



Financial Statements
December 31, 2017

Mountrail County

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Commissioner-Vice-Chairman
Commissioner
Commissioner
Commissioner

Auditor
Treasurer
Sheriff
County Recorder
State's Attorney
Clerk of Court



Independent Auditor's Report

Board of County Commissioners
Mountrail County
Stanley, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mountrail County, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information – modified cash basis of Mountrail County, North Dakota, as of December 31, 2017, and the respective changes in financial position – modified cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mountrail County's financial statements. The budgetary comparison schedules, schedule of employer's share of net pension liability, and schedule of employer's contributions are presented for purposes of additional analysis and are not a required part of the financial statements.

The budgetary comparison schedules, schedule of employer's share of net pension liability, and schedule of employer's contributions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 budgetary comparison schedules, schedule of employer's share of net pension liability, and schedule of employer's contributions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of county officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of Mountrail County, North Dakota'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 solely 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 the effectiveness of Mountrail County's 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 Mountrail County's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and address.

Bismarck, North Dakota
October 31, 2019

Mountrail County
Statement of Net Position-Modified Cash Basis
December 31, 2017

| | Primary Government | Component Unit |
|--|----------------------------|----------------------------|
| | Governmental Activities | Water Resource Board |
| Assets | | |
| Cash and investments | \$ 107,235,629 | \$ 156,466 |
| Investments | 6,274,606 | - |
| Capital assets not being depreciated | | |
| Land | 1,726,157 | 6,648 |
| Construction in progress | 39,748,094 | - |
| Capital assets (net of accumulated depreciation) | | |
| Infrastructure | 111,703,427 | - |
| Buildings | 36,068,021 | - |
| Machinery and equipment | 7,695,374 | 98,140 |
| Total capital assets | 196,941,073 | 104,788 |
| Total assets | \$ 310,451,308 | \$ 261,254 |
| Net Position | | |
| Net investment in capital assets | \$ 196,941,073 | \$ 104,788 |
| Restricted for | | |
| Public safety | 985,577 | - |
| Unrestricted | 112,524,658 | 156,466 |
| Total net position | \$ 310,451,308 | \$ 261,254 |

Mountrail County
Statement of Activities-Modified Cash Basis
Year Ended December 31, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | Component Unit Water Resource Board |
| Primary government | | | | | | |
| Governmental activities | | | | | | |
| General government | \$ 4,093,714 | \$ 2,973,735 | \$ 696,510 | \$ - | \$ (423,469) | \$ - |
| Public safety | 2,646,781 | 166,340 | 34,400 | - | (2,446,041) | - |
| Highways | 11,626,394 | 838,190 | - | 1,363,799 | (9,424,405) | - |
| Health and welfare | 1,747,789 | - | 966,884 | - | (780,905) | - |
| Culture and recreation | 796,112 | - | 192,633 | - | (603,479) | - |
| Conservation of natural resources | 280,115 | - | - | - | (280,115) | - |
| Economic development | 132,833 | - | - | - | (132,833) | - |
| Other | 9,254 | - | - | - | (9,254) | - |
| Total primary government | <u>\$ 21,332,992</u> | <u>\$ 3,978,265</u> | <u>\$ 1,890,427</u> | <u>\$ 1,363,799</u> | <u>(14,100,501)</u> | <u>-</u> |
| Component unit | | | | | | |
| Water Resource Board | <u>\$ 55,711</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>(55,711)</u> |
| General revenues | | | | | | |
| Taxes | | | | | | |
| Property taxes | | | | | 5,730,155 | 73,666 |
| Nonrestricted grants and contributions | | | | | 24,271,825 | - |
| Flood control revenue | | | | | 1,225,491 | - |
| Interest income | | | | | 756,593 | 67 |
| Rent income | | | | | 63,795 | - |
| Miscellaneous revenue | | | | | 844,634 | 107 |
| Total general revenues | | | | | 32,892,493 | 73,840 |
| Change in net position | | | | | 18,791,992 | 18,129 |
| Net position - January 1 | | | | | 291,659,316 | 243,125 |
| Net position - December 31 | | | | | <u>\$ 310,451,308</u> | <u>\$ 261,254</u> |

