



# Richland County

Wahpeton, North Dakota

## Audit Report

For the Year Ended December 31, 2018

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

# **RICHLAND COUNTY**

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For the Year Ended December 31, 2018

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**RICHLAND COUNTY**

County Officials and Audit Personnel  
December 31, 2018

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**COUNTY OFFICIALS**

Rollie Ehlert	Commissioner - Chairperson
Dan Thompson	Commissioner - Vice-Chairperson
Sid Berg	Commissioner
Nathan Berseth	Commissioner
Tim Campbell	Commissioner
Leslie Hage	Auditor/Administrator
Sarah Erickson	Treasurer
Joan Oland	Data Processing
Mary DeVal	Administrative Assistant
Sandy Fossum	Tax Equalization Director
Larry Leshovsky	Sheriff
Ken Moats	Clerk of Court
Cyndy Kolle	Superintendent of Schools
Megan Kummer	State's Attorney
Kristen Hasbargen	Social Services
Brett Lambrecht	Emergency Management
Cyndy Kolle	Recorders Office
Jesse Sedler	County Engineer

**WATER RESOURCE DISTRICT OFFICIALS**

Gary Friskop	Board Member - Chairperson
Arv Burvee	Board Member - Vice-Chairperson
James Haugen	Board Member
Don Moffet	Board Member
Robert Rostad	Board Member
Monica Zentgraf	Secretary/Treasurer
Sean Fredricks	Attorney

**AUDIT PERSONNEL**

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Rick Kremer	Audit In-Charge

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



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

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

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**INDEPENDENT AUDITOR’S REPORT**

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Board of County Commissioners  
Richland County  
Wahpeton, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Richland County’s basic financial statements as listed in the table of contents.

***Management’s Responsibility for the Financial Statements***

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

***Auditor’s Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County, North Dakota, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

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

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019 on our consideration of Richland County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richland County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
July 30, 2019

**RICHLAND COUNTY**

Statement of Net Position

December 31, 2018

	Governmental Activities	
	Primary Government	Water Resource District
<b>ASSETS</b>		
Cash and Investments	\$ 7,740,638	\$ 5,778,560
Intergovernmental Receivable	588,813	472,263
Accounts Receivable	95,862	56,827
Interest Receivable	11,122	-
Due From County	-	511
Unsecured Promissory Note Receivable	77,228	-
Taxes Receivable	139,501	30,995
Loans Receivable	971,031	-
Capital Assets, Net	<u>42,233,294</u>	<u>8,519,840</u>
Total Assets	<u>\$ 51,857,489</u>	<u>\$ 14,858,996</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Derived from Pension and OPEB	<u>\$ 4,237,632</u>	<u>\$ 89,763</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 122,670	\$ 64,123
Salaries Payable	83,070	-
Grants Received In Advance	6,740	-
Retainage Payable	47,988	31,470
Interest Payable	9,099	6,790
Long-Term Liabilities		
Due Within One Year		
Long-Term Debt	610,176	270,000
Compensated Absences	122,428	1,467
Due After One Year		
Long-Term Debt	367,202	1,455,000
Compensated Absences	367,285	13,202
Net Pension and OPEB Liability	<u>10,138,131</u>	<u>214,750</u>
Total Liabilities	<u>\$ 11,874,789</u>	<u>\$ 2,056,802</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Derived from Pension and OPEB	<u>\$ 737,786</u>	<u>\$ 15,628</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 41,198,829	\$ 8,519,840
Restricted		
Highways and Bridges	1,474,587	-
Conservation of Natural Resources	135,050	4,356,489
Emergencies	221,670	-
Economic Development	1,175,785	-
Capital Projects	4,425	-
Unrestricted	<u>(727,800)</u>	<u>-</u>
Total Net Position	<u>\$ 43,482,546</u>	<u>\$ 12,876,329</u>

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

**RICHLAND COUNTY**

Statement of Activities

For the Year Ended December 31, 2018

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 Government	Component Unit
					Governmental Activities	Water Resource District
<b>Primary Government</b>						
Governmental Activities						
General Government	\$ 3,422,453	\$ 157,063	\$ 271	\$ -	\$ (3,265,119)	\$ -
Public Safety	3,888,421	812,352	87,156	-	(2,988,913)	-
Highways And Bridges	4,080,858	159,656	1,685,544	568,327	(1,667,331)	-
Flood Repair	154,808	-	118,285	-	(36,523)	-
Health And Welfare	3,684,194	283,583	2,453,809	-	(946,802)	-
Culture And Recreation	79,535	-	-	-	(79,535)	-
Conservation Of Natural Resources	439,688	60,391	-	-	(379,297)	-
Economic Development	82,106	5,742	-	-	(76,364)	-
Emergencies	383	-	-	-	(383)	-
Interest On Long-Term Debt	20,072	-	-	-	(20,072)	-
<b>Total Governmental Activities</b>	<b>\$ 15,852,518</b>	<b>\$ 1,478,787</b>	<b>\$ 4,345,065</b>	<b>\$ 568,327</b>	<b>\$ (9,460,339)</b>	<b>\$ -</b>
<b>Component Unit</b>						
Governmental Activities						
Water Resource District	\$ 1,095,423	\$ 65,572	\$ 934,495	\$ -	\$ -	\$ (95,356)
<b>General Revenues</b>						
Property Taxes					\$ 7,995,556	\$ 1,814,908
Non Restricted Grants and Contributions					1,177,023	18,543
Gain on Disposal of Capital Assets					21,504	-
Unrestricted Investment Earnings					180,732	91,998
Miscellaneous Revenue					867,599	-
<b>Total General Revenues</b>					<b>\$ 10,242,414</b>	<b>\$ 1,925,449</b>
<b>Change in Net Position</b>					<b>\$ 782,075</b>	<b>\$ 1,830,093</b>
<b>Net Position - January 1</b>					<b>\$ 42,700,471</b>	<b>\$ 11,046,236</b>
<b>Net Position - December 31</b>					<b>\$ 43,482,546</b>	<b>\$ 12,876,329</b>

