



Ransom County

Lisbon, North Dakota

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

RANSOM COUNTY

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RANSOM COUNTY

County Officials and Audit Personnel
December 31, 2017

COUNTY OFFICIALS

Connie Gilbert	Chairman
Steve Dick	Vice-Chairman
Norm Hansen	Commissioner
George Bunn	Commissioner
Neil Olerud	Commissioner
Nicole Gentzkow	County Auditor
Suzanne Anderson	County Treasurer
Suzanne Anderson	Superintendent of Schools
Susan Froemke	Recorder's Office
Bea Roach	Clerk of Court
Darren Benneweis	Sheriff
Fallon Kelly	State's Attorney

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Jonathan Worrall, CPA	Audit In-Charge

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone (701) 239-7250

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

INDEPENDENT AUDITOR’S REPORT

Board of County Commissioners
Ransom County
Lisbon, 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 Ransom County, Lisbon, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Ransom County, Lisbon, North Dakota, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 14 to the financial statements, Ransom County adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information* on pages 28-32 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.

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.

Other Information

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

The *schedule of fund activity - cash basis* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 - cash basis* 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 January 31, 2019 on our consideration of Ransom 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 Ransom County's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 31, 2019

RANSOM COUNTY
Statement of Net Position
December 31, 2017

	Primary	Component Units	
	Government	Water	RC - MR Water
	Governmental	Resource	Resource
	Activities	District	District
ASSETS			
Cash and Investments	\$ 6,255,704	\$ 501,597	\$ 17,562
Accounts Receivable	244,126	-	-
Intergovernmental Receivable	30,859	-	-
Road Accounts Receivable	14,943	-	-
Other Receivable	-	1,782	-
Taxes Receivable	46,278	3,513	-
Loan Receivable	-	21,960	-
Capital Assets, Net	13,001,853	203,222	-
Total Assets	\$ 19,593,763	\$ 732,074	\$ 17,562
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 1,131,914	\$ -	\$ -
LIABILITIES			
Accounts Payable	\$ 69,135	\$ -	\$ -
Salary and Benefits Payable	37,350	975	-
Taxes Received in Advance	570,654	-	-
Grants Received in Advance	111,687	-	-
Retainage Payable	19,172	-	-
Interest Payable	10,167	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	203,274	-	-
Compensated Absences Payable	61,732	-	-
Due After One Year			
Long-Term Debt	2,724,414	-	7,960
Compensated Absences Payable	26,457	-	-
Net Pension Liability	2,530,675	-	-
Total Liabilities	\$ 6,364,717	\$ 975	\$ 7,960
DEFERRED INFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 94,964	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 10,112,540	\$ 203,222	\$ -
Restricted			
Public Safety	220,261	-	-
Highways and Bridges	2,619,851	-	-
Health and Welfare	155,821	-	-
Culture and Recreation	2,167	-	-
Conservation of Natural Resources	78,734	505,917	9,602
Emergencies	175,922	-	-
Loans	-	21,960	-
Unrestricted	900,700	-	-
Total Net Position	\$ 14,265,996	\$ 731,099	\$ 9,602

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

RANSOM COUNTY

Statement of Activities

For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Primary Government	Component Units	
				Governmental Activities	Water Resource District	RC - Maple River Water Resource District
Primary Government						
General Government	\$ 1,836,938	\$ 222,999	\$ 96,888	\$ (1,517,051)		
Public Safety	596,538	277,612	39,119	(279,807)		
Highways and Bridges	378,071	(16,860)	1,343,957	949,026		
Flood Repair	109,979	-	220,067	110,088		
Health and Welfare	981,140	343,642	85,402	(552,096)		
Culture and Recreation	135,737	-	-	(135,737)		
Conservation of Natural Resources	218,582	-	-	(218,582)		
Emergency	5,093	-	19,727	14,634		
Interest on Long-Term Debt	83,412	-	-	(83,412)		
Total Governmental Activities	\$ 4,345,490	\$ 827,393	\$ 1,805,160	\$ (1,712,937)		
Component Units						
Ransom County WRD	\$ 148,014	\$ 62,250	\$ 28,776		\$ (56,988)	\$ -
Ransom County - Maple River WRD	-	-	-		-	-
Total Component Units	\$ 148,014	\$ 62,250	\$ 28,776		\$ (56,988)	\$ -
General Revenues						
Property Taxes						
Levied for General Purposes				\$ 1,873,513	\$ 145,633	\$ -
Levied for Special Purposes				657,992	25,810	11,156
Non Restricted Grants and Contributions				540,951	-	-
Unrestricted Investment Earnings				32,181	72	67
Miscellaneous Revenue				172,736	917	-
Total General Revenues				\$ 3,277,373	\$ 172,432	\$ 11,223
Change in Net Position				\$ 1,564,436	\$ 115,444	\$ 11,223
Net Position - January 1				\$ 12,814,290	\$ 613,928	\$ (1,621)
Prior Period Adjustment				(112,730)	1,727	-
Net Position - January 1, as restated				\$ 12,701,560	\$ 615,655	\$ (1,621)
Net Position - December 31				\$ 14,265,996	\$ 731,099	\$ 9,602