Mountrail County

Balance Sheet – Governmental Funds - Modified Cash Basis

December 31, 2017

| | General | County Road and Bridge | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|----------------------|------------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Cash and investments | \$ 23,743,324 | \$ 80,547,060 | \$ 2,945,245 | \$ 107,235,629 |
| Investments | 1,274,606 | 5,000,000 | - | 6,274,606 |
| Total assets | \$ 25,017,930 | \$ 85,547,060 | \$ 2,945,245 | \$ 113,510,235 |
| Fund Balances | | | | |
| Restricted for Public safety | \$ 47,175 | \$ - | \$ 938,402 | \$ 985,577 |
| Committed for Highways | - | 864,563 | - | 864,563 |
| Assigned for Public safety | 59,326 | - | 113,266 | 172,592 |
| Highways | 53 | 84,682,497 | 410,282 | 85,092,832 |
| Health and welfare | - | - | 1,343,204 | 1,343,204 |
| Culture and recreation | 233,754 | - | 323 | 234,077 |
| Conservation of natural resources | - | - | 138,883 | 138,883 |
| Special purposes | 253 | - | 885 | 1,138 |
| Unassigned | 24,677,369 | - | - | 24,677,369 |
| Total fund balances | \$ 25,017,930 | \$ 85,547,060 | \$ 2,945,245 | \$ 113,510,235 |

| | | |
|--|---------------------|-----------------------|
| Total fund balances for governmental funds | | \$ 113,510,235 |
| Total net position reported for government activities in the statement of net position is different because | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. | | |
| Cost of capital assets | \$ 215,843,593 | |
| Less accumulated depreciation | <u>(18,902,520)</u> | |
| Net capital assets | | <u>196,941,073</u> |
| Total net position of governmental activities | | <u>\$ 310,451,308</u> |

Mountrail County

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – Modified Cash Basis
Year Ended December 31, 2017

| | General | County Road and Bridge | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|------------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 2,831,401 | \$ 1,283,532 | \$ 1,615,222 | \$ 5,730,155 |
| Licenses, permits and fees | 2,075,816 | - | 107,252 | 2,183,068 |
| Intergovernmental | 25,041,479 | 2,558,050 | 1,152,016 | 28,751,545 |
| Charges for services | 790,667 | 838,190 | - | 1,628,857 |
| Fines and forfeits | 166,340 | - | - | 166,340 |
| Interest income | 756,593 | - | - | 756,593 |
| Rent Income | 63,795 | - | - | 63,795 |
| Miscellaneous | 523,358 | 247,583 | 73,693 | 844,634 |
| Total revenues | <u>32,249,449</u> | <u>4,927,355</u> | <u>2,948,183</u> | <u>40,124,987</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 3,140,338 | - | 207,784 | 3,348,122 |
| Public safety | 2,171,843 | - | 320,136 | 2,491,979 |
| Highways | - | 6,600,684 | 14,365 | 6,615,049 |
| Health and welfare | - | - | 1,747,789 | 1,747,789 |
| Culture and recreation | 514,051 | - | 235,408 | 749,459 |
| Conservation of natural resources | - | - | 223,062 | 223,062 |
| Economic development | 132,833 | - | - | 132,833 |
| Other | 4,664 | - | 4,590 | 9,254 |
| Capital outlay | 5,318,283 | 3,398,145 | 1,916,566 | 10,632,994 |
| Debt service | | | | |
| Principal | 17,664,053 | - | - | 17,664,053 |
| Interest and service charges | 533,313 | - | - | 533,313 |
| Total expenditures | <u>29,479,378</u> | <u>9,998,829</u> | <u>4,669,700</u> | <u>44,147,907</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,770,071</u> | <u>(5,071,474)</u> | <u>(1,721,517)</u> | <u>(4,022,920)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 502,842 | 17,375,629 | 900,000 | 18,778,471 |
| Transfers Out | <u>(17,330,455)</u> | <u>(151,592)</u> | <u>(1,296,424)</u> | <u>(18,778,471)</u> |
| Total other financing sources and uses | <u>(16,827,613)</u> | <u>17,224,037</u> | <u>(396,424)</u> | <u>-</u> |
| Net change in fund balances | <u>(14,057,542)</u> | <u>12,152,563</u> | <u>(2,117,941)</u> | <u>(4,022,920)</u> |
| Fund balance - January 1 | <u>39,075,472</u> | <u>73,394,497</u> | <u>5,063,186</u> | <u>117,533,155</u> |
| Fund balance - December 31 | <u>\$ 25,017,930</u> | <u>\$ 85,547,060</u> | <u>\$ 2,945,245</u> | <u>\$ 113,510,235</u> |

Mountrail County

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to
the Statement of Activities – Modified Cash Basis
Year Ended December 31, 2017

| | | |
|---|--------------------|----------------------|
| Net change in fund balance - total governmental funds | | \$ (4,022,920) |
| The change in net position reported for governmental activities in the statement of activities is different because | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year | | |
| Current year capital outlay | \$ 10,632,991 | |
| Current year depreciation expense | <u>(5,482,132)</u> | <u>5,150,859</u> |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position | | |
| Principal payments | | <u>17,664,053</u> |
| Change in net position of governmental activities | | <u>\$ 18,791,992</u> |

Mountrail County
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund – Modified Cash Basis
December 31, 2017

| | <u>Agency Funds</u> |
|--------------------------|-------------------------|
| Assets | |
| Cash and investments | <u>\$ 2,117,795</u> |
| Liabilities | |
| Due to other governments | <u>\$ 2,117,795</u> |

Note 1 - Summary of Significant Accounting Policies

The financial statements of Mountrail County have been prepared in conformity with the modified cash basis of accounting 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.

