

AUDIT REPORT

DUNN COUNTY
Manning, North Dakota

For the Year Ended December 31, 2019

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

DUNN COUNTY
Manning, North Dakota

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Dunn County
Manning, North Dakota

COUNTY OFFICIALS

Craig Pelton	Commission Chairman
Robert Kleeman	Commission Vice Chairman
Daryl Dukart	Commissioner
Reinhard Hauck	Commissioner
JoAnn Marsh	Commissioner
Tracey Dolezal	Auditor/Treasurer
Lisa Guenther	County Recorder/Clerk of Court
Gary Kuhn	Sheriff
Stephanie Davis	States Attorney

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Dunn County
Manning, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Dunn County, Manning, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Dunn County, Manning, North Dakota, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgeting comparison information on pages 28 through 31, and the schedule of employer's share of net pension liability on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedule of fund activity is presented for additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2020 on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the county's internal control over financial reporting and compliance.


Rath and Mehrer, P.C.

Bismarck, North Dakota

April 10, 2020

DUNN COUNTY
Manning, North Dakota

Statement of Net Position
December 31, 2019

	Primary Government	Component Units		
	Governmental Activities	Water Resource District	Job Development Authority	Airport Authority
ASSETS:				
Cash and Investments	73,082,211.97	24,966.85	252,317.05	422,817.03
Taxes Receivable	31,245.20		2,444.10	2,086.80
Capital Assets (net of accumulated depreciation):				
Land	254,310.00			159,000.00
Buildings and Infrastructure	20,059,534.00			4,046,209.00
Machinery and Vehicles	6,919,672.00			5,236.00
Total Capital Assets	27,233,516.00	-	-	4,210,445.00
Total Assets	100,346,973.17	24,966.85	254,761.15	4,635,348.83
DEFERRED OUTFLOWS OF RESOURCES:				
Changes in Resources Related to Pensions	2,860,574.00			
LIABILITIES:				
Interest Payable				4,705.71
Long-Term Liabilities:				
Due Within One Year:				
Bank Loan Payable				41,070.89
Due After One Year:				
Bank Loan Payable				211,796.15
Compensated Absences Payable	402,864.12			
Net Pension Liability	6,558,741.00			
Total Liabilities	6,961,605.12	-	-	257,572.75
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	249,525.81			
Changes in Resources Related to Pensions	348,663.00			
Total Deferred Inflows of Resources	598,188.81	-	-	-
NET POSITION:				
Net Investment in Capital Assets	27,233,516.00			3,957,577.96
Restricted for:				
Special Purposes	36,876,433.22			
Unrestricted	31,537,804.02	24,966.85	254,761.15	420,198.12
Total Net Position	95,647,753.24	24,966.85	254,761.15	4,377,776.08

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

DUNN COUNTY
Manning, County

Statement of Activities
For the Year Ended December 31, 2019

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues		Primary Government		Water Resource	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	District	Job Development Authority	Airport Authority
Expenses						
<u>Functions/Programs</u>						
Primary Government:						
Governmental Activities:						
General Government	5,639,895.66	576,259.39	151,244.46	(4,912,391.81)		
Public Safety	3,239,357.20	213,573.85	48,416.67	(2,977,366.68)		
Highways and Public Improvement	17,684,154.63	2,715,499.89	857,236.85	(14,111,417.89)		
Health and Welfare	779,832.66	1,987.20	916,882.30	139,036.84		
Culture and Recreation	358,685.88			(358,685.88)		
Conservation and Economic Development	869,811.80	64,776.03		(805,035.77)		
Other	213,883.91			(213,883.91)		
Interest on Long-Term Debt	2,495.91			(2,495.91)		
Total Governmental Activities	28,788,117.65	3,572,096.36	1,973,780.28	(23,242,241.01)		
Component Units:						
Water Resource District	173,531.98				(173,531.98)	
Job Development Authority	720,962.99	47,613.46				(673,349.53)
Airport Authority						

