>\$ 3,066,299</b>	<b>\$ 9,757</b>	<b>\$ 705,177</b>	<b>\$ 508,708</b>	<b>\$ (1,715,291)</b>	<b>\$ (127,366)</b>	
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes; levied for general purposes				\$ 2,300,875	\$ 211,963	\$ -	
Property taxes; levied for special purposes				1,662,663	-	116,279	
Property taxes; levied for debt service				78,174	-	-	
Property taxes; levied for drains/maintenance				-	1,252,638	-	
State Aid & Grants not restricted to specific programs				632,034	7,591	7,715	
Unrestricted Investment Earnings				22,971	642	-	
Miscellaneous Revenue				233,947	43,334	-	
<b>Total General Revenues</b>				<b>\$ 4,930,664</b>	<b>\$ 1,516,168</b>	<b>\$ 123,994</b>	
<b>Change in Net Position</b>				<b>\$ 4,423,260</b>	<b>\$ (199,123)</b>	<b>\$ (3,372)</b>	
<b>Net Position - January 1</b>				<b>\$ 6,906,585</b>	<b>\$ 13,151,577</b>	<b>\$ 597,122</b>	
<b>Prior Period Adjustment</b>				<b>-</b>	<b>90,746</b>	<b>10,985</b>	
<b>Net Position - January 1, as restated</b>				<b>\$ 6,906,585</b>	<b>\$ 13,242,323</b>	<b>\$ 608,107</b>	
<b>Net Position - December 31</b>				<b>\$ 11,329,845</b>	<b>\$ 13,043,200</b>	<b>\$ 604,735</b>	

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

PEMBINA COUNTY  
Cavalier, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2016

	General	Highway Funds	County Road and Bridge	Weed Control	Social Services	Flood Emergency	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 861,674	\$ 1,718,509	\$ 941,268	\$ -	\$ 40,335	\$ 82,868	\$ 548,840	\$ 4,193,494
Intergovernmental Receivable	123,671	79,688	9,769	221	16,648	-	16,504	246,501
Accounts Receivable	46,144	5,529	-	-	28	-	-	51,701
Due from Other Funds	71,406	-	-	-	-	-	-	71,406
Road Accounts Receivable	-	-	2,164	-	-	-	-	2,164
Taxes Receivable	49,202	-	17,542	176	19,159	-	2,758	88,837
<b>Total Assets</b>	<b>\$ 1,152,097</b>	<b>\$ 1,803,726</b>	<b>\$ 970,743</b>	<b>\$ 397</b>	<b>\$ 76,170</b>	<b>\$ 82,868</b>	<b>\$ 568,102</b>	<b>\$ 4,654,103</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts Payable	\$ 30,480	\$ 52,929	\$ 14,448	\$ -	\$ 1,466	\$ -	\$ 570	\$ 99,893
Salaries Payable	254	10,445	-	-	-	-	310	11,009
Grants Received in Advance	-	246,405	-	-	-	82,868	-	329,273
Due to Other Funds	-	-	-	53,170	-	-	18,236	71,406
<b>Total Liabilities</b>	<b>\$ 30,734</b>	<b>\$ 309,779</b>	<b>\$ 14,448</b>	<b>\$ 53,170</b>	<b>\$ 1,466</b>	<b>\$ 82,868</b>	<b>\$ 19,116</b>	<b>\$ 511,581</b>
<b>Deferred Inflows of Resources:</b>								
Road Receivable	\$ -	\$ -	\$ 2,164	\$ -	\$ -	\$ -	\$ -	\$ 2,164
Taxes Receivable	49,202	-	17,542	176	19,159	-	2,758	88,837
<b>Total Deferred Inflows of Resources</b>	<b>\$ 49,202</b>	<b>\$ -</b>	<b>\$ 19,706</b>	<b>\$ 176</b>	<b>\$ 19,159</b>	<b>\$ -</b>	<b>\$ 2,758</b>	<b>\$ 91,001</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 79,936</b>	<b>\$ 309,779</b>	<b>\$ 34,154</b>	<b>\$ 53,346</b>	<b>\$ 20,625</b>	<b>\$ 82,868</b>	<b>\$ 21,874</b>	<b>\$ 602,582</b>
<b>Fund Balances:</b>								
<b>Restricted</b>								
Highways and Bridges	\$ -	\$ 1,493,947	\$ 936,589	\$ -	\$ -	\$ -	\$ -	\$ 2,430,536
Health and Welfare	-	-	-	-	55,545	-	54,847	110,392
Public Safety	-	-	-	-	-	-	82,494	82,494
Conservation of Natural Resources	-	-	-	-	-	-	43,093	43,093
Emergencies	-	-	-	-	-	-	373,188	373,188
General Government & Other Purposes	-	-	-	-	-	-	5,750	5,750
<b>Unassigned:</b>	<b>1,072,161</b>	<b>-</b>	<b>-</b>	<b>(52,949)</b>	<b>-</b>	<b>-</b>	<b>(13,144)</b>	<b>1,006,068</b>
<b>Total Fund Balances</b>	<b>\$ 1,072,161</b>	<b>\$ 1,493,947</b>	<b>\$ 936,589</b>	<b>\$ (52,949)</b>	<b>\$ 55,545</b>	<b>\$ -</b>	<b>\$ 546,228</b>	<b>\$ 4,051,521</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,152,097</b>	<b>\$ 1,803,726</b>	<b>\$ 970,743</b>	<b>\$ 397</b>	<b>\$ 76,170</b>	<b>\$ 82,868</b>	<b>\$ 568,102</b>	<b>\$ 4,654,103</b>

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



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PEMBINA COUNTY  
Cavalier, North Dakota

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

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Total *Fund Balances* of Governmental Funds \$ 4,051,521

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

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

Cost of Capital Assets	\$ 65,505,661	
Less Accumulated Depreciation	<u>(55,793,637)</u>	9,712,024

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

Property Taxes Receivable	\$ 88,837	
Road Department Accounts Receivable	<u>2,164</u>	91,001

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

Deferred Outflows Related to Pensions	\$ 778,840	
Deferred Inflows Related to Pensions	<u>(218,911)</u>	559,929

Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:

Retainage Payable	\$ (256,248)	
Compensated Absences Payable	(155,507)	
Net Pension Liability	<u>(2,672,875)</u>	<u>(3,084,630)</u>