Reporting Entity

The accompanying financial statements present the activities of Mountrail County. The County has considered all potential component units for which the County is financially accountable and other organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The 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 Mountrail 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 Mountrail County.

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

Component Unit

In conformity with a modified cash basis, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit.

Discretely Presented Component Unit – The component unit's column in the combined financial statements includes the financial data of the County's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the County.

Mountrail County Water Resource Board – The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the Board's annual budget.

Government-Wide and Fund Financial Statements

Government-Wide Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, generally are financed through taxes, intergovernmental revenues, and non-exchange transactions. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

Governmental funds are reported using the current financial resources measurement focus and the cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets and long-term debt are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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.

County Road and Bridge Fund – This fund accounts for the maintenance and repair of roads within the County.

Additionally, the County reports the following fund type:

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

The County follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for all governmental entities. For the government-wide financial statements, the County follows all applicable GASB pronouncements to the extent they are applicable to the modified cash basis of accounting.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Equity Classifications

Government-wide Statements

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classification Policies and Procedures

The County classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, does not lapse at year-end and can only be removed based on the same action.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The County uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Cash and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and certificates of deposit with a maturity date of 90 days or less.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at fair value.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental-type 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.

General infrastructure assets consist of the road and bridge projects constructed since January 1, 2004 and are reported at historical cost. 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 is capitalized on assets during the construction phase of the assets constructed. The amount of interest capitalized is the net interest expense incurred (interest expense less interest income) from the date of the borrowing until completion of the project.

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

| Assets | Years |
|-------------------------|-------|
| Infrastructure | 25-50 |
| Buildings | 5-75 |
| Machinery and equipment | 3-30 |

Interfund Transactions

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

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

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

Pension

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS's 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. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 9, is shown as additional information to the users of the financial statements.

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

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

At December 31, 2017 the County's carrying amount of pooled deposits was \$115,628,030, of which \$113,510,235 was County funds and \$2,117,795 was fiduciary funds. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance for the deposits held at four separate financial institutions. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2017, Mountrail County Water Resource Board, a discretely presented component unit of Mountrail County, had a carrying amount of deposits of \$156,466, all of which is covered by Federal Depository Insurance.

Interest Rate Risk – The County does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. The following shows the investments by type, amount and duration at December 31, 2017:

| | <u>Less Than 1 Year</u> | <u>1-5 Years</u> | <u>5-10 Years</u> | <u>More Than 10 Years</u> | <u>Total</u> |
|-------------------------|-----------------------------|------------------|-------------------|-------------------------------|---------------------|
| Certificates of Deposit | <u>\$ 6,274,606</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,274,606</u> |

All investments of the Mountrail County Water Resource Board, a discretely presented component unit of Mountrail County, were certificates of deposit that mature in less than one year in the amount of \$16,611.

Credit Risk

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

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

Concentration of Credit Risk

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

Note 3 - General Fund Expenditures

At December 31, 2017, the following fund had actual expenditures that exceeded the adopted budget:

| | |
|--------------|-----------------|
| General Fund | \$ (14,374,206) |
|--------------|-----------------|

The expenditures over budget were due to the early payoff of the County's certificate of indebtedness using cash reserves and various tax collections during 2017.

Note 4 - Taxes Revenue

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

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

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

Note 5 - Capital Assets

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

| <u>Governmental Activities</u> | Balance January 1 | Increases | Decreases | Balance December 31 |
|---|-----------------------|----------------------|----------------------|------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 1,726,157 | \$ - | \$ - | \$ 1,726,157 |
| Construction in progress | 75,435,622 | 7,703,903 | 43,391,431 | 39,748,094 |
| | <u>77,161,779</u> | <u>7,703,903</u> | <u>43,391,431</u> | <u>41,474,251</u> |
| Capital assets being depreciated | | | | |
| Buildings | 10,750,654 | 26,470,447 | - | 37,221,101 |
| Infrastructure | 105,580,370 | 18,885,162 | - | 124,465,532 |
| Machinery and equipment | 12,084,122 | 1,506,139 | 907,552 | 12,682,709 |
| Total capital assets, being depreciated | <u>128,415,146</u> | <u>46,861,748</u> | <u>907,552</u> | <u>174,369,342</u> |
| Less accumulated depreciation for | | | | |
| Buildings | 960,168 | 192,912 | - | 1,153,080 |
| Infrastructure | 8,560,467 | 4,201,638 | - | 12,762,105 |
| Machinery and equipment | 4,266,079 | 1,087,582 | 366,326 | 4,987,335 |
| Total accumulated depreciation | <u>13,786,714</u> | <u>5,482,132</u> | <u>366,326</u> | <u>18,902,520</u> |
| Total capital assets being depreciated, net | <u>114,628,432</u> | <u>41,379,616</u> | <u>541,226</u> | <u>155,466,822</u> |
| Governmental activities - capital assets, net | <u>\$ 191,790,211</u> | <u>\$ 49,083,519</u> | <u>\$ 43,932,657</u> | <u>\$ 196,941,073</u> |