General Revenues:				
Taxes:				
Property Taxes; levied for general purposes	877,477.81	2.37	175,811.62	243,556.14
Property taxes; levied for special purposes	1,330,170.98			
Homestead credit taxes	3,004.94			
Telecommunications taxes	10,378.65			
Oil and gas production taxes	34,893,559.18			
Federal aid not restricted to specific program:				
Federal payments in lieu of taxes	27,463.86			
Federal mineral royalties	10,724,858.28			
Flood control act lands	543,736.55			
Bankhead Jones	50,184.48			
U.S. fish and wildlife	2,598.00			
State aid not restricted to specific program:				
State aid distribution	504,000.59			32,000.00
Earnings on investments and other revenue	853,363.13	2.52	5,422.07	4,360.96
Gain on trade-in/disposal of capital assets	291,382.00			
Total General Revenues	50,112,178.45	4.89	181,233.69	279,917.10
Change in Net Position	26,869,937.44	4.89	7,701.71	(393,432.43)
Net Position - January 1	68,777,815.80	24,961.96	247,059.44	4,771,208.51
Net Position - December 31	95,647,753.24	24,966.85	254,761.15	4,377,776.08

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

DUNN COUNTY
Manning, North Dakota

Balance Sheet
Governmental Funds
December 31, 2019

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	County Road and Bridge	Capital Improvements		
ASSETS:					
Cash and Investments	36,067,284.91	18,193,561.05	14,296,085.01	4,525,281.00	73,082,211.97
Taxes Receivable	13,250.35	10,433.94		7,560.91	31,245.20
Interfund Receivable	42,570.14				42,570.14
Total Assets	36,123,105.40	18,203,994.99	14,296,085.01	4,532,841.91	73,156,027.31
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Interfund Payables				42,570.14	42,570.14
Deferred Inflows of Resources:					
Unavailable Revenue	106,287.47	103,471.10		71,012.44	280,771.01
Total Liabilities and Deferred Inflows of Resources	106,287.47	103,471.10	-	113,582.58	323,341.15
Fund Balances:					
Restricted for:					
General Government				53.28	53.28
Public Safety				266,416.33	266,416.33
Highways and Public Improvement		18,100,523.89		2,855,108.95	20,955,632.84
Health and Welfare				628,860.37	628,860.37
Culture and Recreation				318,808.79	318,808.79
Conservation and Economic Development				142,615.13	142,615.13
Other Special Purposes				100,363.88	100,363.88
Capital Projects/Public Services			14,296,085.01		14,296,085.01
Emergency Services				149,602.74	149,602.74
Unassigned	36,016,817.93			(42,570.14)	35,974,247.79
Total Fund Balances	36,016,817.93	18,100,523.89	14,296,085.01	4,419,259.33	72,832,686.16
Total Liabilities, Deferred Inflows of Resources and Fund Balances	36,123,105.40	18,203,994.99	14,296,085.01	4,532,841.91	73,156,027.31

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

DUNN COUNTY
Manning North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds 72,832,686.16

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

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

Cost of Capital Assets	35,278,660.00	
Less Accumulated Depreciation	<u>(8,045,144.00)</u>	
Net Capital Assets		27,233,516.00

Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds. 31,245.20

The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	2,860,574.00	
Total Deferred Inflows of Resources	<u>(348,663.00)</u>	
Net Deferred Outflows/Inflows of Resources		2,511,911.00

Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2019 are:

Compensated Absences Payable	(402,864.12)	
Net Pension Liability	<u>(6,558,741.00)</u>	
Total Long-Term Liabilities		<u>(6,961,605.12)</u>

Total Net Position of Governmental Activities 95,647,753.24

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

DUNN COUNTY
Manning, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	Major Funds			Other Governmental Funds	Total Governmental Funds
	County		Capital Improvements		
	General	Road and Bridge			
Revenues:					
Taxes	889,673.40	718,306.11		620,006.61	2,227,986.12
Licenses, Permits and Fees	1,855,155.99		171,000.00	127,271.32	2,153,427.31
Intergovernmental	32,811,996.40	1,482,231.14	10,724,858.28	3,720,513.88	48,739,599.70
Charges for Services	388,343.82	795,904.00		66,763.23	1,251,011.05
Miscellaneous	761,530.22	8,212.52	12,000.00	222,864.85	1,004,607.59
Total Revenues	36,706,699.83	3,004,653.77	10,907,858.28	4,757,419.89	55,376,631.77
Expenditures:					
Current:					
General Government	4,441,042.55			9,219.88	4,450,262.43
Public Safety	1,951,898.62		633,108.08	485,532.50	3,070,539.20
Highways and Public Improvement		13,463,505.32	354,996.66	2,716,104.65	16,534,606.63
Health and Welfare				762,943.66	762,943.66
Culture and Recreation	66,000.00		260,000.00	32,685.88	358,685.88
Conservation and Economic Development	245,348.31			574,826.49	820,174.80
Other			150,000.00	41,944.91	191,944.91
Capital Outlay		1,574,266.00	2,852,564.00	31,920.00	4,458,750.00
Debt Service:					
Principal		89,038.62			89,038.62
Interest and Service Charges		4,601.67			4,601.67
Total Expenditures	6,704,289.48	15,131,411.61	4,250,668.74	4,655,177.97	30,741,547.80
Excess (Deficiency) of Revenues Over Expenditures	30,002,410.35	(12,126,757.84)	6,657,189.54	102,241.92	24,635,083.97
Other Financing Sources (Uses):					
Transfers In	49,552.00	23,000,000.00		800,000.00	23,849,552.00
Transfers Out	(23,800,000.00)			(49,552.00)	(23,849,552.00)
Total Other Financing Sources (Uses)	(23,750,448.00)	23,000,000.00	-	750,448.00	-
Net Change in Fund Balance	6,251,962.35	10,873,242.16	6,657,189.54	852,689.92	24,635,083.97
Fund Balance - January 1	29,764,855.58	7,227,281.73	7,638,895.47	3,566,569.41	48,197,602.19
Fund Balance - December 31	36,016,817.93	18,100,523.89	14,296,085.01	4,419,259.33	72,832,686.16