Net Position of Governmental Activities \$ 11,329,845

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

PEMBINA COUNTY  
Cavalier, North Dakota

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

	General	Highway Funds	County Road	Weed Control	Social Services	Flood Emergency	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>								
Taxes	\$ 2,276,844	\$ -	\$ 72,126	\$ 1,217	\$ 853,237	\$ -	\$ 828,662	\$ 4,032,086
Intergovernmental	874,927	5,610,929	45,185	17,790	208,361	9,436	171,643	6,938,271
Charges for Services	398,868	194,542	-	-	87,809	-	55,819	737,038
Licenses, Permits and Fees	2,960	-	-	-	-	-	-	2,960
Interest Income	22,971	-	-	-	-	-	-	22,971
Miscellaneous	209,620	19,869	-	-	603	-	3,855	233,947
<b>Total Revenues</b>	<b>\$ 3,786,190</b>	<b>\$ 5,825,340</b>	<b>\$ 117,311</b>	<b>\$ 19,007</b>	<b>\$ 1,150,010</b>	<b>\$ 9,436</b>	<b>\$ 1,059,979</b>	<b>\$ 11,967,273</b>
<u>Expenditures:</u>								
Current:								
General Government	\$ 2,786,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,786,537
Public Safety	1,111,825	-	-	-	-	-	74,163	1,185,988
Highways and Bridges	-	6,372,265	568,399	-	-	-	-	6,940,664
Flood Repair	-	-	-	-	-	18,569	-	18,569
Emergency	-	-	-	-	-	-	3,441	3,441
Health and Welfare	226,522	-	-	-	1,124,141	-	143,620	1,494,283
Conserv. of Natural Resources	-	-	-	153,590	-	-	126,931	280,521
Economic Development	17,703	-	-	-	-	-	-	17,703
Debt Service:								
Principal	-	-	119,000	-	-	-	-	119,000
Interest and Fiscal Charges	-	-	397	-	-	-	-	397
<b>Total Expenditures</b>	<b>\$ 4,142,587</b>	<b>\$ 6,372,265</b>	<b>\$ 687,796</b>	<b>\$ 153,590</b>	<b>\$ 1,124,141</b>	<b>\$ 18,569</b>	<b>\$ 348,155</b>	<b>\$ 12,847,103</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (356,397)	\$ (546,925)	\$ (570,485)	\$ (134,583)	\$ 25,869	\$ (9,133)	\$ 711,824	\$ (879,830)
<u>Other Financing Sources (Uses):</u>								
Transfers in	\$ 5,371	\$ -	\$ 719,880	\$ -	\$ 883,000	\$ -	\$ 50	\$ 1,608,301
Transfers out	-	-	-	-	(883,000)	-	(725,301)	(1,608,301)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 5,371</b>	<b>\$ -</b>	<b>\$ 719,880</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (725,251)</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (351,026)</b>	<b>\$ (546,925)</b>	<b>\$ 149,395</b>	<b>\$ (134,583)</b>	<b>\$ 25,869</b>	<b>\$ (9,133)</b>	<b>\$ (13,427)</b>	<b>\$ (879,830)</b>
Fund Balances - January 1	\$ 1,423,187	\$ 2,040,872	\$ 787,194	\$ 81,634	\$ 29,676	\$ 9,133	\$ 559,655	\$ 4,931,351
Fund Balances - December 31	\$ 1,072,161	\$ 1,493,947	\$ 936,589	\$ (52,949)	\$ 55,545	\$ -	\$ 546,228	\$ 4,051,521

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

PEMBINA COUNTY  
Cavalier, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ (879,830)

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

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

Current Year Capital Outlay	\$ 5,966,643	
Current Year Depreciation Expense	<u>(307,735)</u>	5,658,908

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the loss on the capital assets sold. (60,830)

The issuance of debt decreases long-term liabilities, while the 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 of debt payments.

Repayment of Debt		119,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds

Increase in Compensated Absences	\$ (22,437)	
Increase in Retainage Payable	<u>(256,248)</u>	(278,685)

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

Increase in Taxes Receivable	\$ 9,626	
Decrease in Road Accounts Receivable	<u>(14,348)</u>	(4,722)

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

Increase in Net Pension Liability	\$ (747,988)	
Increase in Deferred Outflows of Resources Related to Pensions	610,533	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>6,874</u>	<u>(130,581)</u>

Change in Net Position of Governmental Activities		<u>\$ 4,423,260</u>
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The notes to the financial statements are an integral part of this statement.

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PEMBINA COUNTY  
Cavalier, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES  
AGENCY FUNDS  
December 31, 2016

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	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Cash Equivalents	<u>\$ 3,419,351</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>\$ 3,419,351</u>

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

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PEMBINA COUNTY  
Cavalier, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

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

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

A. Reporting Entity

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

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

**COMPONENT UNITS**

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

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

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

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

Component Unit Financial Statements: The financial statements of the discretely presented component units are presented in the County's basic financial statements. Complete financial statements of the component units can be obtained from the Pembina County Auditor/Treasurer, Pembina County, 301 Dakota Street West, Cavalier, North Dakota, 58220.

B. Basis of Presentation

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government, Pembina County and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made, when applicable, to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The county reports the following major governmental funds:

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

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

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

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

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

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

The County reports the following fund type:

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

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

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

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

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

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets

**PRIMARY GOVERNMENT:**

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

General infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

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

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

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

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

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

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

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

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

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

F. Compensated Absences

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

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



G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position for the primary government and the Pembina County Water Resource District, a discretely presented component unit. Bond premiums, discounts and issuance costs, when applicable, are recognized in the current period since the amounts are not material.

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

H. Pension

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

I. Fund Balances / Net Position

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

***Fund Balance Spending Policy:***

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

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

Purposes and major revenue sources of the major special revenue funds (highway funds, county road and bridge, weed control, social services, and flood emergency fund) are disclosed in more detail in Note 1B.

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

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

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.

CONTINUED ON NEXT PAGE.....

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance. (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Pembina County only has restricted and unassigned fund balances at December 31, 2016.

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

Restricted fund balances are shown by primary function on the balance sheet for flood repair & mitigation, public safety, highways & bridges, health and welfare, conservation of natural resources, emergencies, and general government and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3<sup>rd</sup> parties (State & Federal governments for various grants & reimbursements).

Special Revenue Funds – Restricted & Committed Fund Balances:

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

**Net Position:**

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

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

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

Restrictions of net position in the statement of net position is shown by primary function and are restricted for highways & bridges, health & welfare, conservation of natural resources, emergencies, economic development, loans, and other general government purposes (health insurance, insurance reserve, veteran's service officer, and social security).

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

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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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.