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

| <u>Governmental Activities</u> | |
|--|---------------------|
| General government | \$ 212,279 |
| Public safety | 154,802 |
| Highways | 5,011,345 |
| Culture and recreation | 46,653 |
| Conservation of natural resources | 57,053 |
| Total depreciation expense - governmental activities | <u>\$ 5,482,132</u> |

Note 6 - Component Unit – Mountrail County Water Resource Board

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

| <u>Water Resource Board</u> | <u>Balance January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance December 31</u> |
|--|------------------------------|------------------|------------------|--------------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 6,648 | \$ - | \$ - | \$ 6,648 |
| Total capital assets, not being depreciated | <u>6,648</u> | <u>-</u> | <u>-</u> | <u>6,648</u> |
| Capital assets being depreciated | | | | |
| Machinery, furniture and equipment | 110,414 | 15,910 | 1,029 | 125,295 |
| Total capital assets, being depreciated | <u>110,414</u> | <u>15,910</u> | <u>1,029</u> | <u>125,295</u> |
| Less accumulated depreciation for Machinery, furniture and equipment | <u>19,112</u> | <u>8,660</u> | <u>617</u> | <u>27,155</u> |
| Total accumulated depreciation | <u>19,112</u> | <u>8,660</u> | <u>617</u> | <u>27,155</u> |
| Total capital assets being depreciated, net | <u>91,302</u> | <u>7,250</u> | <u>412</u> | <u>98,140</u> |
| Water resource board - capital assets, net | <u>\$ 97,950</u> | <u>\$ 7,250</u> | <u>\$ 412</u> | <u>\$ 104,788</u> |

Note 7 - Long-Term Liabilities

Changes in long-term liabilities – During the year ended December 31, 2017, the following changes occurred in liabilities reported as long-term debt:

| | <u>Balance January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance December 31</u> |
|-----------------------------|------------------------------|------------------|------------------------|--------------------------------|
| Certificate of indebtedness | <u>\$ 17,664,053</u> | <u>\$ -</u> | <u>\$ (17,664,053)</u> | <u>\$ -</u> |

Note 8 - Related Organization

Mountrail County is also responsible for levying a property tax for the Historical Society, Job Authority and Senior Citizens, but the County's accountability for these entities does not extend beyond levying the tax. In 2017, the County remitted \$7,514, \$28,737 and \$106,448 to the Historical Society, Job Authority and Senior Citizens, respectively.

Note 9 - Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

Net Pension Liability

At December 31, 2017, the Employer's proportionate share of the net pension liability \$10,103,331. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2017, the Employer's proportion was 0.628578 percent. The Employer's proportionate share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

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, net of investment expenses | | 7.75% |
| 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% | 6.05% |
| International Equity | 21% | 6.70% |
| Private Equity | 5% | 10.20% |
| Domestic Fixed Income | 17% | 1.43% |
| International Fixed Income | 5% | -0.45% |
| Global Real Assets | 20% | 5.16% |
| Cash Equivalents | 1% | 0.00% |

Discount Rate

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

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

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

| | 1% Decrease in Discount Rate (5.44%) | Discount Rate (6.44%) | 1% Increase in Discount Rate (7.44%) |
|---|--|--------------------------|--|
| District's proportionate share of the NDPERS net pension liability | \$ 13,942,884 | \$ 10,224,048 | \$ 7,131,103 |

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 10 - Risk Management

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

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Mountrail County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$2,533,767 for inland marine coverage.

Property and Bond Insurance

Mountrail County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Mountrail 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 Mountrail County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Mountrail County has workers compensation with the North Dakota Workforce Safety and Insurance. The County pays for the family health insurance premium for full-time employees. Part-time employees working 20 hours or more per week, the County pays 50% of their family health insurance premium.

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

Note 11 - Joint Ventures

Mountrail County entered into a joint venture with Williams, Divide and McKenzie Counties for the operation of the Upper Missouri District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the property valuation of each county.

Audited summary financial information for the year ended December 31, 2017, the most recent year audited, is as follows:

| | |
|---|----------------------------|
| Cash and investments | \$ 1,361,720 |
| Other assets | 679,203 |
| Deferred outflows of resources | <u>821,775</u> |
| Total assets and deferred outflows of resources | <u><u>\$ 2,862,698</u></u> |
| | |
| Total liabilities | \$ 2,470,885 |
| Total deferred inflows of resources | <u>140,262</u> |
| Total liabilities and deferred inflows of resources | 2,611,147 |
| | |
| Total net position | <u>251,551</u> |
| Total liabilities and net position | <u><u>\$ 2,862,698</u></u> |
| | |
| Total revenues | \$ 3,049,274 |
| Total expenses | <u>3,178,439</u> |
| Change in net position | <u><u>\$ (129,165)</u></u> |

Complete financial information can be obtained from the Upper Missouri District Health Unit; 110 W Broadway Suite 101, Williston, ND 58801-5522.