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

RANSOM COUNTY

Balance Sheet – Governmental Funds

December 31, 2017

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,770,529	\$ 4,420,532	\$ 64,643	\$ 6,255,704
Intergovernmental Receivable	149,660	94,466	-	244,126
Accounts Receivable	18,680	12,179	-	30,859
Road Receivables	-	14,943	-	14,943
Taxes Receivable	28,259	13,066	4,953	46,278
Total Assets	\$ 1,967,128	\$ 4,555,186	\$ 69,596	\$ 6,591,910
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 35,462	\$ 33,673	\$ -	\$ 69,135
Salaries Payable	6,052	31,298	-	37,350
Taxes Received in Advance	347,532	164,394	58,728	570,654
Grants Received in Advance	-	111,687	-	111,687
Total Liabilities	\$ 389,046	\$ 341,052	\$ 58,728	\$ 788,826
Deferred Inflows of Resources				
Road Receivables	\$ -	\$ 14,943	\$ -	\$ 14,943
Taxes Receivable	28,259	13,066	4,953	46,278
Total Deferred Inflows of Resources	\$ 28,259	\$ 28,009	\$ 4,953	\$ 61,221
Total Liabilities and Deferred Inflows of Resources	\$ 417,305	\$ 369,061	\$ 63,681	\$ 850,047
Fund Balances				
Restricted				
Debt Service	\$ -	\$ -	\$ 5,915	\$ 5,915
Public Safety	-	416,995	-	416,995
Highways and Bridges	-	2,117,087	-	2,117,087
Health and Welfare	-	616,840	-	616,840
Conservation of Natural Resources	-	104,538	-	104,538
Emergency	-	206,773	-	206,773
Committed for				
Highways and Bridges	-	778,191	-	778,191
Unassigned	1,549,823	(54,299)	-	1,495,524
Total Fund Balances	\$ 1,549,823	\$ 4,186,125	\$ 5,915	\$ 5,741,863
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,967,128	\$ 4,555,186	\$ 69,596	\$ 6,591,910

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

RANSOM COUNTY

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

Total Fund Balances - Governmental Funds \$ 5,741,863

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	\$ 16,364,916	
Less accumulated depreciation	<u>(3,363,063)</u>	13,001,853

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

Property taxes receivable	\$ 46,278	
Road department receivables	<u>14,943</u>	61,221

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

Deferred outflows related to pensions & OPEB	\$ 1,131,914	
Deferred inflows related to pensions & OPEB	<u>(94,964)</u>	1,036,950

Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long term are reported in the statement of net position.

Long-term debt	\$ (2,927,688)	
Interest payable	(10,167)	
Retainage payable	(19,172)	
Compensated absences payable	(88,189)	
Net pension and OPEB liability	<u>(2,530,675)</u>	<u>(5,575,891)</u>

Total Net Position of Governmental Activities \$ 14,265,996

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

RANSOM COUNTY

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

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,592,051	\$ 663,579	\$ 269,821	\$ 2,525,451
Intergovernmental	650,455	1,695,656	-	2,346,111
Charges for Services	408,517	432,665	-	841,182
Licenses, Permits and Fees	3,970	-	-	3,970
Interest Income	32,181	-	-	32,181
Miscellaneous	73,705	99,031	-	172,736
Total Revenues	\$ 2,760,879	\$ 2,890,931	\$ 269,821	\$ 5,921,631
EXPENDITURES				
Current				
General Government	\$ 1,738,376	\$ -	\$ -	\$ 1,738,376
Public Safety	481,947	56,117	-	538,064
Highways and Bridges	-	1,704,792	-	1,704,792
Flood Repair	-	109,979	-	109,979
Health and Welfare	262,241	646,710	-	908,951
Culture and Recreation	131,001	-	-	131,001
Conserv. of Natural Resources	-	215,771	-	215,771
Debt Service				
Principal	-	17,790	180,000	197,790
Interest & Fees	-	8,040	80,812	88,852
Total Expenditures	\$ 2,613,565	\$ 2,759,199	\$ 260,812	\$ 5,633,576
Excess (Deficiency) of Revenues Over Expenditures	\$ 147,314	\$ 131,732	\$ 9,009	\$ 288,055
Fund Balances - January 1	\$ 1,402,509	\$ 4,054,393	\$ (3,094)	\$ 5,453,808
Fund Balances - December 31	<u>\$ 1,549,823</u>	<u>\$ 4,186,125</u>	<u>\$ 5,915</u>	<u>\$ 5,741,863</u>

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

RANSOM COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 288,055

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.

Current year capital outlay	\$ 1,249,096	
Current year depreciation expense	<u>(312,210)</u>	936,886

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement 197,790

Bond premium amortization is a reduction to interest expense as it is amortized over the life of the outstanding bonds using the straight-line method.

Premium amortization		4,796
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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.