**NOTE 2: DEPOSITS**

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

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

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

At year ended December 31, 2016, the county's carrying amount of deposits was \$7,546,295 and the bank balances totaled \$7,109,181. Of the bank balances, \$1,111,104 was deposited at the Bank of North Dakota, and \$1,500,000 was covered by Federal Depository Insurance, while the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2016, the water resource district's carrying amount of deposits was \$872,496 and the bank balances totaled \$950,171. Of the bank balances, \$333,705 was covered by Federal Depository Insurance, while the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2016, the county had certificates of deposit totaling \$1,065,000, all of which were considered deposits.

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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Concentration of Credit Risk:

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

**NOTE 3: TAXES RECEIVABLE**

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

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

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

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

**NOTE 4: DUE TO / FROM OTHER FUNDS**

The due to/due from other funds reported on the balance sheet represents the amount of negative cash in the weed fund (\$53,170) and other governmental funds (\$18,236) at year-end that was covered by the general fund (\$71,406).

**NOTE 5: ROAD ACCOUNTS RECEIVABLE**

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

**NOTE 6: INTERGOVERNMENTAL RECEIVABLE**

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

**NOTE 7: DEFERRED OUTFLOWS OF RESOURCES**

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

**NOTE 8: ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due from vendors and NDDOT for wireless 911 fees and weed spraying in the general fund and other governmental funds (weed fund).

**NOTE 9: JOB DEVELOPMENT LOANS RECEIVABLE**

The Job Development Authority, a discretely presented component unit of Pembina County, provides loans to businesses for either start-up costs or expansion costs. The Development Authority receives applications from various businesses within the community and either approves or denies the applications based on majority board decision.

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

The Authority had the following activity in loans outstanding for the year ended December 31, 2016.

<b>Name/Business</b>	<b>Bal. Jan. 1 (Restated)</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>
Pete Marciniak Enterprises	\$ 14,874	\$ -	\$ 2,287	\$ 12,587
Border Town Wire Products	2,709	-	631	2,078
Red River Repair	8,071	-	4,113	3,958
On Prairie Software	33,789	-	8,177	25,612
Kids Townhouse, Inc.	5,958	-	90	5,868
HBS of ND LLC	49,643	4,471	-	54,114
Agrimaxx, Inc (Enduraplas)	71,804	6,464	-	78,268
Harvest Fuel - Food First (Sweet Pro Feeds)	11,117	-	-	11,117
J&B Holdings - Woodside Industries	13,443	3,072	-	16,515
Stateside Electric	3,082	697	-	3,779
Walhalla Farmers Grain	7,448	3,196	-	10,644
Sweet Pro Feeds	5,666	2,224	-	7,890
Enduraplas	3,596	1,671	-	5,267
Olafson Agrarian	4,756	2,215	-	6,971
Rimco	7,622	3,525	-	11,147
Halcrow's	3,632	4,641	-	8,273
Midway Seed #1	-	9,869	-	9,869
Midway Seed #2	-	3,932	-	3,932
Valley Building Center #1	-	2,203	-	2,203
Main Street Floral & More	-	880	-	880
Bordertown	-	918	-	918
Harold & Tina Weimer	-	1,322	-	1,322
Agassiz Excavating	-	6,301	-	6,301
<b>Total Loans Receivable</b>	<b>\$ 247,210</b>	<b>\$ 57,601</b>	<b>\$ 15,298</b>	<b>\$ 289,513</b>

**NOTE 10: CAPITAL ASSETS**

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

<b>PRIMARY GOVERNMENT Governmental Activities</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,900	\$ -	\$ -	\$ 4,900
Construction in Progress	-	5,653,218	-	5,653,218
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 4,900</b>	<b>\$ 5,653,218</b>	<b>\$ -</b>	<b>\$ 5,658,118</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 3,078,184	\$ -	\$ -	\$ 3,078,184
Equipment	3,471,504	313,425	217,346	3,567,583
Infrastructure	53,226,776	-	25,000	53,201,776
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 59,776,464</b>	<b>\$ 313,425</b>	<b>\$ 242,346</b>	<b>\$ 59,847,543</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 1,720,504	\$ 62,507	\$ -	\$ 1,783,011
Equipment	2,338,083	192,872	156,516	2,374,439
Infrastructure	51,608,831	52,356	25,000	51,636,187
<b>Total Accumulated Depreciation</b>	<b>\$ 55,667,418</b>	<b>\$ 307,735</b>	<b>\$ 181,516</b>	<b>\$ 55,793,637</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 4,109,046</b>	<b>\$ 5,690</b>	<b>\$ 60,830</b>	<b>\$ 4,053,906</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 4,113,946</b>	<b>\$ 5,658,908</b>	<b>\$ 60,830</b>	<b>\$ 9,712,024</b>

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

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

<b>Governmental Activities:</b>	<b>Amounts</b>
General Government	\$ 32,153
Public Safety	76,969
Highways and Bridges	191,573
Health and Welfare	3,082
Conservation of Natural Resource	3,958
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 307,735</b>

Pembina County Water Resource District:

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

<b>WATER RESOURCE DISTRICT</b>	<b>Bal. Jan. 1</b>			<b>Balance</b>
<b>Governmental Activities</b>	<b>(Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>December 31</b>
<i>Capital assets not being depreciated:</i>				
Construction in Progress	\$ 3,714,755	\$ 844,545	\$ -	\$ 4,559,300
<i>Capital assets being depreciated:</i>				
Equipment	\$ 74,391	\$ -	\$ -	\$ 74,391
Infrastructure	12,886,243	-	-	12,886,243
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 12,960,634</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,960,634</b>
<i>Less Accumulated Depreciation for:</i>				
Equipment	\$ 74,391	\$ -	\$ -	\$ 74,391
Infrastructure	1,793,029	644,312	-	2,437,341
<b>Total Accumulated Depreciation</b>	<b>\$ 1,867,420</b>	<b>\$ 644,312</b>	<b>\$ -</b>	<b>\$ 2,511,732</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 11,093,214</b>	<b>\$ (644,312)</b>	<b>\$ -</b>	<b>\$ 10,448,902</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 14,807,969</b>	<b>\$ 200,233</b>	<b>\$ -</b>	<b>\$ 15,008,202</b>

Depreciation expense totaling \$644,312 was charged to the conservation of natural resources function for the year ended December 31, 2016.

**NOTE 11: ACCOUNTS PAYABLE**

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2016 and chargeable to the appropriations for the years then ended, but paid for subsequent to that date.

**NOTE 12: SALARIES PAYABLE**

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

**NOTE 13: GRANTS RECEIVED IN ADVANCE**

Grants received in advance consist of funds received in the FEMA and Highway Funds where the eligibility requirements have not all been met at December 31, 2016. Asset recognition criteria have been met, but revenue recognition criteria have not been met.