Note 12 - Transfers

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

| Funds | Transfers In | Transfers Out |
|--------------------------|-----------------|------------------|
| General Fund | \$ 502,842 | \$ (17,330,455) |
| County Road and Bridge | 17,375,629 | (151,592) |
| Other governmental funds | 900,000 | (1,296,424) |
| Total transfers | \$ 18,778,471 | \$ (18,778,471) |

Transfers were used to move revenues from the funds that are required to collect them to funds that are allowed to expend them.

Note 13 - Commitments

As of December 31, 2017 the County had outstanding construction contracts in the amount of \$63,443,254, of which the County has paid \$39,748,094. Subsequent to year-end the County entered into construction contracts for road projects totaling \$38,462,006.



Supplementary Information
December 31, 2017

Mountrail County

Mountrail County
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|----------------------|----------------------|----------------------|----------------------------------|
| Revenues | | | | |
| Taxes | \$ 3,134,990 | \$ 2,844,963 | \$ 2,831,401 | \$ (13,562) |
| Licenses, permits and fees | 1,087,440 | 1,087,440 | 2,075,816 | 988,376 |
| Intergovernmental | 22,609,140 | 22,609,140 | 25,041,479 | 2,432,339 |
| Charges for services | 978,800 | 978,800 | 790,667 | (188,133) |
| Fines and forfeits | 23,610 | 23,610 | 166,340 | 142,730 |
| Interest income | 315,000 | 315,000 | 756,593 | 441,593 |
| Rent income | - | - | 63,795 | 63,795 |
| Miscellaneous | 193,854 | 193,854 | 523,358 | 329,504 |
| Total revenues | <u>28,342,834</u> | <u>28,052,807</u> | <u>32,249,449</u> | <u>4,196,642</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 10,137,585 | 10,186,136 | 8,339,683 | 1,846,453 |
| Public safety | 4,286,147 | 4,286,147 | 2,290,781 | 1,995,366 |
| Culture and recreation | 439,623 | 447,545 | 514,051 | (66,506) |
| Economic development | 185,344 | 185,344 | 132,833 | 52,511 |
| Other | - | - | 4,664 | (4,664) |
| Debt service | - | - | 18,197,366 | (18,197,366) |
| Total expenditures | <u>15,048,699</u> | <u>15,105,172</u> | <u>29,479,378</u> | <u>(14,374,206)</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>13,294,135</u> | <u>12,947,635</u> | <u>2,770,071</u> | <u>(10,177,564)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 96,500 | 96,500 | 502,842 | 406,342 |
| Transfers Out | <u>(17,413,775)</u> | <u>(17,413,775)</u> | <u>(17,330,455)</u> | <u>83,320</u> |
| Total other financing sources and uses | <u>(17,317,275)</u> | <u>(17,317,275)</u> | <u>(16,827,613)</u> | <u>489,662</u> |
| Net Change in Fund Balances | (4,023,140) | (4,369,640) | (14,057,542) | (9,687,902) |
| Fund Balance - January 1 | <u>39,075,472</u> | <u>39,075,472</u> | <u>39,075,472</u> | <u>-</u> |
| Fund Balance - December 31 | <u>\$ 35,052,332</u> | <u>\$ 34,705,832</u> | <u>\$ 25,017,930</u> | <u>\$ (9,687,902)</u> |

Mountrail County
 Budgetary Comparison Schedule – County Road and Bridge Fund
 Year Ended December 31, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|----------------------|----------------------|----------------------|----------------------------------|
| Revenues | | | | |
| Taxes | \$ 1,250,519 | \$ 1,250,519 | \$ 1,283,532 | \$ 33,013 |
| Intergovernmental | 1,820,322 | 1,820,322 | 2,558,050 | 737,728 |
| Charges for services | 157,500 | 157,500 | 838,190 | 680,690 |
| Miscellaneous | 215,000 | 215,000 | 247,583 | 32,583 |
| Total revenues | <u>3,443,341</u> | <u>3,443,341</u> | <u>4,927,355</u> | <u>1,484,014</u> |
| Expenditures | | | | |
| Current | | | | |
| Highways | <u>26,945,695</u> | <u>26,945,695</u> | <u>9,998,829</u> | <u>(16,946,866)</u> |
| Deficiency of Expenditures over Revenues | <u>(23,502,354)</u> | <u>(23,502,354)</u> | <u>(5,071,474)</u> | <u>(15,462,852)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 17,407,200 | 17,407,200 | 17,375,629 | (31,571) |
| Transfers Out | <u>(80,000)</u> | <u>(80,000)</u> | <u>(151,592)</u> | <u>(71,592)</u> |
| Total other financing sources and uses | <u>17,327,200</u> | <u>17,327,200</u> | <u>17,224,037</u> | <u>(103,163)</u> |
| Net Change in Fund Balances | (6,175,154) | (6,175,154) | 12,152,563 | (15,566,015) |
| Fund Balance - January 1 | <u>73,394,497</u> | <u>73,394,497</u> | <u>73,394,497</u> | <u>-</u> |
| Fund Balance - December 31 | <u>\$ 67,219,343</u> | <u>\$ 67,219,343</u> | <u>\$ 85,547,060</u> | <u>\$ (15,566,015)</u> |