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

DUNN COUNTY
Manning, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds	24,635,083.97
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	4,458,750.00	
Current Year Depreciation Expense	<u>(1,699,300.00)</u>	2,759,450.00

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

Debt Proceeds	-	
Repayment of Debt	<u>89,038.62</u>	89,038.62

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

Net Increase in Compensated Absences	(13,263.23)	
Net Decrease in Interest Payable	2,105.76	
Net Increase to Pension Expense	<u>(883,901.00)</u>	(895,058.47)

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

Net Decrease in Taxes Receivable		(9,958.68)
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In the statement of activities, only the gain on the trade-in/disposal of capital assets is reported, whereas in the governmental funds, the result of this transaction has no effect on financial resources. Thus, the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to increase net position.

291,382.00

Change in Net Position of Governmental Activities	<u>26,869,937.44</u>
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The accompanying notes to the financial statements are an integral part of these financial statements.

DUNN COUNTY
Manning, North Dakota

Statement of Fiduciary Assets and Liabilities
Custodial Funds
December 31, 2019

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>1,742,819.72</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>1,742,819.72</u>

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

DUNN COUNTY
Manning, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities
Custodial Funds
December 31, 2019

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	7,162,586.81
State Medical Levy Collections	71,935.77
Assessments charges to patrons/businesses	45,580.20
Mineral royalties	32,112.85
Pass-through grants/contributions	420,000.00
Donations/contributions	448.00
Employee garnishments	<u>16,682.45</u>
 Total Additions	 <u>7,749,346.08</u>
<u>Deductions:</u>	
Payments of property tax to other governments	7,199,756.08
Payments made for the purpose of public service	303,951.90
Payout of mineral royalties	4,608.33
Payments for 2020 census committee expenses	560.55
Payout of employee garnishments	16,682.45
Payments to State of ND Unclaimed Property	36.50
State medical levy collections remitted to state treasurer	<u>71,479.44</u>
 Total Deductions	 <u>7,597,075.25</u>
 Net Change in Assets and Liabilities	 <u>152,270.83</u>
 Assets and Liabilities - January 1	 <u>1,590,548.89</u>
 Assets and Liabilities - December 31	 <u><u>1,742,819.72</u></u>

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

DUNN COUNTY
Manning, North Dakota

Notes to the Financial Statements
December 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

Dunn County Job Development Authority: The Dunn County Job Development Authority's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the job development authority budget. The job development authority has the authority to issue its own debt.

Dunn County Airport Authority: The Dunn County Airport Authority's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the airport authority budget. The airport authority has the authority to issue its own debt.

The financial statements of each of the three discretely presented component units are presented in the basic financial statements. Additional information may be obtained from the Dunn County Auditor/Treasurer; 205 Owens Street; Manning, ND 58642.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the county's governmental activities. Direct expenses are those that are specifically associated with 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, are presented as general revenues.

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

The county reports the following major governmental funds:

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

County Road and Bridge. This is the county's primary road maintenance fund. It accounts for a special levy, the highway distribution taxes from the State of North Dakota and other financial resources related to highway maintenance, except those required to be accounted for in another fund.

Capital Improvements. This fund accounts for the accumulation of resources, derived mainly from federal mineral royalties used for the planning, construction, and maintenance of public facilities and the provision of public services.