**NOTE 14: RETAINAGE PAYABLE**

Retainages payable consists of a liability account reflecting amounts owing to contractors on the open contract as outlined above at December 31, 2016 by the County and Water Resource District.

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

**NOTE 15: LONG-TERM LIABILITIES**

Primary Government:

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

<b>PRIMARY GOVERNMENT Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Loan Payable	\$ 119,000	\$ -	\$ 119,000	\$ -	\$ -
Compensated Absences *	133,070	22,437		155,507	15,551
Net Pension Liability *	1,924,887	747,988	-	2,672,875	-
<b>Total Governmental Activities</b>	<b>\$ 2,176,957</b>	<b>\$ 770,425</b>	<b>\$ 119,000</b>	<b>\$ 2,828,382</b>	<b>\$ 15,551</b>

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

**DISCRETELY PRESENTED COMPONENT UNIT:**

Pembina County Water Resource District:

During the year ended December 31, 2016, the following changes occurred in the long-term liabilities of the Water Resource District:

<b>WATER RESOURCE DISTRICT Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Warrants Payable	\$ 932,485	\$ 637,809	\$ 330,482	\$ 1,239,812	\$ -
Lines of Credit Payable	1,301,606	217,040	157,629	1,361,017	-
Compensated Absences *	2,874	1,204	-	4,078	408
Net Pension Liability *	26,848	13,907	-	40,755	-
<b>Total Governmental Activities</b>	<b>\$ 2,263,813</b>	<b>\$ 869,960</b>	<b>\$ 488,111</b>	<b>\$ 2,645,662</b>	<b>\$ 408</b>

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

**WRD Lines of Credit Payable:**

\$600,000 Line of Credit from KodaBank for Drain #47, no set payment schedule, interest at 2.49%. The beginning balance at the start of 2016 was \$599,000, and \$125,000 was paid back during 2016. The original loan was executed November 12, 2013 and was due November 12, 2015. The loan was extended in 2015, 2016 and will likely be extended in 2017. \$ 474,980

\$400,000 Line of Credit from United Valley Bank for Drain #11, #67, & #W-2, due in 2017, interest at 3.5%. An additional \$46,468 was borrowed in 2016, and \$32,629 was paid back in 2016. The beginning balance was \$366,596. The note is likely to be extended by a year upon maturity on February 17, 2017. An additional \$178,884 was paid back to date in 2017. 381,007

\$400,020 Line of Credit from KodaBank for Drain #67A, no set payment schedule. Original note for \$400,020 was executed December 11, 2012, with a due date of May 1, 2016, interest at 1.75%. The beginning balance of the loan was \$335,030. The loan was extended in 2016, and an additional \$170,000 was borrowed. 505,030

Total Water Resource District Lines of Credit Payable \$ 1,361,017

**Warrants Payable:**

There are no set payment schedules for the warrants payable totaling \$1,239,812 at December 31, 2016; thus, the future debt payments separated into principal and interest

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

portions for the next five years individually and five year increments thereafter are not disclosed. The beginning balance of the warrants payable was \$932,485, and \$637,809 new warrants were issued during 2016, and a total of \$330,482 warrants were paid back during 2016.

**NOTE 16: CONDUIT DEBT**

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

As of December 31, 2016, there is one Community Development Block Grant Loan outstanding (Dakota Valley Growers), with a principal amount payable of \$48,308.

**NOTE 17: DEFERRED INFLOWS OF RESOURCES**

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

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

**NOTE 18: TRANSFERS**

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

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Funds:</b>		
General Fund	\$ 5,371	\$ -
Road & Br/F-M/Co Loan	719,880	-
Social Services	883,000	883,000
<b>Nonmajor Funds</b>		
County Road & Bridge	-	716,637
Comprehensive Health Fund	-	1,009
County Loan Fund (Debt Service)	-	590
WIC	-	77
County Agent	50	-
Veteran's Service	-	50
OASIS & Social Security	-	1,939
Technology/OASIS	-	649
Health OASIS	-	440
Farm to Market Road	-	2,653
Advertising	-	46
Insurance Reserve	-	331
Correctional Center Levy	-	880
<b>Total Transfers</b>	<b>\$ 1,608,301</b>	<b>\$ 1,608,301</b>



**NOTE 19: PENSION PLAN**

**General Information about the NDPERS Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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

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

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

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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

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

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

At December 31, 2016, Pembina County reported a liability of \$2,672,875 for its proportionate share of 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 district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the Employer's proportion was .274254 percent, which was a decrease of .008825 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Employer recognized pension expense of \$341,616. At December 31, 2016, the Employer 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	\$ 40,152	\$ 24,749
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	372,905	-
Changes of Assumptions	246,405	132,788
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	61,374
District Contributions Subsequent to the Measurement Date	119,379	-
<b>Total</b>	<b>\$ 778,840</b>	<b>\$ 218,911</b>

\$119,379 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

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

2017	\$ 90,444
2018	90,444
2019	171,792
2020	110,143
2021	39,103

**Actuarial Assumptions**

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

Inflation	3.50%
Salary Increases	4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to und benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

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

	<b>1% Decrease (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase (9%)</b>
County's Proportionate Share of the Net Pension Liability	\$ 3,791,422	\$ 2,672,875	\$ 1,730,442

**Pension Plan Fiduciary Net Position**

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

**NOTE 20: RISK MANAGEMENT**

Pembina 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Pembina County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$1,285,381 for public assets (mobile equipment and portable property).

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

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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

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

**NOTE 21: JOINT VENTURES**

Red River Joint Water Resource District

Under authorization of state statutes, the Pembina County Water Resourced District joined Maple River Water Resource District, Rush River Water Resource District, Southeast Cass Water Resource District, North Cass Water Resource District, and the water resource districts of Richland County, Pembina County, Traill County, Steele County, Nelson County, Ransom County, Grand Forks County, Walsh County, Barnes County, and Sargent County to establish and operate a joint exercise of powers agreement for water management districts located with the Red River Valley. Known as the Red River Valley Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution depends on where Red River Joint Water Resource Board projects are being undertaken. For more information, write the Red River Joint Water Resource Board, PO Box 10, Hillsboro, ND 58045.

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

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

Complete financial information can be obtained from Lake Region District Health Unit, Courthouse, Devils Lake, ND 58301.

Park River Joint Water Resource District

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

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

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

	<b>Park River Joint Water Resource Board</b>
Total Assets	\$ 112,504
Total Liabilities	13
Net Position	\$ 112,491
Total Revenues	\$ 276,748
Total Expenses	101,939
Change in Net Position	\$ 174,809

**NOTE 22: DEFICIT CASH FUND BALANCES**

At December 31, 2016, the following funds had deficit cash fund balances, and were also reported as due to other funds (consisting of the weed control fund, and other governmental funds), and due from other funds (general fund) totaling \$71,406.