Net change in interest payable	\$ 644	
Net change in retainage payable	379,253	
Net change in compensated absences	<u>15,296</u>	395,193

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

Net change in taxes receivable	\$ 6,054	
Net change in road accounts receivable	<u>(17,760)</u>	(11,706)

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

Net change in net pension and OPEB liability	\$ (977,129)	
Net change in deferred outflows of resources	712,451	
Net change in deferred inflows of resources	<u>18,100</u>	<u>(246,578)</u>

Change in Net Position of Governmental Activities \$ 1,564,436

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

RANSOM COUNTY

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

ASSETS

Cash and Cash Equivalents \$ 1,263,170

LIABILITIES

Due to Other Governments \$ 1,263,170

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

RANSOM COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Based on these criteria, there are two discretely presented component units to be included within the County as a reporting entity and one blended component unit as outlined below.

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.

Blended Component Unit - Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Ransom County Public Health Unit - The activities of the Ransom County Public Health Unit have been blended in the activities of the general fund as the health unit only serves the County. The Public Health Unit does not have the right to sue in its own name without recourse to the County. Therefore it is reported as if it were part of the County's operations.

Discretely Presented Component Units - The component unit columns in the basic financial statements includes the financial data of the County's two discretely presented component units. These units are reported in separate columns to emphasize that it is legally separate from the County.

Ransom County Water Resource District - The County's governing board appoints a voting majority of the members of the Ransom County Water Resource District Board ("Water Resource District"). The County has the authority to approve or modify the Water Resource District operational and capital budgets. The County also must approve the tax levy established by the Water Resource District. Complete financial statements of the individual component unit can be obtained from the Secretary-Treasurer, Ransom County Water Resource District, Box 388, Lisbon, ND, 58054.

Ransom County-Maple River Water Resource District - The County's governing board appoints a voting majority of the members of the Ransom County-Maple River Water Resource District Board ("RC-MR Water Resource District"). The County has the authority to approve or modify the Water Resource District operational and capital budgets. The County also must approve the tax levy or drain assessments established by the Water Resource District. Complete financial statements of the individual component unit can be obtained from the Secretary-Treasurer, Ransom County Water Resource District, Box 388, Lisbon, ND, 58054.

RANSOM COUNTY

Notes to the Financial Statements – Continued

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, the 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 non-exchange 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 and blended component unit. 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 non-major 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.

Special Revenue Fund. This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/Federal grants/reimbursements.

The County reports the following fund type:

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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.

RANSOM COUNTY

Notes to the Financial Statements – Continued

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

D. Cash, 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.

The investments of the County during the year ended December 31, 2017 consist of certificates of deposit stated at fair value.

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, 2006 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, 2006 as a Phase III GASB 34 implementation entity. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

Assets	Years
Buildings	50
Improvements other than Buildings	25
Machinery and Equipment	15
Vehicles	5
Office Equipment	3
Infrastructure	25

Discretely Presented Component Units

Capital assets of the Water Resource District, a discretely presented component unit of the County, include property and equipment. 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.

Capital assets of the Water Resource District are depreciated using the straight-line method over the following estimated useful lives

Assets	Years
Other Building Improvements	30
Equipment and Vehicles	3-10

RANSOM COUNTY

Notes to the Financial Statements – Continued

F. Compensated Absences

Vacation leave is earned by County employees at the rate of 8 hours to 16 hours per month/prorated for part-time benefitted employees depending on years of service. Up to 240 hours of vacation leave may be carried over at each year-end by all County employees. Sick leave benefits are earned by all benefitted employees at the rate of one day per month/prorated for part-time benefitted employees regardless of the years of service. An unlimited number of sick leave hours may be carried over and employees are not paid for sick leave upon termination of employment. Vested or accumulated vacation leave is reported in government-wide statement of net position and the change in compensated absences is reported by expense function in the statement of activities.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, when significant, are amortized over the life of the bonds. Bond premiums and discounts when not significant are recognized in the year of issuance. Bond issuance costs are recognized in the current period in accordance with current standards.

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

H. Pension

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

I. Other Post-Employment Benefits (OPEB)

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

J. Fund Balances

Minimum Fund Balance Policy. The County budget committee established a 10-15% general fund carryover balance target to help with financial stability. The 10-15% fund balance range is a part of the budget recommendation adopted by the County each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$1,549,823 at December 31, 2017 represented 28% of annual 2017 expenditures.

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

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

RANSOM COUNTY

Notes to the Financial Statements – Continued

K. Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending. Restrictions of net position in the statement of net position is shown by primary function. Restrictions of net position shown in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for negative funds.

L. Interfund Transactions

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

All other inter-fund transactions, except reimbursements, are reported as transfers.

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

NOTE 2: DEPOSITS

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

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

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

At year ended December 31, 2016 the County’s carrying amount of deposits was \$7,518,756, and bank balances totaled \$7,061,994. Of the bank balances, \$1,240,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

The Water Resource District’s carrying amount of deposits was \$501,597 and the bank balances were \$513,826. Of the bank balances, \$383,175 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

The Ransom County-Maple River Water Resource District’s carrying amount of deposits and bank balances were \$17,562 all of which was covered entirely by Federal Depository Insurance.

RANSOM COUNTY

Notes to the Financial Statements – Continued

Credit Risk. The County and its component units may invest idle funds as authorized in North Dakota Statutes, as follows:

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

As of December 31, 2017, the County had certificates of deposit totaling \$3,211,110 and the County Water Resource District held \$121,935, which are all considered deposits.