The county reports the following fund type:

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

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

Government-wide and Fiduciary Fund Financial Statements: The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the county gives (or receives) value without directly receiving (or giving) equal value in

exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost and investments in Federal Government Agencies, municipal bonds and commercial paper.

E. Capital Assets

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

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

Buildings and Infrastructure	35 to 75 years
Machinery and Vehicles	5 to 10 Years

F. Compensated Absences

Vested or accumulated vacation leave and sick leave are reported in the government-wide statement of net position. The county allows employees to accumulate a maximum of 240 hours of vacation leave and an unlimited amount of sick leave. Regular full-time employees are granted vacation leave based on years of

service and are granted 8 hours of sick leave per month. Upon termination of employment, employees are paid for unused vacation benefits and 25% of all unused sick leave through the last day of work.

G. Long-Term Obligations

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

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

H. Pension

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

I. Fund Equity

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

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

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

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

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

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

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

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

- Committed
- Assigned
- Unassigned

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

J. Interfund Transactions

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

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

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

K. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of 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 any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2019 the county's carrying amount of deposits was \$73,990,044 and the bank balance was \$75,099,276. Of the bank balance, \$668,032 was covered by Federal Depository Insurance. Of the remaining balance, \$73,419,687 was collateralized with securities held by the pledging financial institution's agent in the government's name and \$1,011,557 was invested in investments authorized by the North Dakota Century Code and are considered uncollateralized.

Credit Risk

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

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

At December 31, 2019, the county held certificates of deposit in the amount of \$55,000,000 and \$1,011,557 in other investments as allowed by the century code, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 TAXES RECEIVABLE

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

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first

installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

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

Note 4 INTERFUND RECEIVABLE/PAYABLE

Interfund receivable/payable is created by negative cash balances in various funds. The amount shown as interfund payable represents the amount of negative cash in these funds. Interfund receivable/payable for the year ended December 31, 2019 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	42,570.14	
Homeland Security Grants		36,972.20
Vision West		5,597.94

Note 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2019:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	254,310			254,310
Construction in Progress	11,399,973	2,270,064	13,670,037	-
Total	<u>11,654,283</u>	<u>2,270,064</u>	<u>13,670,037</u>	<u>254,310</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	7,464,335	14,020,037		21,484,372
Machinery and Vehicles	12,697,448	2,613,186	1,770,656	13,539,978
Total	<u>20,161,783</u>	<u>16,633,223</u>	<u>1,770,656</u>	<u>35,024,350</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,041,279	383,559		1,424,838
Machinery and Vehicles	6,592,103	1,315,741	1,287,538	6,620,306
Total	<u>7,633,382</u>	<u>1,699,300</u>	<u>1,287,538</u>	<u>8,045,144</u>
Total capital assets being depreciated, net	<u>12,528,401</u>	<u>14,933,923</u>	<u>483,118</u>	<u>26,979,206</u>
Governmental Activities Capital Assets, Net	<u>24,182,684</u>	<u>17,203,987</u>	<u>14,153,155</u>	<u>27,233,516</u>

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

<u>Governmental Activities:</u>	
General Government	292,469
Public Safety	168,818
Highways and Public Improvement	1,149,548
Health and Welfare	16,889
Conservation and Economic Development	49,637
Other	<u>21,939</u>
 Total Depreciation Expense	 <u>1,699,300</u>

The following is a summary of changes in capital assets reported in the component unit for the year ended December 31, 2019:

<u>Airport Authority</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Discretely Presented Component Unit:				
<i>Capital assets not being depreciated:</i>				
Land	<u>159,000</u>			<u>159,000</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	6,366,785			6,366,785
Machinery and Vehicles	<u>15,700</u>			<u>15,700</u>
Total	<u>6,382,485</u>			<u>6,382,485</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,734,319	586,257		2,320,576
Machinery and Vehicles	<u>7,848</u>	<u>2,616</u>		<u>10,464</u>
Total	<u>1,742,167</u>	<u>588,873</u>		<u>2,331,040</u>
Total capital assets being depreciated, net	<u>4,640,318</u>	<u>(588,873)</u>		<u>4,051,445</u>
Discretely Presented Component Unit Capital Assets, Net	<u>4,799,318</u>	<u>(588,873)</u>		<u>4,210,445</u>

Depreciation expense was charged to the discretely presented component unit as follows:

Airport Authority	<u>588,873</u>
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Note 6 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to December 31, 2019.