Details of the due to and due from other funds, and the negative cash at December 31, 2016 is outlined below:

<b>County Funds</b>	<b>Balance</b>
<b>Major Funds:</b>	
Weed Control	\$ (53,170)
<b>Nonmajor Funds:</b>	
WIC	(3,160)
County Agent	(14,228)
Homeland Security	(848)

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

**NOTE 23: COMMITMENTS**

Pembina County had the following open construction contracts at December 31, 2016:

<b>PRIMARY GOVERNMENT Project</b>	<b>Amended Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>	<b>% Complete</b>
BRO-0034(031) - Construction	\$ 92,402	\$ 87,493	\$ 1,799	\$ 6,708	94.69%
CNOB-CNOC-3410(057) - Construction	2,582,962	2,327,117	116,356	372,201	90.09%
CNOB-CNOC-3411(060) - Construction	1,454,182	1,364,117	72,709	162,774	93.81%
CNOB-CNOC-3411(061) - Construction	1,307,688	1,230,416	65,384	142,656	94.09%
Total	\$ 5,437,234	\$ 5,009,143	\$ 256,248	\$ 684,339	92.13%

Retainages payable on open County contracts totaled \$256,248 at December 31, 2016.

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

Component Unit:

The Pembina County Water Resource District had the following open construction contracts at December 31, 2016:

<b>WATER RESOURCE DISTRICT Project</b>	<b>Amended Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>	<b>% Complete</b>
Drain #78 Reconstruction	\$ 539,458	\$ 572,511	\$ 10,789	\$ (22,264)	106.13%
Drain #78 Engineering	56,100	55,650	-	450	99.20%
Drain #67 Reconstruction	2,201,363	2,632,273	110,068	(320,842)	119.57%
Drain #67 Engineering	203,300	202,881	-	419	99.79%
Drain #67 Construction	175,709	144,217	8,786	40,278	82.08%
Drain #73 Engineering	42,500	30,622	-	11,878	72.05%
Drain #79 Design	108,900	108,755	-	145	99.87%
Drain #47 Cleanout	48,600	48,600	972	972	100.00%
<b>Total</b>	<b>\$ 3,375,930</b>	<b>\$ 3,795,509</b>	<b>\$ 130,615</b>	<b>\$ (288,964)</b>	<b>112.43%</b>

Retainages payable on WRD open contracts totaled \$130,615 at December 31, 2016.

**NOTE 24: TAX ABATEMENTS**

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

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

**New and Expanding Business:**

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40-57.1-03) and the guidelines stated below. The following criteria are only guidelines.

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

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

**Exemption Criteria:**

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

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$36,529

**New and Expanding Business – Leased Govt. Building:**

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1-04.1) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the Board of Directors will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on county services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the County?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area
- Notwithstanding any other provision of this chapter, a project operator who otherwise qualifies under this chapter may, upon application consistent with the provisions of this chapter, receive a partial or complete exemption from ad valorem taxation on any existing structure used in or necessary to the operation of the project for a period not exceeding five years from the date of commencement of project operations in the structure. For taxable years beginning after December 31, 1988, the governing body of a municipality may grant additional exemptions of property under this section during a period not exceeding ten years from the date of commencement of project operations in the structure if the structure is owned by the United States, the state, or a political subdivision of the state and leased to the project operator. The project operator shall apply to the governing body of the municipality annually for the exemption and the governing body of the municipality may grant the exemption for only one year at a time.

Exemption Criteria:

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

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$888

**Public Charity Exemption:**

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

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



**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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Exemption Criteria:

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

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$11,640

**Single Family Residence:**

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

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

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

2016 Reduction in Taxes:

Total Program Reduction in County Only Taxes – \$1,808

**Pollution Exemption:**

Pollution improvement abatements are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(37)) and the guidelines stated below. The following criteria are only guidelines.

A pollution abatement improvement. As used in this subsection, "pollution abatement improvement" means property, exclusive of land and improvements to the land such as ditching, surfacing, and leveling, that is: (1) Part of an agricultural or industrial facility which is used for or has for its ultimate purpose the prevention, control, monitoring, reducing, or eliminating of pollution by treating, pretreating, stabilizing, isolating, collecting, holding, controlling, measuring, or disposing of waste contaminants; or (2) Part of an agricultural or industrial facility and required to comply with local, state, or federal environmental quality laws, rules, regulations, or standards.

Exemption Criteria:

The exemption under this subsection applies only to that portion of the valuation of property attributable to the pollution abatement improvement on which construction or installation was commenced after December 31, 1992, and does not apply to the valuation of any property that is not a necessary component of the pollution abatement improvement. The governing body of the city, for property within city limits, or the governing board of the county, for property outside city limits, shall determine whether the property proposed for exemption is a pollution abatement improvement and may grant an exemption for the pollution abatement improvement based upon the requirements of this subsection.

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$450

**PEMBINA COUNTY**

Notes to the Financial Statements – Continued

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**Commercial and Residential:**

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

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

**2016 Reduction in Taxes – Other Entities:**

Total program reduction in taxes – \$1,457

**NOTE 25: PRIOR PERIOD ADJUSTMENTS**

**Component Unit – Pembina County Water Resource District:**

A prior period adjustment was necessary to the beginning balance of the Water Resource District for construction in progress.

<b>Governmental Activities - WRD</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 13,151,577
<b>Adjustments to restate the January 1, 2016 Net Position:</b>	
Capital Assets - Cost - CIP	90,746
Net Position January 1, as restated	\$ 13,242,323

A prior period adjustment was necessary to the beginning balance of the Job Development Authority to restate a loan receivable balance.