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

**RICHLAND COUNTY**

Balance Sheet – Governmental Funds  
December 31, 2018

	General	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 4,373,925	\$ 3,366,713	\$ 7,740,638
Intergovernmental Receivable	259,702	329,111	588,813
Accounts Receivable	7,159	88,703	95,862
Interest Receivable	11,122	-	11,122
Unsecured Promissory Note Receivable	77,228	-	77,228
Loans Receivable	-	971,031	971,031
Taxes Receivable	87,666	51,835	139,501
<b>Total Assets</b>	<b>\$ 4,816,802</b>	<b>\$ 4,807,393</b>	<b>\$ 9,624,195</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$ 30,013	\$ 92,657	\$ 122,670
Salaries Payable	-	83,070	83,070
Grants Received in Advance	-	6,740	6,740
<b>Total Liabilities</b>	<b>\$ 30,013</b>	<b>\$ 182,467</b>	<b>\$ 212,480</b>
Deferred Inflows of Resources			
Taxes Receivable	\$ 87,666	\$ 51,835	\$ 139,501
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 117,679</b>	<b>\$ 234,302</b>	<b>\$ 351,981</b>
Fund Balances			
Nonspendable			
Loan Receivable	\$ -	\$ 971,031	\$ 971,031
Unsecured Promissory Note	77,228	-	77,228
Restricted			
Public Safety	-	149,118	149,118
Highways And Bridges	-	2,479,339	2,479,339
Health and Welfare	-	344,577	344,577
Conservation of Natural Resources	-	196,371	196,371
Emergency	-	229,674	229,674
Economic Development	-	202,612	202,612
Capital Projects	-	42	42
General Government	-	327	327
Unassigned	4,621,895	-	4,621,895
<b>Total Fund Balances</b>	<b>\$ 4,699,123</b>	<b>\$ 4,573,091</b>	<b>\$ 9,272,214</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,816,802</b>	<b>\$ 4,807,393</b>	<b>\$ 9,624,195</b>

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



**RICHLAND COUNTY**

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
December 31, 2018

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**Total Fund Balances for Governmental Funds** \$ 9,272,214

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. 42,233,294

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

Property Taxes Receivable 139,501

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

Deferred Outflows Related to Pensions and OPEB \$ 4,237,632  
Deferred Inflows Related to Pensions and OPEB (737,786) 3,499,846

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Long-Term Debt \$ (977,378)  
Interest Payable (9,099)  
Retainage Payable (47,988)  
Compensated Absences Payable (489,713)  
Net Pension and OPEB Liability (10,138,131) (11,662,309)

**Total Net Position of Governmental Activities** \$ 43,482,546

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

**RICHLAND COUNTY**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended December 31, 2018

	General	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 5,186,341	\$ 2,832,838	\$ 8,019,179
Intergovernmental	1,081,220	4,440,868	5,522,088
Charges for Services	376,200	1,101,692	1,477,892
Licenses, Permits and Fees	3,230	-	3,230
Interest Income	180,732	-	180,732
Miscellaneous	578,055	289,544	867,599
<b>Total Revenues</b>	<b>\$ 7,405,778</b>	<b>\$ 8,664,942</b>	<b>\$ 16,070,720</b>
<b>EXPENDITURES</b>			
Current			
General Government	\$ 3,211,818	\$ -	\$ 3,211,818
Public Safety	2,409,010	1,061,138	3,470,148
Highways and Bridges	-	3,772,548	3,772,548
Flood Repair	-	154,808	154,808
Health and Welfare	24,075	3,268,739	3,292,814
Culture and Recreation	79,535	-	79,535
Conserv. of Natural Resources	7,000	417,474	424,474
Economic Development	-	82,106	82,106
Debt Service			
Principal	-	718,004	718,004
Interest and Fees	-	25,741	25,741
<b>Total Expenditures</b>	<b>\$ 5,731,438</b>	<b>\$ 9,500,558</b>	<b>\$ 15,231,996</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,674,340	\$ (835,616)	\$ 838,724
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$ 762,599	\$ 1,859,115	\$ 2,621,714
Transfers Out	(1,749,115)	(872,599)	(2,621,714)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (986,516)</b>	<b>\$ 986,516</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 687,824</b>	<b>\$ 150,900</b>	<b>\$ 838,724</b>
Fund Balances - January 1	\$ 4,011,299	\$ 4,422,191	\$ 8,433,490
Fund Balances - December 31	<b>\$ 4,699,123</b>	<b>\$ 4,573,091</b>	<b>\$ 9,272,214</b>

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

**RICHLAND COUNTY**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2018

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**Net Change in Fund Balances - Total Governmental Funds** \$ 838,724

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.

Capital Outlay	\$ 2,223,096	
Depreciation Expense	<u>(1,874,067)</u>	349,029

In the statement of activities, only the gain on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

21,504

Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term debt in the statement of net position. The issuance of long-term debt is reported as other financing sources in the governmental funds, but increases liabilities on the statement of net position.

Repayment of Long-Term Debt		718,004
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Increase in Compensated Absences	\$ (30,435)	
Decrease in Interest Payable	5,669	
Increase in Retainage Payable	<u>(47,988)</u>	(72,754)

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

Increase in Net Pension and OPEB Liability	\$ (884,693)	
Increase in Deferred Outflows of Resources Related to Pensions	24,163	
Increase in Deferred Inflows of Resources Related to Pensions	<u>(185,944)</u>	(1,046,474)

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

Decrease in Taxes Receivable	\$ (23,623)	
Decrease in Road Department Receivables	<u>(2,335)</u>	<u>(25,958)</u>

**Change in Net Position of Governmental Activities** \$ 782,075

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

**RICHLAND COUNTY**

Statement of Fiduciary Assets and Liabilities - Agency Funds  
December 31, 2018

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**ASSETS**

Cash and cash equivalents \$ 7,623,950

**LIABILITIES**

Due to other governments \$ 7,623,950

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

## **RICHLAND COUNTY**

Notes to the Financial Statements  
For the Year Ended December 31, 2018

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

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

#### **A. Reporting Entity**

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

Based on these criteria, there is one component unit to be included within Richland County as a reporting entity.