Note 7 UNAVAILABLE REVENUE

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

Note 8 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2019, the following changes occurred in liabilities reported in the long-term liabilities – Governmental Activities:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Capital Leases	89,039		89,039		
Compensated Absences	389,601	13,263		402,864	
Total	478,640	13,263	89,039	402,864	-

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

Component Unit Debt

Changes in Long-Term Liabilities. During the year ended December 31, 2019, the following changes occurred in liabilities reported in the long-term liabilities – Component Unit:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bank Loan Payable	293,220		40,353	252,867	41,071

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2019 is as follows:

Bank Loan Payable. The airport authority has entered into a loan agreement with American Bank Center for the construction of an airport hangar.

\$375,221.68 Bank Loan with American Bank Center, due in annual installments of \$50,000.00 through June 1, 2025; payments include interest at 3.15%.

252,867.04

The annual requirements to amortize the outstanding bank loan payable are as follows:

Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	41,070.89	8,929.11
2021	42,396.52	7,603.48
2022	43,918.55	6,081.45
2023	45,495.23	4,504.77
2024	47,128.51	2,871.49
2025	32,857.34	1,179.58
Total	<u>252,867.04</u>	<u>31,169.88</u>

Note 9 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2019:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	49,552.00	
Group Health Insurance		49,552.00
To close fund.		
County Road and Bridge	23,000,000.00	
Special Roads	200,000.00	
SW Correction Center	100,000.00	
County Park	100,000.00	
Veterans Service Officer	10,000.00	
Weed Control	300,000.00	
Disaster Emergency Services	40,000.00	
Building	50,000.00	
General Fund		23,800,000.00

To subsidize expenditures/eliminate deficit fund balances.

Note 10 DEFICIT FUND BALANCES

The following funds had a deficit balance as of December 31, 2019:

Special Revenue Funds

Homeland Security Grants	(36,972.20)
Vision West	(5,597.94)

Agency Funds

Hazard Mitigation	(64,394.57)
Unclaimed Property	(128.95)

The county plans to eliminate these deficit balances with future revenue collections and/or transfers from other funds.

Note 11 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the Dunn County Senior Citizens and Dunn County Historical Society. However, the county's accountability for these entities does not extend beyond levying the tax. In 2019, the county remitted \$24,955.00 to the senior citizens and \$17,960.76 to the historical society.

Note 12 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The county pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$3,000,000 per occurrence for general liability and automobile; and \$5,501,500 for public assets.

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

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

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

Note 13 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS benefits program is assigned to a Board comprised of 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 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 provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55 – 64 with three or more years of service.

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for

benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

- 1 to 12 months of service -
Greater of one percent of monthly salary or \$25

- 13 to 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, 2019, Dunn County reported a liability of \$6,558,741 for its proportionate share of the net pension liability. 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 county's proportion of the net pension liability was based on the county's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018 the county's proportion was .388641 percent, which was an increase of .010142 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2019, the county recognized pension expense of \$1,147,076. At December 31, 2019 the county reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	17,361	223,141
Changes in assumptions	2,367,569	93,613
Net difference between projected and actual earnings on pension plan investments		31,909
Changes in proportion and differences between employer contributions and proportionate share of contributions	159,632	
County contributions subsequent to the measurement date (see below)	<u>316,012</u>	
Total	<u>2,860,574</u>	<u>348,663</u>

\$316,012 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

Year ended June 30:	
2019	740,127
2020	651,839
2021	503,941
2022	279,748
2023	20,244
Thereafter	0

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 3.50%

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 Retiree Mortality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2018 funding actuarial valuation for NDPERS.

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

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

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

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

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

Sensitivity of the county's proportionate share of the net pension liability to changes in the discount rate. The following presents the county's proportionate share of the net pension liability calculated using the discount rate of 6.32%, as well as what the county's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	<u>1% Decrease (5.32%)</u>	<u>Current Rate (6.32%)</u>	<u>1% Increase (7.32%)</u>
The county's proportionate share of the net pension liability	8,912,109	6,558,741	4,594,930

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

DUNN COUNTY
Manning, North Dakota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	819,476.70	819,476.70	889,673.40	70,196.70
Licenses, Permits and Fees	1,341,100.00	1,341,100.00	1,855,155.99	514,055.99
Intergovernmental	26,365,308.00	26,365,308.00	32,811,996.40	6,446,688.40
Charges for Services	342,500.00	342,500.00	388,343.82	45,843.82
Miscellaneous	161,720.00	161,720.00	761,530.22	599,810.22
Total Revenues	29,030,104.70	29,030,104.70	36,706,699.83	7,676,595.13
<u>Expenditures:</u>				
Current:				
General Government	4,402,770.85	4,402,770.85	4,441,042.55	(38,271.70)
Public Safety	1,639,957.71	1,639,957.71	1,951,898.62	(311,940.91)
Culture and Recreation	66,000.00	66,000.00	66,000.00	-
Conservation and Economic Dev.	255,476.00	255,476.00	245,348.31	10,127.69
Total Expenditures	6,364,204.56	6,364,204.56	6,704,289.48	(340,084.92)
Excess (Deficiency) of Revenues Over Expenditures	22,665,900.14	22,665,900.14	30,002,410.35	7,336,510.21
<u>Other Financing Sources (Uses):</u>				
Transfers in			49,552.00	49,552.00
Transfers out	(23,530,000.00)	(23,790,000.00)	(23,800,000.00)	(10,000.00)
Total Other Financing Sources (Uses)	(23,530,000.00)	(23,790,000.00)	(23,750,448.00)	39,552.00
Net Change in Fund Balances	(864,099.86)	(1,124,099.86)	6,251,962.35	7,376,062.21
Fund Balance - January 1	29,764,855.58	29,764,855.58	29,764,855.58	
Fund Balance - December 31	28,900,755.72	28,640,755.72	36,016,817.93	7,376,062.21

DUNN COUNTY
Manning, North Dakota

Budgetary Comparison Schedule
County Road and Bridge Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	672,199.06	672,199.06	718,306.11	46,107.05
Intergovernmental	1,406,652.00	1,406,652.00	1,482,231.14	75,579.14
Charges for Services	30,000.00	30,000.00	795,904.00	765,904.00
Miscellaneous	25,000.00	25,000.00	8,212.52	(16,787.48)
Total Revenues	2,133,851.06	2,133,851.06	3,004,653.77	870,802.71
<u>Expenditures:</u>				
Current:				
Highways and Public Improvements	26,075,136.00	26,075,136.00	13,463,505.32	12,611,630.68
Capital Outlay	984,500.00	984,500.00	1,574,266.00	(589,766.00)
Debt Service:				
Principal			89,038.62	(89,038.62)
Interest and Service Charges			4,601.67	(4,601.67)
Total Expenditures	27,059,636.00	27,059,636.00	15,131,411.61	11,928,224.39
Excess (Deficiency) of Revenues Over Expenditures	(24,925,784.94)	(24,925,784.94)	(12,126,757.84)	12,799,027.10
<u>Other Financing Sources:</u>				
Transfers in	23,000,000.00	23,000,000.00	23,000,000.00	-
Net Change in Fund Balances	(1,925,784.94)	(1,925,784.94)	10,873,242.16	12,799,027.10
Fund Balance - January 1	7,227,281.73	7,227,281.73	7,227,281.73	
Fund Balance - December 31	5,301,496.79	5,301,496.79	18,100,523.89	12,799,027.10

DUNN COUNTY
Manning, North Dakota

Budgetary Comparison Schedule
Capital Improvements Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Licenses, Permits and Fees	233,000.00	233,000.00	171,000.00	(62,000.00)
Intergovernmental	7,500,000.00	7,500,000.00	10,724,858.28	3,224,858.28
Miscellaneous			12,000.00	12,000.00
Total Revenues	7,733,000.00	7,733,000.00	10,907,858.28	3,174,858.28
<u>Expenditures:</u>				
Current:				
Public Safety			633,108.08	(633,108.08)
Highways and Public Improvements	1,750,000.00	1,750,000.00	354,996.66	1,395,003.34
Culture and Recreation	250,000.00	250,000.00	260,000.00	(10,000.00)
Other	250,000.00	250,000.00	150,000.00	100,000.00
Capital Outlay	6,900,000.00	6,900,000.00	2,852,564.00	4,047,436.00
Total Expenditures	9,150,000.00	9,150,000.00	4,250,668.74	4,899,331.26
Net Change in Fund Balances	(1,417,000.00)	(1,417,000.00)	6,657,189.54	8,074,189.54
Fund Balance - January 1	7,638,895.47	7,638,895.47	7,638,895.47	
Fund Balance - December 31	6,221,895.47	6,221,895.47	14,296,085.01	8,074,189.54

DUNN COUNTY
Manning, North Dakota.

Notes to the Budgetary Comparison Schedules
December 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board approved the following amendments to the county's budget for the year ending December 31, 2019.

	Original Budget	Amendment	Amended Budget
		<u>Appropriations</u>	
<u>Special Revenue Funds</u>			
Veterans Service	24,525	8,366	32,891
Weed Control	328,675	167,780	496,455
		<u>Transfers In</u>	
<u>Special Revenue Fund</u>			
Weed Control	40,000	260,000	300,000
		<u>Transfers Out</u>	
General Fund	23,530,000	260,000	23,790,000

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the year ended December 31, 2019:

General Fund	(340,084.92)
<u>Special Revenue Funds</u>	
Veterans Service	(9,053.91)
* Emergency 911	(74,769.16)
County Historical Society	(1,458.76)
* 24/7 Fees	(36,047.20)

* A budget was not prepared for this fund.

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

DUNN COUNTY
Manning, North Dakota

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

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.388641%	0.378499%	0.377637%	0.370926%	0.332484%
County's proportionate share of the net pension liability	6,558,741	6,083,721	3,680,441	2,522,233	2,110,347
County's covered employee payroll	3,974,136	3,862,747	3,822,839	3,441,937	3,259,460
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.04%	157.50%	96.28%	73.28%	64.75%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	61.98%	70.46%	77.15%	77.70%

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

	2019	2018	2017	2016	2015
Statutorily required contribution	282,958	275,028	272,186	245,066	214,667
Contributions in relation to the statutorily required contributions	(282,958)	(275,028)	(272,186)	(245,066)	(214,667)
Contribution deficiency (excess)	0	0	0	0	0
County's covered-employee payroll	3,974,136	3,862,747	3,822,839	3,441,937	3,259,460
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	6.59%

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

- For changes of assumptions, see Note 13 to the financial statements.

DUNN COUNTY
Manning, North Dakota

Schedule of Fund Activity
For the Year Ended December 31, 2019

	Balance 1/1/2019	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12/31/2019
Major Governmental Funds:						
General Fund	29,764,855.58	36,706,699.83	49,552.00	23,800,000.00	6,704,289.48	36,016,817.93
County Road and Bridge	7,227,281.73	3,004,653.77	23,000,000.00		15,131,411.61	18,100,523.89
Capital Improvements	7,638,895.47	10,907,858.28			4,250,668.74	14,296,085.01
Total Major Governmental Funds	44,631,032.78	50,619,211.88	23,049,552.00	23,800,000.00	26,086,369.83	68,413,426.83
Non-Major Governmental Funds:						
Farm to Market	31.28					31.28
Special Roads	2,682,632.89	2,688,549.43	200,000.00		2,716,104.65	2,855,077.67
Human Services	343,794.96	910,538.18			737,988.66	516,344.48
SW Correction Center	88,801.10	215,886.20	100,000.00		306,713.55	97,973.75
County Park	13,395.45	220,063.41	100,000.00		14,725.12	318,733.74
Group Health Insurance	49,552.00			49,552.00		-
Emergency	149,602.74					149,602.74
Veterans Service Officer	2,782.36	34,463.70	10,000.00		41,944.91	5,301.15
Social Security		53.28				53.28
County Agent	28,278.98	164,993.46			110,291.13	82,981.31
Weed Control	(30,640.61)	286,729.79	300,000.00		496,455.36	59,633.82
Disaster Emergency Services	13,445.66	42,941.67	40,000.00		68,002.59	28,384.74
Building	54,282.61		50,000.00		9,219.88	95,062.73
Emergency 911	56,828.53	85,022.32			74,769.16	67,081.69
County Historical Society	54.37	17,981.44			17,960.76	75.05
Senior Citizens	114,997.88	22,473.01			24,955.00	112,515.89
Homeland Security Grants	(36,972.20)					(36,972.20)
Sheriff Grants	15,494.13	25,475.00				40,969.13
24/7 Fees	25,805.22	42,249.00			36,047.20	32,007.02
Vision West	(5,597.94)					(5,597.94)
Total Non-Major Governmental Funds	3,566,569.41	4,757,419.89	800,000.00	49,552.00	4,655,177.97	4,419,259.33
Total Governmental Funds	48,197,602.19	55,376,631.77	23,849,552.00	23,849,552.00	30,741,547.80	72,832,686.16
Custodial Funds:						
State Funds	9,522.69	71,935.77			71,479.44	9,979.02
Southwest District Health Unit	34,637.10	2,891.05				37,528.15
Hazardous Chemical	46,151.11	29,775.00			27,441.01	48,485.10
Records Preservation Fund	238,107.15	13,695.20				251,802.35
District Court Trust	3,925.00					3,925.00
UCC Maintenance Trust	18,139.23	2,110.00				20,249.23
County Agent Trust	8,097.19	448.00				8,545.19
Garnishment Trust		16,682.45			16,682.45	-

(continued)

DUNN COUNTY
Manning, North Dakota

Schedule of Fund Activity
For the Year Ended December 31, 2019
(continued)

	Balance 1/1/2019	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12/31/2019
<u>Custodial Funds (continued):</u>						
Hazard Mitigation	(2,547.25)				61,847.32	(64,394.57)
Unlocatable Mineral Trust	46,742.36	32,112.85			4,608.33	74,246.88
Unclaimed Property	(92.45)				36.50	(128.95)
Dunn County Airport Authority	18,282.85	244,622.33			243,696.75	19,208.43
Ambulance District	47,091.40	338,853.30			350,664.35	35,280.35
Fair Board	2.98	7.38			6.35	4.01
Soil Conservation District	53,147.82	163,123.91			201,609.57	14,662.16
SW Water Authority	135.05	78,480.29			69,011.35	9,603.99
Job Development Authority	22,336.98	179,377.78			175,843.08	25,871.68
Vision West-Bush Foundation	4,117.50	209,000.00			34,117.50	179,000.00
Bush Foundation	215,641.57				101,997.07	113,644.50
Badlands Advisory Group Grant		209,000.00			78,549.00	130,451.00
Census 2020 Committee		2,000.00			560.55	1,439.45
Total Cities	74,234.22	475,324.81			500,209.15	49,349.88
Total School Districts	642,304.11	4,927,206.74			4,868,898.46	700,612.39
Water Resource District	2.37	264.56			264.56	2.37
Total Rural Fire District	110,569.91	752,434.66			789,552.46	73,452.11
Total Custodial Funds	1,590,548.89	7,749,346.08	-	-	7,597,075.25	1,742,819.72
Total Primary Government	49,788,151.08	63,125,977.85	23,849,552.00	23,849,552.00	38,338,623.05	74,575,505.88
<u>Discretely Presented Component Units:</u>						
Water Resource District	24,961.96	4.89				24,966.85
Job Development Authority	244,583.88	181,265.15			173,531.98	252,317.05
Dunn County Airport Authority	268,345.94	327,671.17			173,200.08	422,817.03
Total Component Units	537,891.78	508,941.21	-	-	346,732.06	700,100.93
Total Reporting Entity	50,326,042.86	63,634,919.06	23,849,552.00	23,849,552.00	38,685,355.11	75,275,606.81

DUNN COUNTY
Manning, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Schools and Roads - Grants to Counties (Bankhead Jones)	10.666		50,184.48
<u>U.S. Department of the Interior</u>			
Direct Program:			
Payments in Lieu of Taxes (PILT)	15.226		24,635.00
National Wildlife Refuge Fund	15.659		2,598.00
Total Direct Programs			27,233.00
Passed Through ND State Treasurer:			
Distribution of Receipts to State and Local Governments (Taylor Grazing)	15.227		2,173.02
Flood Control Act Lands	15.433		1,087,473.10
Mineral Leasing Act	15.437		10,724,858.28
Total Passed Through ND State Treasurer			11,814,504.40
Passed Through ND Game and Fish Department:			
Wildlife Restoration and Basic Hunter Education	15.611		4,629.03
Total U.S. Department of the Interior			11,846,366.43
<u>U.S. Department of Justice</u>			
Passed Through the State Attorney General's Office:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		20,475.00
<u>U.S. Department of Transportation</u>			
Passed Through State Department of Transportation:			
National Priority Safety Programs	20.616		9,223.06
<u>U.S. Department of Homeland Security</u>			
Passed Through State Department of Emergency Services:			
Homeland Security Grant Program	97.067		22,941.67
Total Expenditures of Federal Awards			11,949,190.64

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

The de minimis indirect cost rate was not used.

Rath & Mehrer, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Dunn County
Manning, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Dunn County, Manning, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated April 10, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

April 10, 2020

Rath & Mehrer, P.C.

Certified Public Accountants

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
Dunn County
Manning, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Dunn County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the county's major federal programs for the year ended December 31, 2019. The county's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the county complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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


Rath and Mehrer, P.C.

Bismarck, North Dakota

April 10, 2020

DUNN COUNTY
Manning, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2019

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major program(s): Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? _____ Yes X No

Identification of major program(s):

<u>CFDA Number</u>	<u>Name of Federal Program</u>
15.437	Minerals Leasing Act

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS:

No matters were reported

SECTION III – FEDERAL AWARD FINDINGS AND RESPONSES:

No matters were reported