Interest Rate Risk. The County and its component units do not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk. The County and its component units do not have a limit on the amount they may invest in any one issuer.

NOTE 3: TAXES RECEIVABLE

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.

NOTE 4: CAPITAL ASSETS

Primary Government

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

Primary Government	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated					
Land	\$ 12,101	\$ -	\$ -	\$ -	\$ 12,101
Construction in Progress	7,749,226	1,198,730	-	(4,763,743)	4,184,213
Total Capital Assest not being depreciated	\$ 7,761,327	\$ 1,198,730	\$ -	\$ (4,763,743)	\$ 4,196,314
Capital assets, being depreciated					
Buildings	\$ 2,401,523	\$ -	\$ -	\$ -	\$ 2,401,523
Equipment & Vehicles	2,608,790	50,367	-	-	2,659,157
Infrastructure	2,344,179	-	-	4,763,743	7,107,922
Total Capital Assets, Being Depreciated	\$ 7,354,492	\$ 50,367	\$ -	\$ 4,763,743	\$ 12,168,602
Less accumulated depreciation					
Buildings	\$ 741,805	\$ 43,368	\$ -	\$ -	\$ 785,173
Equipment & Vehicles	1,552,615	159,197	-	-	1,711,812
Infrastructure	756,433	109,645	-	-	866,078
Total Accumulated Depreciation	\$ 3,050,853	\$ 312,210	\$ -	\$ -	\$ 3,363,063
Total Capital Assets Being Depreciated, Net	\$ 4,303,639	\$ (261,843)	\$ -	\$ 4,763,743	\$ 8,805,539
Total Capital Assets, Net	\$ 12,064,966	\$ 936,887	\$ -	\$ -	\$ 13,001,853

RANSOM COUNTY

Notes to the Financial Statements – Continued

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

General Government	\$ 16,500
Public Safety	46,511
Conservation	4,708
Health and Welfare	9,735
Highways	234,756
Total Depreciation Expense	\$ 312,210

Discretely Presented Component Unit

Ransom County Water Resource District

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

Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets, being depreciated					
Buildings	\$ 349,251	\$ -	\$ -	\$ -	\$ 349,251
Equipment & Vehicles	133,995	35,121	-	-	169,116
Total Capital Assets, Being Depreciated	\$ 483,246	\$ 35,121	\$ -	\$ -	\$ 518,367
Less accumulated depreciation					
Buildings	\$ 218,872	\$ 6,110	\$ -	\$ -	\$ 224,982
Equipment & Vehicles	72,990	17,173	-	-	90,163
Total Accumulated Depreciation	\$ 291,862	\$ 23,283	\$ -	\$ -	\$ 315,145
Total Capital Assets Being Depreciated, Net	\$ 191,384	\$ 11,838	\$ -	\$ -	\$ 203,222
Total Capital Assets, Net	\$ 191,384	\$ 11,838	\$ -	\$ -	\$ 203,222

Depreciation expense was charged to conservation of natural resources function.

NOTE 5: LONG-TERM LIABILITIES

Primary Government

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

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
G.O. Bonds Payable	\$ 2,860,000	\$ -	\$ 180,000	\$ 2,680,000	\$ 180,000
Capital Leases Payable	207,931	-	17,790	190,141	18,479
Bond Premium	62,343	-	4,796	57,547	4,795
Total Long-Term Debt	3,130,274	-	202,586	2,927,688	203,274
Compensated Absences *	\$ 103,485	\$ -	\$ 15,296	\$ 88,189	\$ 61,732
Net Pension & OPEB Liability	1,553,546	977,129	-	2,530,675	-
Total Long-Term Liabilities	\$ 4,787,305	\$ 977,129	\$ 217,882	\$ 5,546,552	\$ 265,006

* The change to compensated absences is the net change for the year.

RANSOM COUNTY

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding debt for the primary government, excluding compensated absences are as follows:

Year Ending Dec 31	G.O. Bonds Payable		Leases Payable		Bond Premium
	Principal	Interest	Principal	Interest	
2018	\$ 180,000	\$ 76,087	\$ 18,478	\$ 7,353	\$ 4,796
2019	185,000	72,437	171,663	6,639	4,796
2020	185,000	68,737	-	-	4,796
2021	190,000	64,988	-	-	4,795
2022	195,000	59,188	-	-	4,795
2023-2027	1,045,000	185,831	-	-	23,978
2028-2032	700,000	31,950	-	-	9,591
Total	\$ 2,680,000	\$ 559,218	\$ 190,141	\$ 13,992	\$ 57,547

Discretely Presented Component Unit

Ransom County – Maple River Water Resource District

During the year ended December 31, 2017 the following changes occurred in governmental activities long-term liabilities for Ransom County – Maple River Water Resource District:

RC-MR Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Loans Payable	\$ 7,960	\$ -	\$ -	\$ 7,960	\$ -

NOTE 6: OPERATING LEASES

The County is engaged in four operating leases, two of which are for copiers. Total lease payments were \$49,878 during the year ended December 31, 2017. The County departments are listed along with the piece of equipment that is being leased by that department in the following schedules.