#### **Component Units**

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

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

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

Component Unit Financial Statements: The financial statements of the discretely presented component unit are presented in the basic financial statements. Complete financial statements of the individual component units can be obtained from the County Auditor (Office of Finance and Administration), Richland County, 418 2<sup>nd</sup> Ave. N., Wahpeton, ND 58030.

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

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

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

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fund type:

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

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

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

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

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

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

**D. Cash and Investments**

Cash includes amounts in demand deposits and money market accounts.

The investments of the County consist of certificates of deposit stated at cost with maturities in excess of three months.

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

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**E. Capital Assets**

**Primary Government**

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

<b>Assets</b>	<b>Years</b>
Buildings	50
Building Improvements	15 - 40
Office Equipment	5 - 20
Machinery & Equipment	15 - 30
Vehicles	5 - 10
Infrastructure - Highways	20
Infrastructure - Bridges	75

**Discretely Presented Component Unit**

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

General infrastructure assets acquired prior to January 1, 2004 consisting of various drain projects are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity.

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

<b>Assets</b>	<b>Years</b>
Infrastructure	30
Equipment	7

**F. Compensated Absences**

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 hours of vacation leave may be carried over. Sick leave benefits are earned at the rate of one day per month regardless of the years of service. Unused sick leave benefits will be allowed to accumulate to a limit of 100 days. When that limit is reached, employees may trade additional earned sick leave for vacation days at the rate of 6 days sick leave for 1 day of vacation. Any employee hired prior to October 1, 1988, and who has twenty or more consecutive years of employment or who has reached the age of 65 prior to employment termination, will be eligible to receive payment for sick leave at a rate of 50% of the unused balance to a limit of 50 days. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

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**G. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

**H. Pension**

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

**I. Other Post-Employment Benefits (OPEB)**

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

**J. Fund Balances**

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

*Nonspendable Fund Balances.* Nonspendable fund balances consist of amounts for loan receivables and advance to other governments which cannot be spent.

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state and federal governments for various grants & reimbursements).

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

**K. Net Position**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

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

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.



**L. Interfund Transactions**

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

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

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

**NOTE 2: DEPOSITS**

**Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount they may invest in any one issuer.

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

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

At year ended December 31, 2018, the County's carrying amount of deposits totaled \$15,362,951, and the bank balances totaled \$14,742,941. Of the bank balances, \$11,685,419 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2018, the Water Resource District's carrying amount of deposits totaled \$5,778,560, and the bank balances totaled \$5,917,608. Of the bank balances, \$393,048 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The County does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

As authorized in North Dakota Statutes, idle funds may be invested 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.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

Investment Type	
Brokered CD	\$ 927,800
Commercial Paper	510,358
Municipal Bonds	1,758,670
Total	\$ 3,196,828

**NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2018:

	Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Brokered CD	\$ -	\$ 927,800	\$ -	\$ 927,800
Commercial Paper	-	510,358	-	510,358
Municipal Bonds	-	1,758,670	-	1,758,670
Total	\$ -	\$ 3,196,828	\$ -	\$ 3,196,828

**NOTE 4: PROPERTY TAXES**

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.

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

**NOTE 5: JOB DEVELOPMENT LOANS RECEIVABLE**

The Job Development Authority provides loans to businesses for either startup costs or expansion costs. The Development Authority receives applications from various businesses within the community and either approves or denies the applications based on majority board decision. The Job Development Authority had the following activity in loans outstanding for the year ended December 31, 2018:

	<b>Balance January 1</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance December 31</b>
Total Loans Receivable	\$ 934,120	\$ 186,269	\$ 149,358	\$ 971,031
Allowance for Doubtful Accounts	(1,078)	-	(1,078)	-
Net Loans Receivable	\$ 933,042	\$ 186,269	\$ 148,280	\$ 971,031

**NOTE 6: UNSECURED PROMISSORY NOTE RECEIVABLE**

In FY2013, the County issued unsecured promissory notes receivable to Duerr Township and Dwight Rural Fire Department to cover contractor costs related to flooding. These promissory notes are at zero percent interest, due in annual installments. The following is a summary of changes in unsecured promissory notes:

	<b>Balance January 1</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance December 31</b>
Unsecured Promissory Notes	\$ 87,624	\$ -	\$ 10,396	\$ 77,228

**NOTE 7: CAPITAL ASSETS**

**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2018:

<b>Primary Government</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
Capital assets not being depreciated					
Land	\$ 57,840	\$ -	\$ -	\$ -	\$ 57,840
Construction in Progress	-	1,798,171	-	(5,217)	1,792,954
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 57,840</b>	<b>\$ 1,798,171</b>	<b>\$ -</b>	<b>\$ (5,217)</b>	<b>\$ 1,850,794</b>
Capital assets being depreciated					
Buildings	\$ 5,749,726	\$ 38,328	\$ -		\$ 5,788,054
Equipment	5,306,160	60,880	291,535		5,075,505
Vehicles	1,762,548	288,782	44,489		2,006,841
Infrastructure	42,323,271	36,935	-	5,217	42,365,423
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 55,141,705</b>	<b>\$ 424,925</b>	<b>\$ 336,024</b>	<b>\$ 5,217</b>	<b>\$ 55,235,823</b>
Less accumulated depreciation					
Buildings	\$ 2,694,017	\$ 124,806	\$ -	\$ -	\$ 2,818,823
Equipment	2,660,483	367,989	155,535	-	2,872,937
Vehicles	1,026,550	159,567	42,596	-	1,143,521
Infrastructure	6,796,337	1,221,705	-	-	8,018,042
<b>Total Accumulated Depreciation</b>	<b>\$ 13,177,387</b>	<b>\$ 1,874,067</b>	<b>\$ 198,131</b>	<b>\$ -</b>	<b>\$ 14,853,323</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 41,964,318</b>	<b>\$ (1,449,142)</b>	<b>\$ 137,893</b>	<b>\$ 5,217</b>	<b>\$ 40,382,500</b>
<b>Primary Government - Capital Assets, Net</b>	<b>\$ 42,022,158</b>	<b>\$ 349,029</b>	<b>\$ 137,893</b>	<b>\$ -</b>	<b>\$ 42,233,294</b>

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

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

General Government	\$ 86,768
Public Safety	159,058
Highways & Bridges	1,599,256
Health and Welfare	23,865
Conservation of Natural Resources	5,120
<b>Total Depreciation Expense</b>	<b>\$ 1,874,067</b>

**Discretely Presented Component Unit**

The following is a summary of changes in capital assets for the year ended December 31, 2018 for the Water Resource District:

<b>Water Resource District</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
Capital assets not being depreciated					
Land	\$ 1,013,395	\$ 3,344	\$ -	\$ -	\$ 1,016,739
Construction in Progress	1,459,880	875,858	-	-	2,335,738
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 2,473,275</b>	<b>\$ 879,202</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,352,477</b>
Capital assets being depreciated					
Equipment	\$ 11,421	\$ -	\$ -	\$ -	\$ 11,421
Infrastructure	5,970,280	297,950	-	-	6,268,230
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 5,981,701</b>	<b>\$ 297,950</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,279,651</b>
Less accumulated depreciation					
Equipment	\$ 5,966	\$ 909	\$ -	\$ -	\$ 6,875
Infrastructure	906,404	199,009	-	-	1,105,413
<b>Total Accumulated Depreciation</b>	<b>\$ 912,370</b>	<b>\$ 199,918</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,112,288</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 5,069,331</b>	<b>\$ 98,032</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,167,363</b>
<b>Water Resource District - Capital Assets, Net</b>	<b>\$ 7,542,606</b>	<b>\$ 977,234</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,519,840</b>

Depreciation expense was charged to the conservation of natural resources function.

**NOTE 8: LONG-TERM LIABILITIES****Primary Government**

During the year ended December 31, 2018, the following changes occurred in governmental activities long-term liabilities:

<b>Primary Government</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
<b>Long-Term Debt</b>					
Bonds Payable	\$ 815,000	\$ -	\$ 405,000	\$ 410,000	\$ 410,000
Leases Payable	1,039,778	-	472,400	567,378	200,176
<b>Total Long-Term Debt</b>	<b>\$ 1,854,778</b>	<b>\$ -</b>	<b>\$ 877,400</b>	<b>\$ 977,378</b>	<b>\$ 610,176</b>
Compensated Absences *	\$ 459,278	\$ 30,435	\$ -	\$ 489,713	\$ 122,428
Net Pension and OPEB Liability *	9,253,438	884,693	-	10,138,131	-
<b>Total Primary Government</b>	<b>\$ 11,567,494</b>	<b>\$ 915,128</b>	<b>\$ 877,400</b>	<b>\$ 11,605,222</b>	<b>\$ 732,604</b>

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

Debt service requirements on long-term debt is as follows:

<b>PRIMARY GOVERNMENT</b>				
<b>Year Ending December 31</b>	<b>G.O. Bonds Payable</b>		<b>Capital Leases</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 410,000	\$ 2,563	\$ 200,176	\$ 12,839
2020	-	-	195,811	7,447
2021	-	-	171,391	2,801
2022	-	-	-	-
<b>Total</b>	<b>\$ 410,000</b>	<b>\$ 2,563</b>	<b>\$ 567,378</b>	<b>\$ 23,087</b>

**Discretely Presented Component Unit**

During the year ended December 31, 2018, the following changes occurred in governmental long-term liabilities of the Water Resource District:

<b>Water Resource District</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
<b>Long-Term Debt</b>					
Bonds Payable	\$ 1,655,000	\$ 830,000	\$ 760,000	\$ 1,725,000	\$ 270,000
Compensated Absences *	\$ 14,828	\$ -	\$ 159	\$ 14,669	\$ 1,467
Net Pension and OPEB Liability *	205,906	8,844	-	214,750	-
<b>Total Water Resource District</b>	<b>\$ 1,875,734</b>	<b>\$ 838,844</b>	<b>\$ 760,159</b>	<b>\$ 1,954,419</b>	<b>\$ 271,467</b>

Debt service requirements on long-term debt is as follows:

<b>WATER RESOURCE DISTRICT</b>		
<b>Year Ending December 31</b>	<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 270,000	\$ 34,938
2020	270,000	26,760
2021	270,000	22,020
2022	545,000	13,823
2023	140,000	6,390
2024 - 2028	230,000	4,755
<b>Total</b>	<b>\$ 1,725,000</b>	<b>\$ 108,686</b>

**NOTE 9: OPERATING LEASES**

The County is engaged in various operating leases Total lease payments made during 2018 totaled \$78,079. Future lease payments are as follows:

	<b>Operating Lease</b>
2019	\$ 78,079
2020	78,079
2021	77,988
2022	40,327
2023	388

**NOTE 10: PENSION PLAN**

**General Information about the NDPERS Pension Plan**

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

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

**Member and Employer Contributions**

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

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

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

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

At December 31, 2018, the following net pension liabilities were reported:

	<b>Net Pension Liability</b>
Primary Government	\$ 9,712,579
Water Resource District	205,736

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2017 Measurement</b>	<b>Pension Expense</b>
Primary Government	0.575523%	0.025368%	\$ 1,607,609
Water Resource District	0.012191%	(0.000051%)	34,053

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Primary Government</b>		
Differences Between Expected and Actual Experience	\$ 25,710	\$ 330,440
Changes of Assumptions	3,506,039	138,629
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	47,253
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	348,656	202,157
District Contributions Subsequent to the Measurement Date	279,751	-
<b>Total Primary Government</b>	<b>\$ 4,160,155</b>	<b>\$ 718,479</b>

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 545	\$ 7,000
Changes of Assumptions	74,266	2,936
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,001
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	7,385	4,282
District Contributions Subsequent to the Measurement Date	5,926	-
<b>Total Water Resource District</b>	<b>\$ 88,122</b>	<b>\$ 15,219</b>

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019:

Primary Government	\$ 279,751
Water Resource District	5,926

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

	<b>Primary Government</b>	<b>Water Resource District</b>
2019	\$ 1,004,973	\$ 21,288
2020	876,227	18,561
2021	764,647	16,197
2022	470,802	9,973
2023	45,276	959

**Actuarial Assumptions**

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30 – 39	7.50%
	40 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

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



**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	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).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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

The following presents the entities proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.44%)</b>	<b>Current Discount Rate (6.44%)</b>	<b>1% Increase (7.44%)</b>
Primary Government	\$ 13,197,589	\$ 9,712,579	\$ 6,804,450
Water Resource District	279,557	205,736	144,135

**Pension Plan Fiduciary Net Position**

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

**NOTE 11: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

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

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

**OPEB Benefits**

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

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

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

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

At December 31, 2018, the following net OPEB liabilities were reported:

	<b>Net OPEB Liability</b>
Primary Government	\$ 425,552
Water Resource District	9,014

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

The net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2017 Measurement</b>	<b>OPEB Expense</b>
Primary Government	0.539771%	0.020636%	\$ 55,129
Water Resource District	0.012011%	0.000459%	1,168

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 12,741	\$ 8,793
Changes of Assumptions	34,917	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	9,155
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	17,561	1,359
District Contributions Subsequent to the Measurement Date	12,257	-
<b>Total Primary Government</b>	<b>\$ 77,477</b>	<b>\$ 19,307</b>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 270	\$ 186
Changes of Assumptions	740	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	194
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	372	29
District Contributions Subsequent to the Measurement Date	260	-
<b>Total Water Resource District</b>	<b>\$ 1,641</b>	<b>\$ 409</b>

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019:

Primary Government	\$ 12,257
Water Resource District	260

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

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

	<b>Primary Government</b>	<b>Water Resource District</b>
2018	\$ 6,111	\$ 129
2019	6,111	129
2020	6,111	129
2021	10,150	215
2022	9,409	199
2023	6,593	140
Thereafter	1,429	30

**Actuarial assumptions**

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	.10%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

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

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

<b>Proportionate Share of the OPEB Liability</b>	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Primary Government	\$ 538,425	\$ 425,552	\$ 328,790
Water Resource District	11,405	9,014	6,965

**NOTE 12: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and 5,459,916 for mobile equipment and portable property (public assets).

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

The County has worker's compensation with the ND Workforce Safety and Insurance.

The County also pays an annual premium to the Hartford Steam Boiler Inspection and Insurance Company for the County boiler.

**NOTE 13: TRANSFERS**

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

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 14: JOINT VENTURE**

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2018:

	<b>Red River Joint Water Resource District</b>
Total Assets	\$ 11,751,624
Total Liabilities	48,695
Net Position	\$ 11,702,929
Revenues	\$ 2,421,328
Expenses	784,919
Change in Net Position	\$ 1,636,409

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

**NOTE 15: CONDUIT DEBT**

Conduit debt obligations are defined as certain limited-obligation revenue bonds, certifications of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third part that is not part of the issuer's financial reporting entity. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

At December 31, 2018, the County is involved in conduit debt obligations under the following criteria.

**Industrial Revenue Bonds**

The County is currently involved in a program that had issued Industrial Revenue Bonds. Industrial Revenue Bonds provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans and bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans and bonds, ownership of the acquired facilities transfers to the private-sector entity served by the loan issuance.

As of December 31, 2018, there are four series of Industrial Revenue Bonds with a principal amount outstanding of \$54,030,000. The County is in no way liable to repay the Industrial Revenue Bonds.

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

**NOTE 16: CONSTRUCTION COMMITMENTS**

The following projects outstanding at December 31, 2018:

**Primary Government**

Project	Total Contract with Change Orders	Total Completed and Stored	Retainage	Remaining Balance Includes Retainages
CH 1-6 Sealcoat	\$ 244,662	\$ 239,588	\$ -	\$ 5,074
Safety Project	678,971	601,941	12,039	64,991
CH 1-4, 1-5	748,005	665,476	35,949	46,580
Total	\$ 1,671,638	\$ 1,507,005	\$ 47,988	\$ 116,645

**Water Resource District**

Project	Total Contract with Change Orders	Total Completed and Stored	Retainage	Remaining Balance Includes Retainages
Drain RS #1	\$ 678,783	\$ 629,399	\$ 31,470	\$ 80,854

**NOTE 17: TAX ABATEMENTS**

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

At December 31, 2018, the local governments within the County provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria:

**New Business**

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

**RICHLAND COUNTY**Notes to the Financial Statements – Continued

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**Single Family Residence**

Under NDCC §57-02-08(35), up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time.

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

	<b>Reduction in Property Tax Revenue</b>
New Business	\$ 109,864
Single Family Residence	79,142
Other Programs	1,388
<b>Total Reduction in Property Tax Revenue</b>	<b>\$ 190,394</b>



**RICHLAND COUNTY**

Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Taxes	\$ 5,087,600	\$ 5,087,600	\$ 5,186,341	\$ 98,741
Intergovernmental	965,107	965,107	1,081,220	116,113
Charges for services	413,200	413,200	376,200	(37,000)
Licenses, permits and fees	3,375	3,375	3,230	(145)
Interest income	135,000	135,000	180,732	45,732
Miscellaneous	495,100	495,100	578,055	82,955
<b>Total Revenues</b>	<b>\$ 7,099,382</b>	<b>\$ 7,099,382</b>	<b>\$ 7,405,778</b>	<b>\$ 306,396</b>
<b>EXPENDITURES</b>				
Current				
General government	\$ 3,334,114	\$ 3,417,799	\$ 3,211,818	\$ 205,981
Public safety	2,493,250	2,493,250	2,409,010	84,240
Health and welfare	24,350	24,350	24,075	275
Culture and recreation	84,800	84,800	79,535	5,265
Conservation of natural resources	7,000	7,000	7,000	-
<b>Total Expenditures</b>	<b>\$ 5,943,514</b>	<b>\$ 6,027,199</b>	<b>\$ 5,731,438</b>	<b>\$ 295,761</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,155,868	\$ 1,072,183	\$ 1,674,340	\$ 602,157
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 732,006	\$ 732,006	\$ 762,599	\$ 30,593
Transfers out	(2,787,900)	(2,787,900)	(1,749,115)	1,038,785
<b>Total Other Financing Sources and Uses</b>	<b>\$ (2,055,894)</b>	<b>\$ (2,055,894)</b>	<b>\$ (986,516)</b>	<b>\$ 1,069,378</b>
<b>Net Change in Fund Balances</b>	<b>\$ (900,026)</b>	<b>\$ (983,711)</b>	<b>\$ 687,824</b>	<b>\$ 1,671,535</b>
Fund Balances - January 1	\$ 4,011,299	\$ 4,011,299	\$ 4,011,299	\$ -
Fund Balances - December 31	\$ 3,111,273	\$ 3,027,588	\$ 4,699,123	\$ 1,671,535

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

**RICHLAND COUNTY**

Budgetary Comparison Schedule - Special Revenue Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Taxes	\$ 2,741,800	\$ 2,741,800	\$ 2,832,838	\$ 91,038
Intergovernmental	3,938,247	3,938,247	4,440,868	502,621
Charges for services	1,232,700	1,232,700	1,101,692	(131,008)
Miscellaneous	186,900	186,900	289,544	102,644
<b>Total Revenues</b>	<b>\$ 8,099,647</b>	<b>\$ 8,099,647</b>	<b>\$ 8,664,942</b>	<b>\$ 565,295</b>
<b>EXPENDITURES</b>				
Current				
Public Safety	\$ 1,363,746	\$ 1,372,598	\$ 1,061,138	\$ 311,460
Highways and Bridges	5,029,678	5,029,678	3,772,548	1,257,130
Flood Repair	40,000	155,000	154,808	192
Health and Welfare	3,239,206	3,328,706	3,268,739	59,967
Conserv. of Natural Resources	380,925	421,325	417,474	3,851
Economic Development	295,550	295,550	82,106	213,444
Debt Service				
Principal	720,000	720,000	718,004	1,996
Interest and Fees	25,353	25,353	25,741	(388)
<b>Total Expenditures</b>	<b>\$ 11,094,458</b>	<b>\$ 11,348,210</b>	<b>\$ 9,500,558</b>	<b>\$ 1,847,652</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,994,811)	\$ (3,248,563)	\$ (835,616)	\$ 2,412,947
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,789,900	\$ 3,789,900	\$ 1,859,115	\$ (1,930,785)
Transfers out	(1,734,000)	(1,734,000)	(872,599)	861,401
<b>Total Other Financing Sources and Uses</b>	<b>\$ 2,055,900</b>	<b>\$ 2,055,900</b>	<b>\$ 986,516</b>	<b>\$ (1,069,384)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (938,911)</b>	<b>\$ (1,192,663)</b>	<b>\$ 150,900</b>	<b>\$ 1,343,563</b>
Fund Balances - January 1	\$ 4,422,191	\$ 4,422,191	\$ 4,422,191	\$ -
<b>Fund Balances - December 31</b>	<b>\$ 3,483,280</b>	<b>\$ 3,229,528</b>	<b>\$ 4,573,091</b>	<b>\$ 1,343,563</b>

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

**RICHLAND COUNTY**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 For the Year Ended December 31, 2018

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

<b>County</b>	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.575523%	\$ 9,712,579	\$ 5,912,447	164.27%	61.50%
2017	0.550137%	8,842,502	5,616,029	157.45%	60.63%
2016	0.513519%	5,004,744	5,277,256	94.84%	69.09%
2015	0.552910%	3,759,693	4,925,759	76.33%	75.76%
2014	0.587117%	3,659,597	4,856,874	75.35%	76.30%

<b>Water Resource District</b>	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.012191%	\$ 205,736	\$ 125,240	164.27%	1.30%
2017	0.012260%	197,063	125,158	157.45%	1.35%
2016	0.010159%	99,013	104,404	94.84%	1.37%
2015	0.010135%	68,915	90,289	76.33%	1.39%
2014	0.010762%	67,080	89,026	75.35%	1.40%

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

**RICHLAND COUNTY**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued  
 For the Year Ended December 31, 2018

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

<b>County</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 435,477	\$ 461,711	\$ (26,234)	\$ 5,912,447	7.65%
2017	407,231	396,102	11,129	5,616,029	6.90%
2016	382,065	376,864	5,201	5,277,256	7.00%
2015	380,996	372,472	8,525	4,925,759	7.43%
2014	345,809	345,809	-	4,856,874	6.99%

<b>Water Resource District</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 9,224	\$ 9,780	\$ (556)	\$ 125,240	0.16%
2017	9,075	8,827	248	125,158	0.15%
2016	7,559	7,456	103	104,404	0.14%
2015	6,984	6,827	156	90,289	0.14%
2014	6,339	6,339	-	89,026	0.13%

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

**RICHLAND COUNTY**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
 For the Year Ended December 31, 2018

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

<b>County</b>	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.540336%	\$ 425,552	\$ 5,912,447	7.05%	60.61%
2017	0.519118%	410,628	5,616,029	7.15%	58.48%

<b>Water Resource District</b>	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.011446%	\$ 9,014	\$ 125,240	0.15%	1.28%
2017	0.011569%	9,151	125,158	0.16%	1.30%

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

<b>County</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 69,350	\$ 73,926	\$ (4,576)	\$ 5,912,447	1.22%
2017	65,282	63,422	1,861	5,616,029	1.10%

<b>Water Resource District</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 1,469	\$ 1,566	\$ (97)	\$ 125,240	0.03%
2017	1,455	1,413	41	125,158	0.02%

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

**RICHLAND COUNTY**

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2018

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

**Budgetary Information**

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

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

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

**NOTE 3: CHANGES OF ASSUMPTIONS – PENSION AND OPEB**

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**NOTE 4: LEGAL COMPLIANCE - BUDGETS**

**Budget Amendments**

The board of County commissioners amended the budget for 2018 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<b>Major Funds</b>			
General Fund	\$ 5,943,514	\$ 83,685	6,027,199
Special Revenue Fund	11,094,458	253,752	11,348,210

# RICHLAND COUNTY

Schedule of Fund Activity - Cash Basis  
For the Year Ended December 31, 2018

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
<b>Governmental Funds</b>						
General Fund	\$ 3,810,489.93	\$ 7,348,688.53	\$ 762,599.32	\$ 1,749,115.39	\$ 5,798,736.99	\$ 4,373,925.40
Special Revenue Fund						
Highway Dept	\$ 142,141.59	\$ 2,999,253.80	\$ 36,025.00	\$ -	\$ 3,172,850.71	\$ 4,569.68
Bridge Replacement	1,995.64	300.00	110,000.00	-	110,911.28	1,384.36
Road and Bridge Equipment	1,280.30	1,000.00	650,000.00	-	650,870.39	1,409.91
15 Mill Road	1,605,008.48	1,384,122.06	-	110,000.00	528,121.47	2,351,009.07
Social Services	465,599.32	1,797,118.37	-	365,599.32	1,759,117.17	138,001.20
Emergency Assistance	3,430.96	3,789.65	-	-	3,121.04	4,099.57
Emergency	225,574.38	-	-	-	-	225,574.38
911 Communications	166.93	517,789.31	421,000.00	-	938,004.53	951.71
911 Wireless	2.35	-	-	-	2.35	-
NDIRN Fees	6,542.21	17,509.00	-	-	9,215.71	14,835.50
Capital Projects	53.98	261,337.98	105,650.00	367,000.00	-	41.96
Special Assessments-Co. Property	297.84	28.72	-	-	-	326.56
Drug Court	127.60	68,595.81	25,850.00	30,000.00	64,525.79	47.62
Water Rescue Team	286.20	-	1,500.00	-	1,493.80	292.40
Special Response	405.33	-	2,500.00	-	2,462.28	443.05
County Agent	135,660.29	140,307.06	-	-	150,290.15	125,677.20
Veteran's Service Officer	15,058.91	79,365.47	-	-	77,057.79	17,366.59
Weed Control Levy	191,966.77	110,469.67	-	-	253,659.70	48,776.74
Public Health	167,662.44	454,750.64	312,500.00	-	865,677.78	69,235.30
Home Health Care Holding	44,894.71	222,107.27	135,000.00	-	386,925.73	15,076.25
Family Planning	11,298.38	101,718.77	22,500.00	-	110,275.45	25,241.70
WIC Program	490.72	79,049.93	-	-	79,051.46	489.19
Hazardous Chemicals	10,047.07	4,189.11	-	-	1,733.91	12,502.27
FEMA Disaster Reimb.	125,025.03	-	36,523.62	-	154,808.42	6,740.23
Jail Concession	85,803.39	24,188.55	-	-	30,345.15	79,646.79
Sobriety Test	20,605.48	27,181.00	-	-	22,643.00	25,143.48
Job Development Authority	151,366.37	306,307.87	-	-	259,843.98	197,830.26
County Agent Special Account	954.19	4,526.95	66.77	-	5,547.91	-
Total Special Revenue Fund	\$ 3,413,746.86	\$ 8,605,006.99	\$ 1,859,115.39	\$ 872,599.32	\$ 9,638,556.95	\$ 3,366,712.97
Total Governmental Funds	\$ 7,224,236.79	\$ 15,953,695.52	\$ 2,621,714.71	\$ 2,621,714.71	\$ 15,437,293.94	\$ 7,740,638.37
<b>Agency Funds</b>						
State Medical Center	\$ 310.89	\$ 86,939.86	\$ -	\$ -	\$ 86,908.21	\$ 342.54
Three Rivers Crisis Center	-	2,506.40	-	-	2,506.40	-
Garrison Diversion	310.89	87,698.88	-	-	87,667.23	342.54
Domestic Violence	140.00	3,500.00	-	-	3,465.00	175.00
Township Share Gas & Oil Taxes	-	252,024.66	-	-	252,024.66	-
Telecommunications Tax Fund	-	185,292.44	-	-	185,292.44	-
State Aid Distribution	-	151,778.65	-	-	151,778.65	-
SEMCA Program Fund	4.81	217,692.71	-	-	218,111.06	(413.54)
ND State Income Tax W/H Fund	12,996.11	51,469.60	-	-	51,543.37	12,922.34
Senior Citizens	310.89	165,078.89	-	-	165,047.24	342.54
Historical Society	77.74	23,002.57	-	-	22,994.69	85.62
Soil Conservation District	310.89	87,393.94	-	-	87,362.29	342.54
Water Management Levy	1,243.69	368,289.42	-	-	368,162.79	1,370.32
Red River Joint Water Resource	621.84	174,801.92	-	-	174,738.61	685.15
Estimated Real Estate Tax	4,690.17	18,223.18	-	-	19,929.35	2,984.00
Taxes Paid in Advance	7,086,142.48	7,528,588.74	-	-	7,086,142.48	7,528,588.74
Total Cities	28,407.00	4,255,215.02	-	-	4,265,015.81	18,606.21
Total Park Districts	3,821.43	702,010.64	-	-	703,250.96	2,581.11
Total School Districts	36,268.00	10,121,404.72	-	-	10,118,456.78	39,215.94
Total Townships	4,243.95	1,461,400.26	-	-	1,460,086.32	5,557.89
County Drain Assessments	3,541.65	1,425,665.87	-	-	1,422,496.52	6,711.00
Total Fire Protection Districts	2,117.57	658,995.11	-	-	658,457.89	2,654.79
Total Ambulance Districts	732.16	198,692.04	-	-	198,568.47	855.73
Total Agency Funds	\$ 7,186,292.16	\$ 28,227,665.52	\$ -	\$ -	\$ 27,790,007.22	\$ 7,623,950.46
Total Primary Government	\$ 14,410,528.95	\$ 44,181,361.04	\$ 2,621,714.71	\$ 2,621,714.71	\$ 43,227,301.16	\$ 15,364,588.83

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



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

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

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Independent Auditor's Report

Board of County Commissioners  
Richland County  
Wahpeton, 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 financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Richland County's basic financial statements, and have issued our report thereon dated July 30, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *schedule of audit findings* as items 2018-001 and 2018-002, and 2018-003 that we consider to be a material weakness.



**RICHLAND COUNTY**

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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Richland 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Richland County's Response to Findings**

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

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
July 30, 2019

**RICHLAND COUNTY**

Summary of Auditor's Results and Findings  
For the Year Ended December 31, 2018

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

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

**Internal control over financial reporting**

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

**New Findings**

**2018-001 – FINANCIAL STATEMENT PREPARATION**

**Condition**

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

**Criteria**

Management of Richland County is responsible for establishing proper internal control over the preparation of Richland County's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

**Cause**

Management is not fully knowledgeable of the process of preparing financial statements in compliance with GAAP.

**Effect**

There is an increased risk of material misstatement to Richland County's financial statements.

**Recommendation**

We recommend Richland County design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continue to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

**Richland County's Response**

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

**2018-002 – ADJUSTING JOURNAL ENTRIES**

**Condition**

Material auditor-identified adjusting entries (fund level modified accrual basis to government wide full accrual basis) to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**Criteria**

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

**Cause**

Management is not fully knowledgeable of identifying necessary adjustments to present the financial statements in compliance with GAAP.

**Effect**

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

**Recommendation**

We recommend that Richland County design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

**Richland County's Response**

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

**Repeat Finding**

**2018-003 – LACK OF SEGREGATION OF DUTIES - COMPONENT UNIT**

**Condition**

The Richland County WRD has one Secretary/Treasurer responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

**Criteria**

Proper internal control surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the WRD.

**Cause**

Management has chosen to allocate its economic resources to other functions of the Water Resource District.

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Water Resource District's financial condition, whether due to error or fraud.

**Recommendation**

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

**Richland County's Response**

Agree. The Richland County Water Resource District agrees and will segregate duties as it becomes feasible.

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



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BISMARCK, NORTH DAKOTA 58505

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**GOVERNANCE COMMUNICATION**

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Board of County Commissioners  
Richland County  
Wahpeton, 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 Richland County, North Dakota, for the year ended December 31, 2018 which collectively comprise Richland County's basic financial statements, and have issued our report thereon dated July 30, 2019. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated February 11, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

**Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Richland County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

**Corrected and Uncorrected Misstatements**

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

<b>PRIMARY GOVERNMENT</b>		
<hr/>		
<b>Client Adjustments</b>		
Intergovernmental Receivable	588,812	
Accounts Receivable	95,862	
Interest Receivable	11,122	
Allow for Doubtful Accounts	1,078	
Change in Fair Market Value	71,651	
Revenue		768,525
Revenue	6,740	
Unearned Revenue		6,740
Expenditures	205,740	
Accounts Payable		122,670
Salaries Payable		83,070
<hr/>		
<b>WATER RESOURCE DISTRICT</b>		
<b>Client Adjustments</b>		
Intergovernmental Receivable	472,263	
Accounts Receivable	56,827	
Due From County	511	
Revenue		529,601
Expenditures	64,122	
Accounts Payable		64,122
<b>Audit Adjustments</b>		
Revenue	19,671	
Expenses		19,671

**Disagreements with Management**

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

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated July 30, 2019.

**Management Consultations with Other Independent Accountants**

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

**Difficulties Encountered in Performing the Audit**

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

**Other Audit Findings or Issues**

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

The following presents our informal recommendation:

\* \* \* \* \*

<b>FRAUD RISK ASSESSMENT</b>
------------------------------

Richland County does not currently prepare a fraud risk assessment of the entire entity. If the County does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the County’s goals in reporting, reliance, and accountability.

We recommend Richland County prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

\* \* \* \* \*

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

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
July 30, 2019



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[www.nd.gov/auditor](http://www.nd.gov/auditor)

or by contacting the Office of the State Auditor at:

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**Office of the State Auditor**

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