Note 1 - Stewardship, Compliance, and Accountability

Budgetary Information

- The County adopts an annual budget consistent with the modified cash basis of accounting for the general fund and the county road and bridge fund.
- Annually on or before July 1st the County prepares a preliminary budget. NDCC 40-40-04.
- The preliminary budget includes the estimated revenues and appropriations for the general fund, the county road and bridge fund, each special revenue fund and each debt service fund of the County. NDCC 40-40-05.
- The County shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, the County shall make any changes in the items or amounts shown in the preliminary budget. The final budget is prepared which includes a summary of the amounts levied for each fund and the total amount levied. NDCC 40-40-08.
- Annually on or before October 10th, the final budget is completed. NDCC 40-40-09.
- Annually on or before December 10th, taxes levied must be completed and certified. NDCC 40-40-09.
- 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. Amendments are analyzed for revenues and expenditures. NDCC 57-15-31.1
- All appropriations lapse at year-end.

Note 2 - Budget Variances

- The most significant variances in the general fund annual budget relate to payoff of the certificate of indebtedness through the debt service fund, and lesser expenditures for public safety and general government than anticipated. Cash reserves and tax collections covered the payoff that was not budgeted for.
- The most significant variances in the county road and bridge fund annual budget related to less expenditures for highways and higher tax collections. Project delays during 2017 caused less expenditures to be made on road and construction projects.

Mountrail County
Schedules of Employer's Share of Net Pension Liability and Employer' Contributions
Year Ended December 31, 2017

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

| Pension Plan | Fiscal Year Ending | Employer's Proportion (Percentage) of the Net Pension Liability (Asset) | Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a) | Employer's Covered- Employee Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------|-----------------------|--|--|---|---|---|
| NDPERS | 6/30/2017 | 0.628578% | \$ 10,103,331 | \$ 6,416,796 | 157.45% | 87.23% |
| NDPERS | 6/30/2016 | 0.592772% | \$ 5,777,141 | \$ 5,973,748 | 96.71% | 70.46% |
| NDPERS | 6/30/2015 | <u>0.540752%</u> | <u>\$ 3,677,021</u> | <u>\$ 4,817,448</u> | <u>76.33%</u> | <u>77.15%</u> |

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

| Pension Plan | Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Employer's Covered- Employee Payroll (d) | Contributions as a Percentage of Covered- Employee Payroll (a/d) |
|--------------|-----------------------|---|--|--|---|--|
| NDPERS | 12/31/2017 | \$ 465,296 | \$ (445,016) | \$ 20,280 | \$ 6,416,796 | 7.25% |
| NDPERS | 12/31/2016 | \$ 432,489 | \$ (421,492) | \$ 10,997 | \$ 5,973,748 | 7.24% |
| NDPERS | 12/31/2015 | <u>\$ 365,923</u> | <u>\$ (367,420)</u> | <u>\$ (1,497)</u> | <u>\$ 4,817,448</u> | <u>7.60%</u> |

Note 3 - Schedule of Employer Pension Liability and Contributions

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

Note 4 - Changes of Assumptions

Amounts reported reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

Mountrail County
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

| <u>Federal Grantor, Pass-through Grantor and Program Title</u> | <u>Federal CFDA Number</u> | <u>Grant Number</u> | <u>Expenditures 2017</u> |
|--|------------------------------------|-------------------------|------------------------------|
| U.S. Department of Interior | | | |
| <u>Passed-Through State Treasurer</u> | | | |
| Taylor Grazing | 15.227 | | \$ 92 |
| Flood Control Act | 15.433 | | 4,901,964 |
| Mineral Leasing Act (Public Domain Royalties) | 15.437 | | <u>2,156,753</u> |
| Total U.S. Department of Interior | | | <u>7,058,809</u> |
| U.S. Department of Health and Human Services | | | |
| <u>Passed-Through State Department of Human Services</u> | | | |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | | 73,330 |
| Promoting Safe & Stable Families | 93.556 | | 8,755 |
| Temporary Assistance for Needy Families Cluster | | | |
| Temporary Assistance for Needy Families | 93.558 | | 90,411 |
| Child Support Enforcement | 93.563 | | 3,799 |
| Child Care Development Fund Cluster | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 2,120 |
| Children Justice Grants to States | 93.643 | | 125 |
| Child Welfare Services - State Grants | 93.645 | | 4,761 |
| Foster Care Title IV-E | 93.658 | | 73,444 |
| Adoption Assistance | 93.659 | | 1,076 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | | <u>1,552</u> |
| Total U.S. Department of Health and Human Services | | | <u>259,373</u> |
| Total Reporting Entity Expenditures of Federal Awards | | | <u>\$ 7,318,182</u> |