Year Ending Dec 31	Amount
2018	\$ 49,878
2019	65,412
2020	20,000
2021	20,000
Totals	\$ 155,290

NOTE 7: PENSION PLAN

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

RANSOM COUNTY

Notes to the Financial Statements – Continued

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

RANSOM COUNTY

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2017, the County reported a liability of \$2,418,370 for their proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2017, the County’s proportion was .150459 percent, which was an increase of .002622 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$363,931. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 14,375	\$ 11,783
Changes of Assumptions	991,695	54,545
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	32,525	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate share of Contributions	17,828	21,651
Contributions - Employer	55,590	-
Total Deferred Outflows and Inflows of Resources	\$ 1,112,013	\$ 87,979

\$55,590 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

2018	\$ 208,693
2019	253,321
2020	219,577
2021	184,768
2022	102,085

RANSOM COUNTY

Notes to the Financial Statements – Continued

Actuarial assumptions

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

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

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

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

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

Discount rate

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

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

RANSOM COUNTY

Notes to the Financial Statements – Continued

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

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

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

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
County's Proportionate Share of the Net Pension Liability	\$ 3,283,011	\$ 2,418,370	\$ 1,699,024

Pension plan fiduciary net position

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

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

RANSOM COUNTY

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2017, the County reported a liability of \$112,305 for their proportionate shares of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on their share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the County's proportion was .141976 percent.

For the year ended December 31, 2017 the County recognized OPEB expense of \$13,556. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 2,739
Changes of Assumptions	10,877	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	4,246
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate share of Contributions	124	-
Contributions - Employer	8,901	-
Total Deferred Outflows and Inflows of Resources	\$ 19,902	\$ 6,985

\$8,901 reported by the County as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

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

2018	\$ 231
2019	231
2020	231
2021	231
2022	1,293
2023	1,293
Thereafter	506

RANSOM COUNTY

Notes to the Financial Statements – Continued

Actuarial assumptions

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

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

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

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

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

Discount rate

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County’s Proportionate Share of the net OPEB Liability	\$ 140,592	\$ 112,305	\$ 88,058

RANSOM COUNTY

Notes to the Financial Statements – Continued

NOTE 9: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of two million dollars per occurrence for general liability and one million dollars per occurrence for automobile and \$3,195,643 public assets (mobile equipment and portable property).

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$1,750,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 10: JOINT VENTURE

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

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

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

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

NOTE 11: JOINTLY GOVERNED ORGANIZATION

Ransom County and Sargent County participate in the Ransom-Sargent Senior Services, a jointly governed organization that provides services to the senior citizens of both Ransom and Sargent County. Ransom County contributed \$62,551 to the Ransom-Sargent Senior Services for the year 2017.

RANSOM COUNTY

Notes to the Financial Statements – Continued

NOTE 12: CONSTRUCTION COMMITMENTS

As of December 31, 2017, the remaining construction commitments are as follows:

Project	Total Contract with Change Orders	Total Completed	Retainage	Remaining Balance includes Retainages
SC-CNOB-3705(057)	\$ 1,030,697	\$ 958,585	\$ 19,172	\$ 52,940

NOTE 13: TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

At December 31, 2017, the County provided tax abatements to individuals and commercial entities within the County in the form of property tax exemptions under the following criteria.

New and Expanding Business

Under NDCC §40-57.1-03, a municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements used in or necessary to the operation of a project for a period not exceeding five years from the date of commencement of project operations. A municipality may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations.

Public Charity Exemption

Under NDCC §57-02-08(8), buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to NDCC §23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit.

Single Family Residence

Under NDCC §57-02-08(35), 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.

The total reduction in property tax revenue due to tax abatements is as follows:

Program	Reduction in Property Tax Revenue
New and Expanding Business	\$ 6,836
Public Charity Exemption	21,975
Single Family Residence	4,098
Total Reduction in Property Tax Revenue	\$ 32,909

RANSOM COUNTY

Notes to the Financial Statements – Continued

NOTE 14: PRIOR PERIOD ADJUSTMENTS

Primary Government

Net position as of January 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*. The result of implementing GASB 75 reduced beginning net position for the governmental and business-type activities of the County, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

The effect of the prior period adjustments to beginning net position is as follows:

Beginning Net Position, as previously reported	\$ 12,814,290
Adjustments to restate the January 1, 2017 Net Position	
Net OPEB Liability	(112,730)
Net Position January 1, as restated	\$ 12,701,560

Discretely Presented Component Units

Water Resource District

Adjustments were made to the Water Resource District's financial statements to adjust accounts payable, investments, and interest expense.

The effect of the prior period adjustments to beginning net position is as follows:

Beginning Net Position, as previously reported	\$ 613,928
Adjustments to restate the January 1, 2017 Net Position	
Client Prior Period Adjustments	1,727
Net Position January 1, as restated	\$ 615,655

RANSOM COUNTY

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,575,286	\$ 1,575,286	\$ 1,592,051	\$ 16,765
Intergovernmental	630,300	630,300	650,455	20,155
Charges for Services	368,800	368,800	408,517	39,717
Licenses, Permits and Fees	3,650	3,650	3,970	320
Interest Income	15,000	15,000	32,181	17,181
Miscellaneous	46,550	46,550	73,705	27,155
Total Revenues	<u>\$ 2,639,586</u>	<u>\$ 2,639,586</u>	<u>\$ 2,760,879</u>	<u>\$ 121,293</u>
EXPENDITURES				
Current				
General Government	\$ 1,952,017	\$ 1,952,017	\$ 1,738,376	\$ 213,641
Public Safety	556,961	556,961	481,947	75,014
Health and Welfare	280,528	280,528	262,241	18,287
Culture and Recreation	134,480	134,480	131,001	3,479
Total Expenditures	<u>\$ 2,923,986</u>	<u>\$ 2,923,986</u>	<u>\$ 2,613,565</u>	<u>\$ 310,421</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (284,400)</u>	<u>\$ (284,400)</u>	<u>\$ 147,314</u>	<u>\$ 431,714</u>
Net Change in Fund Balances	<u>\$ (284,400)</u>	<u>\$ (284,400)</u>	<u>\$ 147,314</u>	<u>\$ 431,714</u>
Fund Balances - January 1	<u>\$ 1,402,509</u>	<u>\$ 1,402,509</u>	<u>\$ 1,402,509</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 1,118,109</u>	<u>\$ 1,118,109</u>	<u>\$ 1,549,823</u>	<u>\$ 431,714</u>

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

RANSOM COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 662,631	\$ 662,631	\$ 663,579	\$ 948
Intergovernmental	1,531,112	1,531,112	1,695,656	164,544
Charges for Services	399,050	399,050	432,665	33,615
Miscellaneous	16,500	16,500	99,031	82,531
Total Revenues	\$ 2,609,293	\$ 2,609,293	\$ 2,890,931	\$ 281,638
EXPENDITURES				
Current				
Public Safety	\$ 322,950	\$ 322,950	\$ 56,117	\$ 266,833
Highways and Bridges	2,210,992	2,210,992	1,704,792	506,200
Health and Welfare	719,127	719,127	646,710	72,417
Cons. of Natural Resources	230,819	230,819	215,771	15,048
Flood Repair	326,500	326,500	109,979	216,521
Debt service				
Principal	-	-	17,790	(17,790)
Interest	-	-	8,040	(8,040)
Total Expenditures	\$ 3,810,388	\$ 3,810,388	\$ 2,759,199	\$ 1,051,189
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,201,095)	\$ (1,201,095)	\$ 131,732	\$ 1,332,827
Net Change in Fund Balances	\$ (1,201,095)	\$ (1,201,095)	\$ 131,732	\$ 1,332,827
Fund Balances - January 1	\$ 4,054,393	\$ 4,054,393	\$ 4,054,393	\$ -
Fund Balances - December 31	\$ 2,853,298	\$ 2,853,298	\$ 4,186,125	\$ 1,332,827

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

RANSOM COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
 For the Year Ended December 31, 2017

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

NDPERS - Pension	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.150459%	0.147837%	0.149648%	0.152402%
County's proportionate share of the net pension liability (asset)	\$ 2,418,370	\$ 1,440,816	\$ 1,017,581	\$ 967,328
County's covered-employee payroll	\$ 1,535,953	\$ 1,489,844	\$ 1,333,185	\$ 1,283,803
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

NDPERS - Pension	2017	2016	2015	2014
Statutorily required contribution	\$ 111,375	\$ 107,863	\$ 101,266	\$ 95,337
Contributions in relation to the statutorily required contribution	\$ 112,401	\$ 105,791	\$ 98,477	\$ 91,407
Contribution deficiency (excess)	\$ (1,026)	\$ 2,072	\$ 2,789	\$ 3,930
County's covered-employee payroll	\$ 1,584,857	\$ 1,555,551	\$ 1,405,210	\$ 1,339,002
Contributions as a percentage of covered-employee payroll	7.09%	6.80%	7.01%	7.12%

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

RANSOM COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2017

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

NDPERS - OPEB	2017
County's proportion of the net OPEB liability (asset)	0.141976%
County's proportionate share of the net OPEB liability (asset)	\$ 112,305
County's covered-employee payroll	\$ 1,535,953
County's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

NDPERS - OPEB	2017
Statutory required contribution	\$ 17,854
Contributions in relation to the statutory required contribution	\$ 17,997
Contribution deficiency (excess)	\$ (143)
County's covered-employee payroll	\$ 1,584,857
Contributions as a percentage of covered-employee payroll	1.14%

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

RANSOM COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

NOTE 3: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

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

RANSOM COUNTY

Schedule of Fund Activity - Cash Basis
 For the Year Ended December 31, 2017

	Balance Jan 1	Receipts	Disbursements	Balance Dec 31
Governmental Funds				
General Fund	\$ 1,318,349.43	\$ 4,256,688.12	\$ 3,804,369.63	\$ 1,770,667.92
Special Revenue Fund				
County Road and Bridge	\$ 1,615,930.11	\$ 874,141.84	\$ 860,005.55	\$ 1,630,066.40
Farm to Market Road	463,951.76	958,102.85	828,352.78	593,701.83
Human Services	157,041.30	384,913.95	423,914.53	118,040.72
Veterans Service Officer	8,606.83	40,890.47	35,989.07	13,508.23
County Agent	23,272.69	109,519.53	102,174.38	30,617.84
Weed Control	110,818.10	104,370.40	115,298.25	99,890.25
County Nurse Special	438,667.54	247,710.44	203,394.75	482,983.23
Advertising	(9,950.00)	-	-	(9,950.00)
Emergency Fund	206,773.23	-	-	206,773.23
FEMA Flood	331,754.03	34,458.54	254,525.62	111,686.95
Emergency 911	8,506.23	48,322.67	64,037.00	(7,208.10)
Insurance Reserve	(27,818.66)	-	-	(27,818.66)
Emergency 911 Wireless	327,645.60	65,058.97	6,527.42	386,177.15
Equipment & Improvements	811,550.62	-	38,126.16	773,424.46
Hazardous Chemical	25,638.95	1,300.00	8,300.00	18,638.95
Total Special Revenue Fund	\$ 4,492,388.33	\$ 2,868,789.66	\$ 2,940,645.51	\$ 4,420,532.48
Debt Service Fund				
G.O.Bond	\$ (3,093.70)	\$ 328,548.54	\$ 260,811.50	\$ 64,643.34
Total Debt Service Fund	\$ (3,093.70)	\$ 328,548.54	\$ 260,811.50	\$ 64,643.34
Total Governmental Funds	\$ 5,807,644.06	\$ 7,454,026.32	\$ 7,005,826.64	\$ 6,255,843.74

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RANSOM COUNTY

Schedule of Fund Activity – Cash Basis - Continued

Continued...

	Balance Jan 1	Receipts	Disbursements	Balance Dec 31
Agency Funds				
Ambulance	\$ 2,571.41	\$ 81,274.82	\$ 66,400.96	\$ 17,445.27
County Historical Society	13.69	7,472.17	6,091.05	1,394.81
Senior Citizens	74.97	70,223.89	62,551.28	7,747.58
Domestic Violence	-	1,155.00	1,050.00	105.00
State Medical Center - State Taxes	74.97	41,332.38	33,659.56	7,747.79
Garrison Diversion	83.65	41,747.88	34,073.87	7,757.66
Estimated Tax	27.11	4,787.64	-	4,814.75
Game and Fish Licenses	398.00	4,829.06	4,855.50	371.56
Soil Conservation District	93.73	41,670.18	34,015.49	7,748.42
Joint Red River Water Resource Dist.	141.55	62,513.73	51,031.94	11,623.34
Job Development	112.47	62,634.03	51,124.75	11,621.75
County Agent Special	4,529.42	13,916.37	14,669.00	3,776.79
Water Resource District (County)	299.91	177,230.30	146,538.90	30,991.31
County Sheriff Special	5,747.18	13,332.00	11,525.77	7,553.41
Refund of Taxes	1,345.83	530.14	530.14	1,345.83
County Agent Prof. Development	988.35	-	-	988.35
Victim Witness Fee	-	75.00	75.00	-
SIRN	-	11,532.24	9,295.09	2,237.15
Total Cities	6,227.81	1,814,890.16	1,596,203.75	224,914.22
Total Schools	7,273.87	3,512,591.11	2,830,823.39	689,041.59
Total Townships	920.55	678,332.90	584,175.79	95,077.66
Long Drain #1 - Tri-County	-	266,920.07	193,380.04	73,540.03
Shenford Drain	-	2,677.44	2,378.37	299.07
Coburn Drain #2	-	12,406.84	11,222.84	1,184.00
McLeod Drain #1-Construction	-	15,305.33	11,829.36	3,475.97
McLeod Drain #1-Maintenance	-	15,028.81	11,654.03	3,374.78
Total Rural Fire Protection Dist.	293.33	221,283.40	174,584.87	46,991.86
Prepaid Taxes	1,492,357.06	-	1,492,357.06	-
Total Agency Funds	\$ 1,523,574.86	\$ 7,175,692.89	\$ 7,436,097.80	\$ 1,263,169.95
Total Primary Government	\$ 7,331,218.92	\$ 14,629,719.21	\$ 14,441,924.44	\$ 7,519,013.69
Component Units:				
Ransom County Water Resource Dist.	\$ 421,068.35	\$ 263,147.48	\$ 159,851.97	\$ 524,363.86
Ransom County - Maple River WRD	(1,621.18)	11,222.84	-	9,601.66
Total Water Resource Districts	\$ 419,447.17	\$ 274,370.32	\$ 159,851.97	\$ 533,965.52
Total Reporting Entity	\$ 7,750,666.09	\$ 14,904,089.53	\$ 14,601,776.41	\$ 8,052,979.21

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone (701) 239-7250

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

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

Independent Auditor's Report

Board of County Commissioners
Ransom County
Lisbon, 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 Ransom County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ransom 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 Ransom County's internal control. Accordingly, we do not express an opinion on the effectiveness of Ransom 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *summary of auditor's results and findings* as items 2017-001, 2017-002, and 2017-003 that we consider to be material weaknesses.

RANSOM 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

Compliance and Other Matters

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

Ransom County's Response to Findings

Ransom County's response to the findings identified in our audit is described in the accompanying *summary of auditor's results and findings*. Ransom County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 31, 2019

RANSOM COUNTY

Summary of Auditor's Results and Findings
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting

Material weaknesses identified?	<u> X </u>	Yes	<u> </u>	None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None Noted
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	None Noted

Section II - Financial Statement Findings

2017-001 – PREPARATION OF FINANCIAL STATEMENTS

Condition

Ransom County does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures as required by Generally Accepted Accounting Principles (GAAP).

Criteria

Ransom County's management is aware of the deficiency and addresses it by recording the underlying trial balance, as well as reviewing and approving the adjusting journal entries. However, as of December 31, 2017, the financial statements and note disclosures were prepared with assistance from the State Auditor's Office (SAO).

Cause

This deficiency is due to limited resources coupled with the fact that Ransom County may not know how to prepare basic financial statements that comply with GAAP. Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

Effect

Ransom County's management is aware of the deficiency and addresses it by recording the underlining trial balance, as well as reviewing and approving the adjusting journal entries. However, as of December 31, 2017, the financial statements and note disclosures were prepared with assistance from the SAO.

RANSOM COUNTY

Summary of Auditor’s Results and Findings - Continued

Recommendation

We recognize that Ransom County is not staffed with personnel fully knowledgeable of GAAP. However, it is important that management is aware of this weakness and that management accepts responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP, even if the auditor assisted in drafting those financial statements.

Ransom County’s Response

Agree. Ransom County is aware that there is a risk having the State Auditor’s Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

2017-002 – ADJUSTING JOURNAL ENTRIES

Condition

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Criteria

Ransom County is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Cause

Management of Ransom County does not have adequate resources to obtain proper internal controls and training to ensure fair presentation of the County’s financial statements in accordance with GAAP.

Effect

Inadequate internal controls over recording of transactions affects Ransom County’s ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

We recognize Ransom County is not staffed with personnel fully knowledgeable of GAAP. However, it is important that management is aware of this weakness and that management accepts responsibility for the audit adjustments. We recommend Ransom County implement internal controls to ensure financial statements are free from material misstatement.

Ransom County’s Response

Agree. Ransom County does not have adequate resources to obtain proper internal controls and training to make and identify all necessary adjustments. We will continue to try to identify all items in need of adjustment at year end to comply with GAAP.

2017-003 – PREPAID TAXES/GENERAL LEDGER BALANCING

Condition

Material auditor-identified adjusting entries were required to correct Ransom County’s general ledger related to property tax revenue and to balance its general ledger.

RANSOM COUNTYSummary of Auditor's Results and Findings - Continued

Criteria

Ransom County is required to maintain internal controls to ensure revenue is recorded in the proper period and their general ledger balances.

Cause

Ransom County improperly recorded property tax revenue which was received in December 2017 but not due until FY2018.

Effect

Inadequate internal controls over recording of transactions affects Ransom County's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

We recommend Ransom County implement internal controls to ensure property tax revenue is recorded in the proper period and its general ledger balances.

Ransom County's Response

Agree. Ransom County will ensure property tax revenue is recorded in the proper period and the general ledger balances in the future.

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
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1655 43RD STREET SOUTH, SUITE 203
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GOVERNANCE COMMUNICATION

Board of County Commissioners
Ransom County
Lisbon, 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 Ransom County, North Dakota, for the year ended December 31, 2017 which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 31, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated October 9, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Ransom 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 Ransom 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 Ransom County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Corrected and Uncorrected Misstatements

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

PRIMARY GOVERNMENT			
Client Provided Adjustments			
Intergovernmental Receivable	\$	106,232	
Accounts Receivable		30,859	
Revenues			\$ 137,091
Expenditures		69,135	
Accounts Payable			69,135
Audit Adjustments			
Intergovernmental Receivable	\$	137,894	
Revenues			\$ 137,894
Revenues		682,342	
Prepaid Taxes			570,655
Unearned FEMA Revenue			111,687
Expenditures		37,350	
Salaries Payable			37,350
Capital Assets		1,408,952	
Net Position			1,408,952

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 January 31, 2019.

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:

* * * * *

<p style="text-align: center;">COMPONENT UNITS LACK OF SEGREGATION OF DUTIES</p>

The Ransom County Water Resource District has one Secretary-Treasurer responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

Internal control guidance provided by the Committee of Sponsoring Organizations (COSO) and Generally Accepted Accounting Principles (GAAP) indicate that the following functions should be separated: custody of assets, posting, reconciliation, and authorization.

Due to the size, complexity and the economic realities of the WRD, 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.

* * * * *

This information is intended solely for the use of the Board of County Commissioners and management of Ransom 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 Ransom County for the courteous and friendly assistance we received during our audit. It is a pleasure for us to be able to serve Ransom County.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 31, 2019

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