<b>Governmental Activities - JDA</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 597,122
<b>Adjustments to restate the January 1, 2016 Net Position:</b>	
Loans Receivable	10,985
Net Position January 1, as restated	\$ 608,107

PEMBINA COUNTY  
Cavalier, North Dakota

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,331,921	\$ 2,331,921	\$ 2,276,844	\$ (55,077)
Intergovernmental	934,889	934,889	874,927	(59,962)
Charges for Services	398,835	398,835	398,868	33
Licenses, Permits and Fees	4,050	4,050	2,960	(1,090)
Interest Income	-	-	22,971	22,971
Miscellaneous	281,860	281,860	209,620	(72,240)
<b>Total Revenues</b>	<b>\$ 3,951,555</b>	<b>\$ 3,951,555</b>	<b>\$ 3,786,190</b>	<b>\$ (165,365)</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,944,384	\$ 3,029,393	\$ 2,786,537	\$ 242,856
Public Safety	1,309,218	1,327,883	1,111,825	216,058
Health and Welfare	221,332	227,313	226,522	791
Economic Development	15,000	15,000	17,703	(2,703)
<b>Total Expenditures</b>	<b>\$ 4,489,934</b>	<b>\$ 4,599,589</b>	<b>\$ 4,142,587</b>	<b>\$ 457,002</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (538,379)</b>	<b>\$ (648,034)</b>	<b>\$ (356,397)</b>	<b>\$ 291,637</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 5,371	\$ 5,371
<b>Net Change in Fund Balances</b>	<b>\$ (538,379)</b>	<b>\$ (648,034)</b>	<b>\$ (351,026)</b>	<b>\$ 297,008</b>
<b>Fund Balances - January 1</b>	<b>\$ 1,423,187</b>	<b>\$ 1,423,187</b>	<b>\$ 1,423,187</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 884,808</b>	<b>\$ 775,153</b>	<b>\$ 1,072,161</b>	<b>\$ 297,008</b>

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

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PEMBINA COUNTY  
Cavalier, North Dakota

BUDGETARY COMPARISON SCHEDULE  
HIGHWAY FUNDS  
For the Year Ended December 31, 2016

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	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 6,180,000	\$ 6,180,000	\$ 5,610,929	\$ (569,071)
Charges for Services	73,000	73,000	194,542	121,542
Miscellaneous	150,000	150,000	19,869	(130,131)
Total Revenues	<u>\$ 6,403,000</u>	<u>\$ 6,403,000</u>	<u>\$ 5,825,340</u>	<u>\$ (577,660)</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 6,760,100</u>	<u>\$ 6,760,100</u>	<u>\$ 6,372,265</u>	<u>\$ 387,835</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (357,100)</u>	<u>\$ (357,100)</u>	<u>\$ (546,925)</u>	<u>\$ (189,825)</u>
Fund Balances - January 1	<u>\$ 2,040,872</u>	<u>\$ 2,040,872</u>	<u>\$ 2,040,872</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 1,683,772</u>	<u>\$ 1,683,772</u>	<u>\$ 1,493,947</u>	<u>\$ (189,825)</u>

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

PEMBINA COUNTY  
Cavalier, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COUNTY ROAD FUND  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 750	\$ 750	\$ 72,126	\$ 71,376
Intergovernmental	60,500	60,500	45,185	(15,315)
Total Revenues	<u>\$ 61,250</u>	<u>\$ 61,250</u>	<u>\$ 117,311</u>	<u>\$ 56,061</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 975,500	\$ 975,500	\$ 568,399	\$ 407,101
Debt Service:				
Principal	117,000	117,000	119,000	(2,000)
Interest and Fiscal Charges		-	397	(397)
Total Expenditures	<u>\$ 1,092,500</u>	<u>\$ 1,092,500</u>	<u>\$ 687,796</u>	<u>\$ 404,704</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,031,250)</u>	<u>\$ (1,031,250)</u>	<u>\$ (570,485)</u>	<u>\$ 460,765</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 719,880	\$ 719,880
Net Change in Fund Balances	<u>\$ (1,031,250)</u>	<u>\$ (1,031,250)</u>	<u>\$ 149,395</u>	<u>\$ 1,180,645</u>
Fund Balances - January 1	<u>\$ 787,194</u>	<u>\$ 787,194</u>	<u>\$ 787,194</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ (244,056)</u>	<u>\$ (244,056)</u>	<u>\$ 936,589</u>	<u>\$ 1,180,645</u>

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

PEMBINA COUNTY  
Cavalier, North Dakota

BUDGETARY COMPARISON SCHEDULE  
WEED CONTROL FUND  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 1,217	\$ 1,217
Intergovernmental	16,250	16,250	17,790	1,540
<b>Total Revenues</b>	<b>\$ 16,250</b>	<b>\$ 16,250</b>	<b>\$ 19,007</b>	<b>\$ 2,757</b>
<u>Expenditures:</u>				
Current:				
Conserv. of Natural Resources	\$ 180,930	\$ 180,930	\$ 153,590	\$ 27,340
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (164,680)</b>	<b>\$ (164,680)</b>	<b>\$ (134,583)</b>	<b>\$ 30,097</b>
Fund Balances - January 1	\$ 81,634	\$ 81,634	\$ 81,634	\$ -
Fund Balances - December 31	\$ (83,046)	\$ (83,046)	\$ (52,949)	\$ 30,097

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

PEMBINA COUNTY  
Cavalier, North Dakota

BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES FUND  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 878,577	\$ 878,577	\$ 853,237	\$ (25,340)
Intergovernmental	273,500	273,500	208,361	(65,139)
Charges for Services	86,086	86,086	87,809	1,723
Miscellaneous	700	700	603	(97)
Total Revenues	<u>\$ 1,238,863</u>	<u>\$ 1,238,863</u>	<u>\$ 1,150,010</u>	<u>\$ (88,853)</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	<u>\$ 1,218,490</u>	<u>\$ 1,218,490</u>	<u>\$ 1,124,141</u>	<u>\$ 94,349</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 20,373</u>	<u>\$ 20,373</u>	<u>\$ 25,869</u>	<u>\$ 5,496</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 968,204	\$ 968,204	\$ 883,000	\$ (85,204)
Transfers Out	(968,204)	(968,204)	(883,000)	85,204
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 20,373</u>	<u>\$ 20,373</u>	<u>\$ 25,869</u>	<u>\$ 5,496</u>
Fund Balances - January 1	<u>\$ 29,676</u>	<u>\$ 29,676</u>	<u>\$ 29,676</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 50,049</u></u>	<u><u>\$ 50,049</u></u>	<u><u>\$ 55,545</u></u>	<u><u>\$ 5,496</u></u>

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

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PEMBINA COUNTY  
Cavalier, North Dakota

BUDGETARY COMPARISON SCHEDULE  
FLOOD EMERGENCY FUND  
For the Year Ended December 31, 2016

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	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 9,436	\$ (140,564)
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ 150,000	\$ 150,000	\$ 18,569	\$ 131,431
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ (9,133)	\$ (9,133)
Fund Balances - January 1	\$ 9,133	\$ 9,133	\$ 9,133	\$ -
Fund Balances - December 31	\$ 9,133	\$ 9,133	\$ -	\$ (9,133)

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



PEMBINA COUNTY  
Cavalier, North Dakota

PENSION SCHEDULES  
For the Year Ended December 31, 2016

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

	2016	2015	2014
District's proportion of the net pension liability (asset)	0.274254%	0.283079%	0.285209%
District's proportionate share of the net pension liability (asset)	\$ 2,672,875	\$ 1,924,887	\$ 1,810,282
District's covered-employee payroll	\$ 2,763,836	\$ 2,521,884	\$ 2,402,548
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

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

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

	2016	2015	2014
Statutorily required contribution	\$ 196,785	\$ 179,558	\$ 171,061
Contributions in relation to the statutorily required contribution	\$ (196,785)	\$ (179,558)	\$ (171,061)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,763,836	\$ 2,521,884	\$ 2,402,548
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%

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

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PEMBINA COUNTY  
Cavalier, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2016

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

Budgetary Information:

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

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

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

**PEMBINA COUNTY**

Notes to the Required Supplementary Information – Continued

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**NOTE 3: LEGAL COMPLIANCE - BUDGETS**

BUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2016 as follows:

	<b>EXPENDITURES</b>		
	<b>Original Budget</b>	<b>Budget Amendment</b>	<b>Amended Budget</b>
<b>Major Funds:</b>			
General Fund	\$ 4,489,934	\$ 109,655	\$ 4,599,589
<b>Nonmajor Funds:</b>			
Hazardous Chemicals	2,300	2,056	4,356
Victim Witness	56,239	5,403	61,642
Homeland Security	5,000	2,166	7,166
County Agent Trust	-	16,709	16,709
Emergency	-	3,441	3,441
Nurse Trust	300	64	364

PEMBINA COUNTY  
Cavalier, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-16
<b>Major Funds:</b>							
<b>General Fund</b>							
General Fund	\$ 894,079.41	\$ 3,579,987.88	\$ 5,370.57	\$ -	\$ -	\$ 3,743,267.50	\$ 736,170.36
General Fund Reserve & Bldg Imp	274,254.69	309,493.83	-	-	-	386,838.91	196,909.61
<b>Total General Fund</b>	<b>\$ 1,168,334.10</b>	<b>\$ 3,889,481.71</b>	<b>\$ 5,370.57</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,130,106.41</b>	<b>\$ 933,079.97</b>
<b>Special Revenue Funds:</b>							
Highway Funds	\$ 2,065,918.87	\$ 6,089,895.59	\$ -	\$ -	\$ -	\$ 6,437,305.61	\$ 1,718,508.85
Road & Br/F-M/Co Loan	794,168.26	119,747.19	719,880.33	-	-	692,528.34	941,267.44
Weed Control	68,347.46	32,071.48	-	-	-	153,589.52	(53,170.58)
Social Services	-	1,176,021.49	883,000.00	-	883,000.00	1,135,686.37	40,335.12
Flood Emergency Fund	76,485.04	24,951.76	-	-	-	18,568.82	82,867.98
<b>Total Major Special Revenue Funds</b>	<b>\$ 3,004,919.63</b>	<b>\$ 7,442,687.51</b>	<b>\$ 1,602,880.33</b>	<b>\$ -</b>	<b>\$ 883,000.00</b>	<b>\$ 8,437,678.66</b>	<b>\$ 2,729,808.81</b>
<b>Total Major Funds</b>	<b>\$ 4,173,253.73</b>	<b>\$ 11,332,169.22</b>	<b>\$ 1,608,250.90</b>	<b>\$ -</b>	<b>\$ 883,000.00</b>	<b>\$ 12,567,785.07</b>	<b>\$ 3,662,888.78</b>
<b>Nonmajor Funds:</b>							
County Road & Bridge	\$ -	\$ 716,637.41	\$ -	\$ -	\$ 716,637.41	\$ -	\$ -
Comprehensive Health Fund	-	1,008.81	-	-	1,008.81	-	-
County Loan Fund (Debt Service)	-	590.04	-	-	590.04	-	-
WIC	(3,337.53)	39,033.81	-	-	77.09	38,779.36	(3,160.17)
Emergency	375,459.98	1,169.67	-	-	-	3,441.48	373,188.17
County Agent	10,430.25	82,062.72	50.00	-	-	106,770.59	(14,227.62)
Veteran's Service	20,730.74	35,221.30	-	-	50.00	44,118.31	11,783.73
OASIS & Social Security	-	1,939.24	-	-	1,939.24	-	-
Technology/OASIS	-	649.47	-	-	649.47	-	-
Health OASIS	-	439.52	-	-	439.52	-	-
Farm to Market Road	-	2,652.88	-	-	2,652.88	-	-
Advertising	-	45.71	-	-	45.71	-	-
Insurance Reserve	-	330.90	-	-	330.90	-	-
Correctional Center Levy	-	879.83	-	-	879.83	-	-
Sheriff Special Trust	15,736.76	21,157.50	-	-	-	1,007.92	35,886.34
Document Preservation	25,787.83	9,792.50	-	-	-	3,450.47	32,129.86
County Agent Special Trust	9,168.84	18,502.85	-	-	-	16,708.66	10,963.03
County Nurse Special Trust	60.00	3,421.16	-	-	-	364.00	3,117.16
Hazardous Chem. Preparedness	18,887.13	2,212.50	-	-	-	4,355.96	16,743.67
Victim Witness	44,970.99	45,564.11	-	-	-	61,641.52	28,893.58
Asset Forfeiture Account	5,749.98	-	-	-	-	-	5,749.98
Tobacco Funds	26,358.93	64,356.72	-	-	-	60,331.30	30,384.35
Homeland Security Funds	(1,613.14)	7,930.96	-	-	-	7,165.82	(848.00)
<b>Total Nonmajor Funds</b>	<b>\$ 548,390.76</b>	<b>\$ 1,055,599.61</b>	<b>\$ 50.00</b>	<b>\$ -</b>	<b>\$ 725,300.90</b>	<b>\$ 348,135.39</b>	<b>\$ 530,604.08</b>
<b>Total Governmental Funds</b>	<b>\$ 4,721,644.49</b>	<b>\$ 12,387,768.83</b>	<b>\$ 1,608,300.90</b>	<b>\$ -</b>	<b>\$ 1,608,300.90</b>	<b>\$ 12,915,920.46</b>	<b>\$ 4,193,492.86</b>
<b>Agency Funds:</b>							
State Funds	\$ 486.39	\$ 62,178.02	\$ -	\$ -	\$ -	\$ 62,045.10	\$ 619.31
Township Road Fund	-	397,105.98	-	-	-	397,105.98	-
Park River Jt Water Dist	49.01	58,366.27	-	-	-	58,215.69	199.59
County Library	81.98	65,282.23	-	-	-	65,161.46	202.75
County Fair	0.00	340.23	-	-	-	340.23	-
Pembina County Water Resource	263.09	213,364.95	-	-	-	212,981.56	646.48
Historical Society Fund	12.51	15,570.08	-	-	-	15,540.25	42.34
Senior Citizen Fund w/ Faith In Action	142.80	171,531.82	-	-	-	171,306.00	368.62
Pembina Co Emergency Med Serve	356.77	308,719.51	-	-	-	308,154.73	921.55
Red River Water Resource	142.69	118,009.54	-	-	-	117,783.58	368.65
Airport	228.84	84,291.39	-	-	-	84,167.21	353.02
Pembina Co Soil Conservation Dist.	106.73	79,154.73	-	-	-	79,006.13	255.33
Investment Interest	17,673.47	16,732.92	-	-	-	22,970.76	11,435.63
Restitution Special Trust	1,726.77	290.00	-	-	-	250.00	1,766.77
State's Attorney Trust Fund	1,715.83	250.00	-	-	-	-	1,965.83

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PEMBINA COUNTY  
Cavalier, 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	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-16
<u>Agency Funds (Continued):</u>							
Game and Fish Fund	\$ 2,139.80	\$ 20,931.50	\$ -	\$ -	\$ -	\$ 21,844.50	\$ 1,226.80
Advance Tax Fund	10.28	15,684.94	-	-	-	15,687.48	7.74
Protest Fund	8,446.89	136.69	-	-	-	8,583.58	-
Township Funds	1,025.33	1,098,672.72	-	-	-	1,096,892.40	2,805.65
Fire District Funds	259.94	122,935.25	-	-	-	122,855.69	339.50
City Funds	14,304.12	1,817,550.06	-	-	-	1,817,467.59	14,386.59
School Funds	7,970.49	5,085,366.98	-	-	-	5,075,185.56	18,151.91
Drain Funds	2,715.47	1,249,717.43	-	-	-	1,250,361.88	2,071.02
Flex Spending Account	4,091.12	21,533.26	-	-	-	20,599.47	5,024.91
Prepaid Taxes	3,574,472.93	3,356,190.82	-	-	-	3,574,472.93	3,356,190.82
<b>Total Agency Funds</b>	<b>\$ 3,638,423.25</b>	<b>\$ 14,379,907.32</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,598,979.76</b>	<b>\$ 3,419,350.81</b>
<b>Total Primary Government</b>	<b>\$ 8,360,067.74</b>	<b>\$ 26,767,676.15</b>	<b>\$ 1,608,300.90</b>	<b>\$ -</b>	<b>\$ 1,608,300.90</b>	<b>\$ 27,514,900.22</b>	<b>\$ 7,612,843.67</b>
<b>Job Development Authority</b>	<b>\$ 356,672.60</b>	<b>\$ 146,674.06</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 194,880.84</b>	<b>\$ 308,465.82</b>
<b>Total Reporting Entity</b>	<b>\$ 8,716,740.34</b>	<b>\$ 26,914,350.21</b>	<b>\$ 1,608,300.90</b>	<b>\$ -</b>	<b>\$ 1,608,300.90</b>	<b>\$ 27,709,781.06</b>	<b>\$ 7,921,309.49</b>

**STATE AUDITOR**

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

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

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Independent Auditor's Report

Board of County Commissioners  
Pembina County  
Cavalier, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pembina County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Pembina County's basic financial statements, and have issued our report thereon dated June 26, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**PEMBINA COUNTY**

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

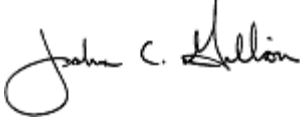
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**Compliance and Other Matters**

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

**Purpose of this Report**

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



Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
June 26, 2017





**STATE AUDITOR**

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Board of County Commissioners  
Pembina County  
Cavalier, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Pembina County, Cavalier, North Dakota, for the year ended December 31, 2016 which collectively comprise the County’s basic financial statements, and have issued our report thereon dated June 26, 2017. Professional standards require that we provide you with the following information related to our audit.

**OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND GOVERNMENT AUDITING STANDARDS**

As stated in our engagement letter dated May 23, 2017, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Pembina County’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Pembina County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

**SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Pembina County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

**CORRECTED AND UNCORRECTED MISSTATEMENTS**

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

<b>AUDIT ADJUSTMENTS - COUNTY</b>		
Intergovernmental Rec'v	246,503	
Accounts Receivable	51,700	
Revenue		298,203
Revenue	329,273	
Unearned Revenue		329,273
Expenditures	110,900	
Accounts Payable		99,892
Salaries Payable		11,008

<b>AUDIT ADJUSTMENTS - WRD</b>		
Intergovernmental Rec'v	1,773	
Revenue		1,773
Expenditures	771,587	
Accounts Payable		128,863
Salaries Payable		4,342
Warrants		638,382

<b>AUDIT ADJUSTMENTS - JDA</b>		
Intergovernmental Rec'v	1,773	
Revenue		1,773
Loan Payment Received	951	
Loans Receivable		951

**DISAGREEMENTS WITH MANAGEMENT**

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

**MANAGEMENT REPRESENTATIONS**

We have requested certain representations from management that are included in the management representation letter dated June 26, 2017.

**MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

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

**DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

**OTHER AUDIT FINDINGS OR ISSUES**

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

The following presents our informal recommendations:

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**IMPROPER USE OF PUBLIC FUNDS - COUNTY**

At the December 28, 2016 board of commissioners meeting, it was noted the board of commissioners approved to present gift cards to all employees in appreciation of their work for Pembina County. The client is not in compliance with ND Constitution Article X, Section 18, and improperly spent public funds for the benefit of employees. ND Constitution - Article X, Section 18 indicates that public funds should not be used for the aid of any individual. The state, any county or city may make internal improvements and may engage in any industry, enterprise or business, not prohibited by article XX of the constitution, but neither the state nor any political subdivision thereof shall otherwise loan or give its credit or make donations to or in aid of any individual, association or corporation except for reasonable support of the poor, nor subscribe to or become the owner of capital stock in any association or corporation.

We recommend Pembina County not use public funds to benefit any individual other than for the intended purpose of the park district. The intended purpose of the park district should not include paying for gift cards for employees.

**LACK OF SEGREGATION OF DUTIES –  
WATER RESOURCE DISTRICT**

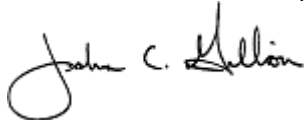
The Pembina County Water Resource District (Component Unit of Pembina County) has minimal staff responsible for all duties performed by each entity. The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the entities financial condition, whether due to error or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

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

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

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



Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
June 26, 2017

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