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Mountrail County (the Organization) under programs of the federal government for the year ended December 31, 2017. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Mountrail County, it is not intended to and does not present the financial position or changes in net assets (*or net position or fund balance*) of Mountrail County.

For passed-through grants, no passed-through identifying numbers are available.

Note B – Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified cash basis of accounting. Federal reimbursements and interest income are recognized when received and federal expenditures are recognized when paid. For certain programs shown on the schedule of expenditures of federal awards, federal reimbursements are not based upon specific expenditures, the amounts reported here represent cash received rather than federal expenditures. The County's summary of significant accounting policies is presented in Note 1 in their basic financial statements. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The Organization has not elected to use the 10% de minimis cost rate.



Independent Auditor’s 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

To the Board of County Commissioners
Mountrail County
Stanley, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Mountrail County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Mountrail County’s basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of audit findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003, and 2017-004 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mountrail County's financial statements are free from 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 one instance of immaterial noncompliance that is reported as finding 2017-E.

Mountrail County's Response to Findings

Mountrail County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Mountrail County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
October 31, 2019



Independent Auditor’s Report on Compliance for Each Major Federal Program: and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of County Commissioners
Mountrail County
Stanley, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Mountrail County, Stanley, North Dakota’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mountrail County’s major federal programs for the year ended December 31, 2017.

Mountrail County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for each of Mountrail County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mountrail County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mountrail County’s compliance.

Opinion on Each Major Federal Program

In our opinion, Mountrail County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of Mountrail County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mountrail County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mountrail County's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Bismarck, North Dakota
October 31, 2019

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|--|------------|
| Type of auditors' report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified | Yes |
| Significant deficiencies identified not considered to be material weaknesses | Yes |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Type of auditors' report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: | No |

Identification of major programs:

| <u>Name of Federal Program</u> | <u>CFDA number</u> |
|---|--------------------|
| Flood Control Act | 15.433 |
| Mineral Leasing Act | 15.437 |
| Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| Auditee qualified as low-risk auditee | No |

Section II – Financial Statement Findings

2017-001 Segregation of Duties – Significant Deficiency

Condition - The County and various departments have a limited number of office personnel and, accordingly, does not have adequate internal controls in revenue, expenditures, and payroll functions due to a lack of segregation of duties.

Criteria - A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause – The County and various departments have limited staff to be able to adequately segregate duties.

Effect - Inadequate segregation of duties could adversely affect the County’s ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned function.

Recommendation – While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the County.

Response – At this time, Mountrail County has segregated the duties of all accounting functions in the most efficient manner possible. The Board of Mountrail County Commissioners is involved and is kept informed of the financial management of the County. The Treasurer’s Office and Auditor’s Office work closely together to improve the efficiency and effectiveness of the financial management of the County. Mountrail County has continued to make strides in the year towards becoming more efficient.

2017-002 Preparation of Financial Statements and Schedule of Federal Expenditures – Material Weakness

Condition –Mountrail County does not have an internal control system designed to provide for the preparation of the financial statements and schedule of federal expenditures being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, accompanying notes to the financial statements, and a schedule of federal expenditures that are materially correct.

Cause – The County has not trained staff in GASB reporting standards.

Effect – Inadequate control over financial reporting of Mountrail County could result in more than a remote likelihood that the financial statements, accompanying notes to the financial statements, and schedule of federal expenditures are not materially correct without the assistance of the auditors.

Recommendation – While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of Mountrail County and changes in reporting requirements.

Response – Mountrail County does not have trained staff in the GASB report standards and has hired Eide Bailly LLP, a public accounting firm, to prepare the audit-ready financial statements as part of their annual audit of Mountrail County.

2017-003 Recording of Transactions – Material Weakness

Condition – We identified misstatements in the County’s financial statements that caused us to propose material audit adjustments.

Criteria – A good system of internal accounting control contemplates proper reconciliations of all accounts and adjustments of those accounts to the proper balances.

Cause – Misstatements to the financial statements result from inadequate controls over recording of transactions.

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

Recommendation – While we recognize that this condition is not unusual for an organization of your size, it is important that you are aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the County.

Response – Mountrail County does not have trained staff in the GASB reporting standards and has hired Eide Bailly LLP, a public accounting firm, to prepare the audit-ready financial statements, including proposed audit adjustments, as part of their annual audit of Mountrail County.

2017-004 Lack of Controls over Capital Assets – Material Weakness

Condition – There is a lack of review over capital asset subsidiary records that are maintained by the Mountrail County Road Department, leading to significant in-progress assets to not be capitalized upon completion.

Criteria – A good system of internal accounting control contemplates proper reconciliations and review of subsidiary records to ensure propriety of the related balances and disclosures.

Cause – Misstatements to the financial statements result from inadequate controls over capital assets.

Effect – Inadequate internal controls over capital assets affect the County’s ability to detect misstatements that could be material in relation to the government-wide statements, and the financial statements as a whole.

Recommendation – While we recognize that this condition is not unusual for an organization of your size, it is important that you are aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the County.

Response – Mountrail County does not have trained staff in the GASB reporting standards, including those related to capital assets, and has hired Eide Bailly LLP, a public accounting firm, to prepare audit-ready financial statements as part of their annual audit of Mountrail County.

State Compliance Item

2017-005 Improper Valuation of Lands

Condition – The County has failed to implement the use of soil type and soil classification data from detailed and general soil surveys to properly value their land to submit to county assessors before February 1st of each year.

Criteria – According to North Dakota Century Code 57-02-27.2(7) the county director of tax equalization must use soil type and soil classification data from detailed and general soil surveys to properly determine the relative value of lands for each assessment district to compare to the county average.

Cause – The County has not fully implemented the use of soil type and soil classification data from detailed and general soil surveys.

Effect – The County is not in compliance with North Dakota Century Code 57-02-27.2(7), stating that the county director of tax equalization must use soil type and soil classification data from detailed and general soil surveys to value the land.

Recommendation – The County should continually be aware of the Century Code requirements as set forth by the State of North Dakota.

Response – Mountrail County has switched their software program for mapping from Kadrmas, Lee & Jackson to Sidwell utilizing the most current soil types for parceling. Mountrail County will comply once Sidwell completes parceling and the verification process is complete. The Mountrail County Commissioners are kept informed and are aware Mountrail County is not in compliance.



October 31, 2019

To the Board of County Commissioners
Mountrail County
Stanley, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mountrail County as of and for the year ended December 31, 2017, and have issued our report thereon dated October 31, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and Government Auditing Standards and Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As communicated in our letter dated September 10, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Mountrail County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding control deficiencies identified during our audit in our Independent Auditor's 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* and Independent Auditor's Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance Required by *Uniform Guidance* dated October 31, 2019.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Mountrail County is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

There are no sensitive estimates affecting Mountrail County.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting Mountrail County's financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

| <u>Corrected Misstatements - 2017</u> | <u>Debit</u> | <u>Credit</u> |
|--|--------------|---------------|
| Infrastructure – Government-Wide | \$33,276,724 | |
| Net Position – December 31, 2017 – Government-Wide | | \$33,276,724 |
| Expenditures – County Road & Bridge Fund | 151,332 | |
| Transfers-In – County Road & Bridge Fund | | 151,332 |
| Expenditures – General Fund | 42,402 | |
| Expenditures – County Road & Bridge Fund | 22,663 | |
| Expenditures – Other Governmental Funds | 1,802 | |
| Fund Balance – January 1, 2017 – General Fund | | 42,402 |
| Fund Balance – January 1, 2017 – County Road & Bridge Fund | | 22,663 |
| Fund Balance – January 1, 2017 – Other Governmental Funds | | 1,802 |

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

| <u>Uncorrected Misstatements - 2017</u> | <u>Debit</u> | <u>Credit</u> |
|--|--------------|---------------|
| Infrastructure – Government-Wide | \$299,779 | |
| Net Position – January 1, 2017 - Government-Wide | | \$299,779 |

To record construction in progress in the government wide statements.

The effect of this uncorrected misstatement has no impact on change in net position or net position as of and for the year ended December 31, 2017.

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, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated October 31, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Mountrail County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Mountrail County's auditors.

Other Information in Documents Containing Audited Financial Statements

We were engaged to report on the budgetary comparison schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statements themselves.

We were not engaged to report on the county officials listing, which accompanies the financial statement but is not RSI. We did not audit or perform other procedures on this other information and we did not express an opinion or provide any assurance on it.

The financial statements include the financial information of the Water Resource Board, a component unit of Mountrail County, which we considered to be a significant component of the financial statements. Consistent with the audit of the financial statements as a whole, our audit included obtaining an understanding of the Water Resource Board, and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial information of the Water Resource Board and completion of further procedures.

This information is intended solely for the use of the Board of County Commissioners and management of Mountrail County and is not intended to be, and should not be, used by anyone other than these specified parties.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of County Commissioners and management of Mountrail County and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota