

AUDIT REPORT

HETTINGER COUNTY
Mott, North Dakota

For the Years Ended December 31, 2019 and 2018

RATH & MEHRER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HETTINGER COUNTY
Mott, North Dakota

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HETTINGER COUNTY
Mott, North Dakota

COUNTY OFFICIALS

John Plaggemeyer	Chairman
Ron Friedt	Vice Chairman
Angela Carlson	Commissioner
Jeri Schmidt	Auditor/Treasurer
Sylvia Gion	County Recorder/Clerk of Court
Sarah Warner	Sheriff
David Crane	States Attorney

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Hettinger County
Mott, 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 Hettinger County, Mott, North Dakota, as of and for the years ended December 31, 2019 and 2018, 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 audits 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 audits 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 Hettinger County, Mott, North Dakota, as of December 31, 2019 and 2018, and the respective changes in financial position for the years 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 37 through 45 and the schedule of employer's share of net pension liability on page 46 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity arising from cash transactions are the responsibility of management and were 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 audits 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 schedules of fund activity arising from cash transactions 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 May 1, 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

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 1, 2020

HETTINGER COUNTY
Mott, North Dakota

Statement of Net Position
December 31, 2019

	Primary Government	Component Units		
	Governmental Activities	Water Resource District	Job Development Authority	Hettinger County Fair Association
ASSETS:				
Cash and Investments	2,528,772.33	354,540.70	137,003.13	25,996.01
Accounts Receivable	182,517.41			
Taxes Receivable	45,447.35	2,262.39	1,750.79	
Advance to Fair Board	5,000.00			
Advances to Fire Districts	55,598.50			
Capital Assets (net of accumulated depreciation):				
Buildings	132,275.00			
Machinery and Vehicles	509,428.00			
Total Capital Assets	641,703.00			
Total Assets	3,459,038.59	356,803.09	138,753.92	25,996.01
DEFERRED OUTFLOWS OF RESOURCES:				
Changes in Resources Related to Pensions	765,717.00			
LIABILITIES:				
Advance from Hettinger County				5,000.00
Interest Payable	5,027.49			
Long-Term Liabilities:				
Due Within One Year:				
USDA Loan Payable	8,545.54			
Due After One Year:				
USDA Loan Payable	184,210.56			
Compensated Absences	42,733.07			
Net Pension Liability	1,770,369.00			
Total Liabilities	2,010,885.66			5,000.00
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	557,160.14			
Changes in Resources Related to Pensions	192,498.00			
Total Deferred Inflows of Resources	749,658.14			5,000.00
NET POSITION:				
Net Investment in Capital Assets	641,703.00			
Restricted for:				
Special Purposes	1,439,091.92			
Debt Service	22,583.21			
Unrestricted	(639,166.34)	356,803.09	138,753.92	20,996.01
Total Net Position	1,464,211.79	356,803.09	138,753.92	20,996.01

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

HETTINGER COUNTY
Mott, North Dakota

Statement of Net Position
December 31, 2018

	Primary	Component Units		
	Government	Water	Job	Hettinger
	Governmental	Resource	Development	County Fair
	Activities	District	Authority	Association
ASSETS:				
Cash and Investments	2,528,180.83	363,911.07	151,473.83	25,102.00
Accounts Receivable	208,276.65			
Taxes Receivable	35,416.85	1,959.53	1,245.20	
Advance to Fair Board	5,000.00			
Advances to Fire Districts	79,295.50			
Capital Assets (net of accumulated depreciation):				
Buildings	136,419.00			
Machinery and Vehicles	651,122.00			
Total Capital Assets	787,541.00			
Total Assets	3,643,710.83	365,870.60	152,719.03	25,102.00
DEFERRED OUTFLOWS OF RESOURCES:				
Changes in Resources Related to Pensions	915,828.00			
LIABILITIES:				
Advance from Hettinger County				5,000.00
Interest Payable	5,242.85			
Long-Term Liabilities:				
Due Within One Year:				
USDA Loan Payable	8,256.56			
Due After One Year:				
USDA Loan Payable	192,756.10			
Compensated Absences	44,105.54			
Net Pension Liability	1,834,717.00			
Total Liabilities	2,085,078.05			5,000.00
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	467,034.90			
Changes in Resources Related to Pensions	91,702.00			
Total Deferred Inflows of Resources	558,736.90			
NET POSITION:				
Net Investment in Capital Assets	787,541.00			
Restricted for:				
Special Purposes	1,457,596.42			
Debt Service	37,607.22			
Unrestricted	(367,020.76)	365,870.60	152,719.03	20,102.00
Total Net Position	1,915,723.88	365,870.60	152,719.03	20,102.00

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

HETTINGER COUNTY
Mott, North Dakota

Statement of Activities
For the Year Ended December 31, 2019

	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Gov't	Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District	Job Development Authority	Hettinger County Fair Association
<u>Functions/Programs</u>							
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	1,339,449.10	34,481.11	31,230.00	(1,273,737.99)			
Public Safety	669,287.72	74,489.94	21,215.63	(573,582.15)			
Highways and Public Improve.	1,567,084.71	272,089.81	460,524.66	(834,470.24)			
Health and Welfare	551,713.44		684,103.63	132,390.19			
Culture and Recreation	60,311.26			(60,311.26)			
Conser. and Economic Dvlpmnt.	197,794.04	40,790.00	7,692.95	(149,311.09)			
Other	175,502.76			(175,502.76)			
Interest on Long-Term Debt	6,820.08			(6,820.08)			
Total Governmental Activities	4,567,963.11	421,850.86	1,204,766.87	(2,941,345.38)			
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<u>Component Units:</u>							
Water Resource District	123,712.08	991.00	19,632.00	(103,089.08)			
Job Development Authority	96,076.89				(96,076.89)		
Hettinger County Fair Association	57,461.68	28,299.83	30,000.00			838.15	
Total Component Units	277,250.65	29,290.83	49,632.00	(103,089.08)	(96,076.89)	838.15	

General Revenues:

Taxes:				
Property taxes; levied for general purposes	962,472.66	90,485.75	76,695.59	
Property taxes; levied for special purposes	666,806.97			
Sales taxes	97,321.97			
Telecommunications taxes	25,528.07			
Wind tower taxes	240,281.87			
Disabled veterans tax credit	1,944.22			
Homestead tax credit	11,504.19			
State aid not restricted to specific program:				
State aid distribution	409,981.94			
Earnings on investments and other revenue	73,991.40	3,535.82	5,416.19	55.86
Total General Revenues	2,489,833.29	94,021.57	82,111.78	55.86
Change in Net Position	(451,512.09)	(9,067.51)	(13,965.11)	894.01
Net Position - January 1	1,915,723.88	365,870.60	152,719.03	20,102.00
Net Position - December 31	1,464,211.79	356,803.09	138,753.92	20,996.01
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The accompanying notes are an integral part of these financial statements.

HETTINGER COUNTY
Mott, North Dakota

Statement of Activities
For the Year Ended December 31, 2018

Expenses	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues		Primary Gov't	Component Units		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District	Job Development Authority	Hettinger County Fair Association
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	1,304,238.30	37,462.82	31,932.00	(1,234,843.48)		
Public Safety	683,729.97	110,789.73	9,176.19	(563,764.05)		
Highways and Public Improve.	1,287,814.34	547,635.33	407,279.45	(332,899.56)		
Health and Welfare	564,665.94		635,846.83	71,180.89		
Culture and Recreation	54,202.72			(54,202.72)		
Conser. and Economic Dvlpmnt.	201,247.17		23,146.49	(178,100.68)		
Other	16,483.99			(16,483.99)		
Interest on Long-Term Debt	7,136.58			(7,136.58)		
Total Governmental Activities	4,119,519.01	695,887.88	1,107,380.96	(2,316,250.17)		

<u>Component Units:</u>						
Water Resource District	68,750.36	1,224.00	10,000.00	(57,526.36)		
Job Development Authority	62,241.49				(62,241.49)	
Hettinger County Fair Association	82,234.01	43,230.65	30,000.00			(9,003.36)
Total Component Units	213,225.86	44,454.65	40,000.00	(57,526.36)	(62,241.49)	(9,003.36)

General Revenues:

Taxes:				
Property taxes; levied for general purposes	983,308.10	73,213.91	43,565.22	
Property taxes; levied for special purposes	695,908.91			
Sales taxes	88,429.59			
Telecommunications taxes	25,528.07			
Homestead tax credit	14,889.87			
Disabled veterans tax credit	1,581.17			
State aid not restricted to specific program:				
State aid distribution	366,729.47			
Earnings on investments and other revenue	170,768.83	1,882.81	381.23	51.56
Total General Revenues	2,347,144.01	75,096.72	43,946.45	51.56
Change in Net Position	30,893.84	17,570.36	(18,295.04)	(8,951.80)
Net Position - January 1	1,884,830.04	348,300.24	171,014.07	29,053.80
Net Position - December 31	1,915,723.88	365,870.60	152,719.03	20,102.00

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

HETTINGER COUNTY
Mott, North Dakota

Balance Sheet
Governmental Funds
December 31, 2019

Major Funds

	General	County Road and Bridge	Highway Tax Distribution	Social Services	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Investments	1,115,537.09	214,778.95	15,279.15	221,841.93	961,335.21	2,528,772.33
Accounts Receivable		182,517.41				182,517.41
Taxes Receivable	25,256.56	10,421.95			9,768.84	45,447.35
Advance to Fair Board	5,000.00					5,000.00
Advances to Fire Districts	55,598.50					55,598.50
Total Assets	1,201,392.15	407,718.31	15,279.15	221,841.93	971,104.05	2,817,335.59
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Deferred Inflows of Resources:						
Unavailable Revenue	350,236.10	145,044.84			107,326.55	602,607.49
Fund Balances:						
Nonspendable:						
Advances to Other Entities	60,598.50					60,598.50
Restricted for:						
General Government					47,902.80	47,902.80
Public Safety					182,035.75	182,035.75
Highways and Public Improve.		262,673.47	15,279.15		123,376.86	401,329.48
Health and Welfare	100,000.00			221,841.93	17,225.44	339,067.37
Culture and Recreation					51.09	51.09
Conser. and Econ. Dvlpmnt.					119,257.87	119,257.87
Emergency Purposes					232,607.34	232,607.34
Debt Service					27,610.70	27,610.70
Capital Improvements					37,923.32	37,923.32
Other Purposes					76,006.94	76,006.94
Unassigned	690,557.55				(220.61)	690,336.94
Total Fund Balances	851,156.05	262,673.47	15,279.15	221,841.93	863,777.50	2,214,728.10
Total Deferred Inflows of Resources and Fund Balances	1,201,392.15	407,718.31	15,279.15	221,841.93	971,104.05	2,817,335.59

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

HETTINGER COUNTY
Mott, North Dakota

Balance Sheet
Governmental Funds
December 31, 2018

Major Funds

	General	County Road and Bridge	Highway Tax Distribution	Social Services	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Investments	1,138,848.66	394,519.87	88,620.16	73,058.86	833,133.28	2,528,180.83
Accounts Receivable		208,276.65				208,276.65
Taxes Receivable	18,618.81	7,802.33			8,995.71	35,416.85
Advance to Fair Board	5,000.00					5,000.00
Advances to Fire Districts	79,295.50					79,295.50
Total Assets	1,241,762.97	610,598.85	88,620.16	73,058.86	842,128.99	2,856,169.83
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Deferred Inflows of Resources:						
Unavailable Revenue	290,074.26	119,604.54			92,772.95	502,451.75
Fund Balances:						
Nonspendable:						
Advances to Other Entities	84,295.50					84,295.50
Restricted for:						
General Government					44,858.76	44,858.76
Public Safety					168,989.38	168,989.38
Highways and Public Improve.		490,994.31	88,620.16		82,092.18	661,706.65
Health and Welfare	100,000.00			73,058.86	13,231.35	186,290.21
Culture and Recreation					55.64	55.64
Conser. and Econ. Dvlpmnt.					61,302.16	61,302.16
Emergency Purposes					221,410.40	221,410.40
Debt Service					42,850.07	42,850.07
Capital Improvements					50,405.64	50,405.64
Other Purposes					65,082.78	65,082.78
Unassigned	767,393.21				(922.32)	766,470.89
Total Fund Balances	951,688.71	490,994.31	88,620.16	73,058.86	749,356.04	2,353,718.08
Total Deferred Inflows of Resources and Fund Balances	1,241,762.97	610,598.85	88,620.16	73,058.86	842,128.99	2,856,169.83

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

HETTINGER COUNTY
Mott, 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 2,214,728.10

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

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

Cost of Capital Assets	2,687,409.00	
Less Accumulated Depreciation	(2,045,706.00)	
Net Capital Assets		641,703.00

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. 45,447.35

The deferred outflows and inflows or 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	765,717.00	
Total Deferred Inflows of Resources	(192,498.00)	
Net Deferred Outflows/Inflows of Resources		573,219.00

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:

USDA Loan Payable	(192,756.10)	
Compensated Absences Payable	(42,733.07)	
Interest Payable	(5,027.49)	
Net Pension Liability	(1,770,369.00)	
Total Long-Term Liabilities		(2,010,885.66)

Total Net Position of Governmental Activities 1,464,211.79

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

HETTINGER COUNTY
Mott, North Dakota

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

Total Fund Balances for Governmental Funds 2,353,718.08

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

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

Cost of Capital Assets	2,679,307.00	
Less Accumulated Depreciation	(1,891,766.00)	
	<hr/>	
Net Capital Assets		787,541.00

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.

35,416.85

The deferred outflows and inflows or 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	915,828.00	
Total Deferred Inflows of Resources	(91,702.00)	
	<hr/>	
Net Deferred Outflows/Inflows of Resources		824,126.00

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, 2018 are:

USDA Loan Payable	(201,012.66)	
Compensated Absences Payable	(44,105.54)	
Interest Payable	(5,242.85)	
Net Pension Liability	(1,834,717.00)	
	<hr/>	
Total Long-Term Liabilities		(2,085,078.05)

Total Net Position of Governmental Activities		<hr/>
		1,915,723.88
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The accompanying notes are an integral part of these financial statements.

HETTINGER COUNTY
Mott, North Dakota

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

	Major Funds					Total Governmental Funds
	General	County Road and Bridge	Highway Tax Distribution	Social Services	Other Governmental Funds	
Revenues:						
Taxes	1,119,770.78	436,427.81			426,182.45	1,982,381.04
Licenses, Permits and Fees	10,700.00					10,700.00
Intergovernmental	466,704.44	41,527.83	397,637.17	661,452.30	62,980.86	1,630,302.60
Charges for Services	65,015.31	233,162.08			112,973.47	411,150.86
Miscellaneous	30,058.37	3,701.50	83.32		38,042.83	71,886.02
Total Revenues	1,692,248.90	714,819.22	397,720.49	661,452.30	640,179.61	4,106,420.52
Expenditures:						
Current:						
General Government	1,046,725.57				104,746.13	1,151,471.70
Public Safety	536,826.43				101,784.79	638,611.22
Highways and Public Improve.		843,140.06	571,061.50		11,812.50	1,426,014.06
Health and Welfare				488,522.98	53,309.46	541,832.44
Culture and Recreation	53,000.00				7,311.26	60,311.26
Conser. and Economic Dvlpmnt.	7,350.00				188,423.06	195,773.06
Other	162,502.76				13,000.00	175,502.76
Capital Outlay	40,602.00					40,602.00
Debt Service:						
Principal					8,256.56	8,256.56
Interest					7,035.44	7,035.44
Total Expenditures	1,847,006.76	843,140.06	571,061.50	488,522.98	495,679.20	4,245,410.50
Excess (Deficiency) of Revenues Over Expenditures	(154,757.86)	(128,320.84)	(173,341.01)	172,929.32	144,500.41	(138,989.98)
Other Financing Sources (Uses):						
Transfers In	54,225.20		100,000.00			154,225.20
Transfers Out		(100,000.00)		(24,146.25)	(30,078.95)	(154,225.20)
Total Other Financing Sources (Uses)	54,225.20	(100,000.00)	100,000.00	(24,146.25)	(30,078.95)	
Net Change in Fund Balances	(100,532.66)	(228,320.84)	(73,341.01)	148,783.07	114,421.46	(138,989.98)
Fund Balance - January 1	951,688.71	490,994.31	88,620.16	73,058.86	749,356.04	2,353,718.08
Fund Balance - December 31	851,156.05	262,673.47	15,279.15	221,841.93	863,777.50	2,214,728.10

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

HETTINGER COUNTY
Mott, North Dakota

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

	Major Funds					Total Governmental Funds
	General	County Road and Bridge	Highway Tax Distribution	Social Services	Other Governmental Funds	
Revenues:						
Taxes	1,009,406.44	410,128.90			382,238.77	1,801,774.11
Licenses, Permits and Fees	11,614.50				47,295.33	58,909.83
Intergovernmental	414,348.09	4,447.22	397,544.53	614,378.79	61,861.01	1,492,579.64
Charges for Services	48,841.96	541,868.59			46,267.50	636,978.05
Miscellaneous	124,831.94	9,371.00			34,567.72	168,770.66
Total Revenues	1,609,042.93	965,815.71	397,544.53	614,378.79	572,230.33	4,159,012.29
Expenditures:						
Current:						
General Government	1,075,587.94				35,854.02	1,111,441.96
Public Safety	562,855.80				90,841.00	653,696.80
Highways and Public Improve.		545,145.84	541,870.41		35,139.50	1,122,155.75
Health and Welfare				519,377.93	54,030.00	573,407.93
Culture and Recreation	48,000.00				6,202.72	54,202.72
Conser. and Economic Dvlpmnt.	8,796.39				191,552.50	200,348.89
Other	3,483.99				13,000.00	16,483.99
Capital Outlay	30,368.00	71,000.00		21,942.00	50,000.00	173,310.00
Debt Service:						
Principal					7,977.35	7,977.35
Interest					7,344.65	7,344.65
Total Expenditures	1,729,092.12	616,145.84	541,870.41	541,319.93	491,941.74	3,920,370.04
Excess (Deficiency) of Revenues Over Expenditures	(120,049.19)	349,669.87	(144,325.88)	73,058.86	80,288.59	238,642.25
Other Financing Sources (Uses):						
Transfers In	25,509.33		150,000.00		16,821.16	192,330.49
Transfers Out	(16,821.16)	(150,000.00)			(25,509.33)	(192,330.49)
Total Other Financing Sources (Uses)	8,688.17	(150,000.00)	150,000.00		(8,688.17)	
Net Change in Fund Balances	(111,361.02)	199,669.87	5,674.12	73,058.86	71,600.42	238,642.25
Fund Balance - January 1	1,063,049.73	291,324.44	82,946.04		677,755.62	2,115,075.83
Fund Balance - December 31	951,688.71	490,994.31	88,620.16	73,058.86	749,356.04	2,353,718.08

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

HETTINGER COUNTY
Mott, 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 (138,989.98)

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 depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	40,602.00	
Current Year Depreciation Expense	(186,440.00)	(145,838.00)

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	0.00	
Repayment of Debt	8,256.56	8,256.56

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

Net Decrease in Interest Payable	215.36	
Net Decrease in Compensated Absences	1,372.47	
Net Increase to Pension Expense	(186,559.00)	(184,971.17)

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 Increase in Taxes Receivable		10,030.50
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Change in Net Position of Governmental Activities		(451,512.09)
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The accompanying notes are an integral part of these financial statements.

HETTINGER COUNTY
Mott, 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, 2018

Net Change in Fund Balances - Total Governmental Funds 238,642.25

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 depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	173,310.00	
Current Year Depreciation Expense	(205,603.00)	(32,293.00)

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	0.00	
Repayment of Debt	7,977.35	7,977.35

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

Net Decrease in Interest Payable	208.07	
Net Decrease in Compensated Absences	17,394.61	
Net Increase to Pension Expense	(192,436.00)	(174,833.32)

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		(8,599.44)
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Change in Net Position of Governmental Activities		30,893.84
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The accompanying notes are an integral part of these financial statements.

HETTINGER COUNTY
Mott, North Dakota

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

	Custodial Funds
<u>Assets:</u>	
Cash and Investments	1,487,053.87 =====
<u>Liabilities:</u>	
Due to Other Governments	1,487,053.87 =====

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

HETTINGER COUNTY
Mott, North Dakota

Statement of Fiduciary Assets and Liabilities
Custodial Funds
December 31, 2018

	Custodial Funds
<u>Assets:</u>	
Cash and Investments	1,230,600.53 =====
<u>Liabilities:</u>	
Due to Other Governments	1,230,600.53 =====

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

HETTINGER COUNTY
Mott, North Dakota

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

	Custodial Funds
<u>Additions:</u>	
Property tax collections for other governments	5,064,619.38
State medical collections	29,898.39
Assessments charged to patrons/businesses	11,409.06
Pass-thru grants/contributions	1,939.00
Collections on behalf of ND state treasurer	210.00
	<hr/>
Total Additions	5,108,075.83
	<hr/>
<u>Deductions:</u>	
Payments of property tax to other governments	4,808,182.54
Payments made for the purpose of public service	12,084.16
Payout of state land trust funds to townships	1,939.00
Collections remitted to state treasurer	29,416.79
	<hr/>
Total Deductions	4,851,622.49
	<hr/>
Net Change in Assets and Liabilities	256,453.34
	<hr/>
Assets and Liabilities - January 1	1,230,600.53
	<hr/>
Assets and Liabilities - December 31	1,487,053.87
	=====

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

HETTINGER COUNTY
Mott, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities
Custodial Funds
December 31, 2018

	Custodial Funds
<u>Additions:</u>	
Property tax collections for other governments	4,152,469.94
State medical collections	25,881.16
Assessments charged to patrons/businesses	9,489.00
Pass-thru grants/contributions	1,812.99
Collections on behalf of ND state treasurer	245.00
	<hr/>
Total Additions	4,189,898.09
	<hr/>
<u>Deductions:</u>	
Payments of property tax to other governments	4,382,615.67
Payments made for the purpose of public service	15,365.13
Payout of state land trust funds to townships	1,812.99
Collections remitted to state treasurer	27,730.65
	<hr/>
Total Deductions	4,427,524.44
	<hr/>
Net Change in Assets and Liabilities	(237,626.35)
	<hr/>
Assets and Liabilities - January 1	1,468,226.88
	<hr/>
Assets and Liabilities - December 31	1,230,600.53
	=====

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

HETTINGER COUNTY
Mott, North Dakota

Notes to the Financial Statements
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hettinger 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. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the county to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Hettinger County.

Based on these criteria, the component units discussed below are included within the county's reporting entity because of the significance of their 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.

Hettinger County Water Resource District: The Hettinger 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.

Hettinger County Job Development Authority: The Hettinger 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.

Hettinger County Fair Association: The Hettinger County Fair Association'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 fair association budget. The fair association 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 Hettinger County Auditor, 336 Pacific Avenue, Mott, ND 58646.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, Hettinger 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 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 fund is the county's primary road maintenance fund. It accounts for a special levy and all financial resources related to highway maintenance and repair, except those required to be accounted for in another fund.

Highway Tax Distribution. This fund accounts for the highway tax distribution from the State of North Dakota to be used for the maintenance and repair of roads within the county.

Social Services. This is the county's primary health and welfare fund. It accounts for all financial resources related to health and welfare, except those required to be accounted for in another fund.

The county reports the following fund type:

Agency Funds. These funds account for assets held by the county in a custodial capacity as an agent on behalf of others. The county's agency funds are used to account for 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. 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-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.

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	40 to 100 years
Machinery and Vehicles	5 to 10 years

F. Compensated Absences

Vested or accumulated vacation and sick leave is reported in the government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the county. The employees may carry forward a maximum of 160 hours of accrued annual leave.

All employees will be paid up to 60 days of accumulated unused sick leave upon termination of employment or retirement. Employees with over ten years of continuous employment service will receive \$10 per day payment up to 60 days. Those employees with over twenty years of continuous employment service will receive \$20 per day payment up to 60 days.

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 investments 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 \$4,015,826 and the bank balance was \$4,020,239. Of the bank balance, \$600,000 was covered by Federal Depository Insurance. The remaining balance of \$3,420,239 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2018 the county's carrying amount of deposits was \$3,758,781 and the bank balance was \$3,775,427. Of the bank balance, \$600,000 was covered by Federal Depository Insurance. The remaining balance of \$3,175,427 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- (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 \$520,983, which are all considered deposits.

At December 31, 2018 the county held certificates of deposit in the amount of \$520,983, 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 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts on open account due the highway department at December 31 for roadwork performed for cities, townships and individuals. No allowance has been established for estimated uncollectible accounts receivable.

Note 4 TAXES RECEIVABLE

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

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 in a single payment on or before February 15 and receive the discount on the property taxes.

Note 5 ADVANCE TO FAIR BOARD

This amount consists of a loan to the Hettinger County Fair Association from the general fund for the purpose of electrical wiring at the fairgrounds. The general fund is not charging interest and the fair board is repaying the loan as funds become available.

Note 6 ADVANCES TO RURAL FIRE DISTRICTS

This amount consists of loans to the Mott Rural Fire District, New England Rural Fire District and Regent Rural Fire District from the general fund for the purpose of fire hall improvements. The general fund is not charging interest and the rural fire districts are repaying the loans as funds become available.

Note 7 CAPITAL ASSETS

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

	<u>2019</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	294,300			294,300
Machinery and Vehicles	2,385,007	40,602	32,500	2,393,109
Total	<u>2,679,307</u>	<u>40,602</u>	<u>32,500</u>	<u>2,687,409</u>
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Buildings and Infrastructure	157,881	4,144		162,025
Machinery and Vehicles	1,733,885	182,296	32,500	1,883,681
Total	<u>1,891,766</u>	<u>186,440</u>	<u>32,500</u>	<u>2,045,706</u>
Governmental Activities				
Capital Assets, Net	<u>787,541</u>	<u>(145,838)</u>	<u>-0-</u>	<u>641,703</u>

	<u>2018</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	244,300	50,000		294,300
Machinery and Vehicles	2,299,197	123,310	37,500	2,385,007
Total	<u>2,543,497</u>	<u>173,310</u>	<u>37,500</u>	<u>2,679,307</u>
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Buildings and Infrastructure	153,737	4,144		157,881
Machinery and Vehicles	1,569,926	201,459	37,500	1,733,885
Total	<u>1,723,663</u>	<u>205,603</u>	<u>37,500</u>	<u>1,891,766</u>
Governmental Activities				
Capital Assets, Net	<u>819,834</u>	<u>(32,293)</u>	<u>-0-</u>	<u>787,541</u>

Depreciation expense was charged to functions/programs of the county as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
<u>Governmental Activities:</u>		
General Government	2,115	2,115
Public Safety	29,210	29,738
Highways and Public Improve.	144,169	162,804
Health and Welfare	9,881	9,881
Cons. and Econ Dev.	1,065	1,065
Total	<u>186,440</u>	<u>205,603</u>
	=====	=====

Note 8 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.

Unavailable revenue on the government-wide financial statements consists of prepaid property taxes.

Note 9 ADVANCE FROM HETTINGER COUNTY

This amount consists of a loan to the Hettinger County Fair Association for the purpose of electrical wiring at the fairgrounds. The general fund is not charging interest and the fair board is repaying the loan as funds become available.

Note 10 INTEREST PAYABLE

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

Note 11 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2019 and 2018, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	<u>2019</u>				
	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
USDA Loan Payable	201,013		8,257	192,756	8,546
Compensated Absences *	44,106		1,373	42,733	
Total	<u>245,119</u>	<u>-0-</u>	<u>9,630</u>	<u>235,489</u>	<u>8,546</u>
	=====	=====	=====	=====	=====

2018

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
USDA Loan Payable	208,990		7,977	201,013	8,257
Compensated Absences *	61,500		17,394	44,106	
Total	<u>270,490</u>	<u>-0-</u>	<u>25,371</u>	<u>245,119</u>	<u>8,257</u>
	=====	=====	=====	=====	=====

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

Outstanding debt at December 31, 2019 consists of the following:

Governmental Activities:

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:

USDA Loan Payable. The city has received a Rural Development loan through the United States Dept. of Agriculture for the purpose of updating the electrical and lighting systems in the county courthouse.

\$234,012.43 Rural Development loan, due in annual installments of \$15,292.00 through March 3, 2035 and a final payment of \$14,821.57 on March 3, 2036; payments include interest at 3.5%.	192,756.10 =====
--	---------------------

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	8,545.54	6,746.46
2021	8,844.63	6,447.37
2022	9,154.19	6,137.81
2023	9,474.59	5,817.41
2024	9,806.20	5,485.80
2025-2029	54,425.91	22,034.09
2030-2034	64,640.88	11,819.09
2035-2036	27,864.16	1,449.41
Total	<u>192,756.10</u>	<u>65,937.44</u>
	=====	=====

Note 12 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2019</u>		
General	24,146.25	
Social Services		24,146.25
To reclassify indirect costs to general fund.		
General	30,078.95	
County Sales Tax		30,078.95
Highway Tax Distribution	100,000.00	
County Road and Bridge		100,000.00
To subsidize expenditures.		
<u>December 31, 2018</u>		
General	25,373.64	
County Sales Tax		25,373.64
Highway Tax Distribution	150,000.00	
County Road and Bridge		150,000.00
To subsidize expenditures.		
USDA Loan/Courthouse Ren.	16,821.16	
General		16,821.16
To provide funds for debt payment.		
General	135.69	
County Special Assessments		135.69
To close fund.		

Note 13 DEFICIT FUND BALANCE

The following fund had a deficit balance at December 31:

	<u>2019</u>	<u>2018</u>
<u>Special Revenue Fund</u>		
Veterans Service Officer	(220.61)	(922.32)

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

Note 14 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the Hettinger County Senior Citizens and Historical Society. However, the county's accountability for these entities does not extend beyond levying the tax. In 2019 and 2018, the county remitted \$53,309.46 and \$54,030.00 to the Senior Citizens and \$7,311.26 and \$6,202.72 to the Historical Society, respectively.

Note 15 RISK MANAGEMENT

Hettinger 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 \$2,000,000 per occurrence for general liability and automobile; and \$1,716,150 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 \$1,800,000 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 16 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, Hettinger County reported a liability of \$1,770,369 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 .104904 percent, which was a decrease of .009243 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2019 the county recognized pension expense of \$277,636. 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	4,686	60,231
Changes in assumptions	639,066	25,269
Net difference between projected and actual earnings on pension plan investments		8,613
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,629	98,385
County contributions subsequent to the measurement date (see below)	92,336	
Total	----- 765,717 -----	----- 192,498 -----

\$92,336 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 June 30, 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	167,790
2020	144,053
2021	110,674
2022	60,050
2023	(1,684)
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 Morality 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, 2018. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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).

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 percent, 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:

	1% Decrease (5.32%)	Current Rate (6.32%)	1% Increase (7.32%)
	-----	-----	-----
The county's proportionate share of the net pension liability	2,405,603	1,770,369	1,240,288

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

HETTINGER COUNTY
Mott, 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	991,159.22	991,159.22	1,119,770.78	128,611.56
Licenses, Permits and Fees	9,800.00	9,800.00	10,700.00	900.00
Intergovernmental	368,081.00	368,081.00	466,704.44	98,623.44
Charges for Services	28,900.00	28,900.00	65,015.31	36,115.31
Miscellaneous	2,100.00	2,100.00	30,058.37	27,958.37
Total Revenues	1,400,040.22	1,400,040.22	1,692,248.90	292,208.68
<u>Expenditures:</u>				
Current:				
General Government	1,138,301.30	1,138,301.30	1,046,725.57	91,575.73
Public Safety	614,038.00	614,038.00	536,826.43	77,211.57
Culture and Recreation	48,000.00	48,000.00	53,000.00	(5,000.00)
Conservation and Economic Development	9,350.00	9,350.00	7,350.00	2,000.00
Other	63,551.16	63,551.16	162,502.76	(98,951.60)
Capital Outlay	40,602.00	40,602.00	40,602.00	
Total Expenditures	1,913,842.46	1,913,842.46	1,847,006.76	66,835.70
Excess (Deficiency) of Revenues Over Expenditures	(513,802.24)	(513,802.24)	(154,757.86)	359,044.38
<u>Other Financing Sources:</u>				
Transfers In			54,225.20	54,225.20
Net Change in Fund Balances	(513,802.24)	(513,802.24)	(100,532.66)	413,269.58
Fund Balance - January 1	951,688.71	951,688.71	951,688.71	
Fund Balance - December 31	437,886.47	437,886.47	851,156.05	413,269.58

HETTINGER COUNTY
Mott, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	949,187.00	949,187.00	1,009,406.44	60,219.44
Licenses, Permits and Fees	6,900.00	6,900.00	11,614.50	4,714.50
Intergovernmental	379,542.00	379,542.00	414,348.09	34,806.09
Charges for Services	29,000.00	29,000.00	48,841.96	19,841.96
Miscellaneous	8,300.00	8,300.00	124,831.94	116,531.94
Total Revenues	1,372,929.00	1,372,929.00	1,609,042.93	236,113.93
Expenditures:				
Current:				
General Government	1,113,490.00	1,113,490.00	1,075,587.94	37,902.06
Public Safety	612,572.00	612,572.00	562,855.80	49,716.20
Culture and Recreation	48,000.00	48,000.00	48,000.00	
Conservation and Economic Development	9,350.00	9,350.00	8,796.39	553.61
Other	62,521.16	62,521.16	3,483.99	59,037.17
Capital Outlay	30,368.00	30,368.00	30,368.00	
Total Expenditures	1,876,301.16	1,876,301.16	1,729,092.12	147,209.04
Excess (Deficiency) of Revenues Over Expenditures	(503,372.16)	(503,372.16)	(120,049.19)	383,322.97
Other Financing Sources (Uses):				
Transfers In			25,509.33	25,509.33
Transfers Out	(300,000.00)	(300,000.00)	(16,821.16)	283,178.84
Total Other Financing Sources (Uses)	(300,000.00)	(300,000.00)	8,688.17	308,688.17
Net Change in Fund Balances	(803,372.16)	(803,372.16)	(111,361.02)	692,011.14
Fund Balance - January 1	1,063,049.73	1,063,049.73	1,063,049.73	
Fund Balance - December 31	259,677.57	259,677.57	951,688.71	692,011.14

HETTINGER COUNTY
Mott, 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	396,301.11	396,301.11	436,427.81	40,126.70
Intergovernmental	330.00	330.00	41,527.83	41,197.83
Charges for Services	320,652.00	320,652.00	233,162.08	(87,489.92)
Miscellaneous	15,100.00	15,100.00	3,701.50	(11,398.50)
Total Revenues	732,383.11	732,383.11	714,819.22	(17,563.89)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	790,900.00	790,900.00	843,140.06	(52,240.06)
Excess (Deficiency) of Revenues Over Expenditures	(58,516.89)	(58,516.89)	(128,320.84)	(69,803.95)
<u>Other Financing (Uses):</u>				
Transfers Out	(225,000.00)	(225,000.00)	(100,000.00)	125,000.00
Net Change in Fund Balances	(283,516.89)	(283,516.89)	(228,320.84)	55,196.05
Fund Balance - January 1	490,994.31	490,994.31	490,994.31	
Fund Balance - December 31	207,477.42	207,477.42	262,673.47	55,196.05

HETTINGER COUNTY
Mott, North Dakota

Budgetary Comparison Schedule
County Road and Bridge Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	391,076.96	391,076.96	410,128.90	19,051.94
Intergovernmental	300.00	300.00	4,447.22	4,147.22
Charges for Services	381,000.00	381,000.00	541,868.59	160,868.59
Miscellaneous	30,000.00	30,000.00	9,371.00	(20,629.00)
Total Revenues	802,376.96	802,376.96	965,815.71	163,438.75
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	833,100.00	833,100.00	545,145.84	287,954.16
Capital Outlay	71,000.00	71,000.00	71,000.00	
Total Expenditures	904,100.00	904,100.00	616,145.84	287,954.16
Excess (Deficiency) of Revenues Over Expenditures	(101,723.04)	(101,723.04)	349,669.87	451,392.91
<u>Other Financing Sources (Uses):</u>				
Transfers In	300,000.00	300,000.00		(300,000.00)
Transfers Out	(150,000.00)	(150,000.00)	(150,000.00)	
Total Other Financing Sources (Uses)	150,000.00	150,000.00	(150,000.00)	(300,000.00)
Net Change in Fund Balances	48,276.96	48,276.96	199,669.87	151,392.91
Fund Balance - January 1	291,324.44	291,324.44	291,324.44	
Fund Balance - December 31	339,601.40	339,601.40	490,994.31	151,392.91

HETTINGER COUNTY
Mott, North Dakota

Budgetary Comparison Schedule
Highway Tax Distribution Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	378,000.00	378,000.00	397,637.17	19,637.17
Miscellaneous			83.32	83.32
Total Revenues	378,000.00	378,000.00	397,720.49	19,720.49
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	631,900.00	631,900.00	571,061.50	60,838.50
Excess (Deficiency) of Revenues Over Expenditures	(253,900.00)	(253,900.00)	(173,341.01)	80,558.99
<u>Other Financing Sources:</u>				
Transfers In	225,000.00	225,000.00	100,000.00	(125,000.00)
Net Change in Fund Balances	(28,900.00)	(28,900.00)	(73,341.01)	(44,441.01)
Fund Balance - January 1	88,620.16	88,620.16	88,620.16	
Fund Balance - December 31	59,720.16	59,720.16	15,279.15	(44,441.01)

HETTINGER COUNTY
Mott, North Dakota

Budgetary Comparison Schedule
Highway Tax Distribution Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	384,000.00	384,000.00	397,544.53	13,544.53
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	548,200.00	548,200.00	541,870.41	6,329.59
Excess (Deficiency) of Revenues Over Expenditures	(164,200.00)	(164,200.00)	(144,325.88)	19,874.12
<u>Other Financing Sources:</u>				
Transfers In	150,000.00	150,000.00	150,000.00	
Net Change in Fund Balances	(14,200.00)	(14,200.00)	5,674.12	19,874.12
Fund Balance - January 1	82,946.04	82,946.04	82,946.04	
Fund Balance - December 31	68,746.04	68,746.04	88,620.16	19,874.12

HETTINGER COUNTY
Mott, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	529,088.00	529,088.00	661,452.30	132,364.30
<u>Expenditures:</u>				
Current:				
Health and Welfare	529,088.00	529,088.00	488,522.98	40,565.02
Excess (Deficiency) of Revenues Over Expenditures			172,929.32	172,929.32
<u>Other Financing (Uses):</u>				
Transfers Out			(24,146.25)	(24,146.25)
Net Change in Fund Balances			148,783.07	148,783.07
Fund Balance - January 1	73,058.86	73,058.86	73,058.86	
Fund Balance - December 31	73,058.86	73,058.86	221,841.93	148,783.07

HETTINGER COUNTY
Mott, North Dakota

Budgetary Comparison Schedule
Social Services Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	570,234.00	570,234.00	614,378.79	44,144.79
<u>Expenditures:</u>				
<u>Current:</u>				
Health and Welfare	548,292.00	548,292.00	519,377.93	28,914.07
Capital Outlay	21,942.00	21,942.00	21,942.00	
Total Expenditures	570,234.00	570,234.00	541,319.93	28,914.07
Net Change in Fund Balances			73,058.86	73,058.86
Fund Balance - January 1	-0-	-0-	-0-	
Fund Balance - December 31	-0-	-0-	73,058.86	73,058.86

HETTINGER COUNTY
Mott, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT BUDGET 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 did not amend the budgets during the years ended December 31, 2019 and 2018.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Special Revenue Funds</u>		
County Road and Bridge	52,240.06	
Senior Citizens	3,279.46	
* USDA Loan/Crt. House Ren.	15,292.00	15,322.00

* A budget was not prepared for this fund.

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

HETTINGER COUNTY
Mott, 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
District's proportion of the net pension liability	0.104904%	0.114147%	0.111369%	0.119779%	0.112756%
District's proportionate share of the net pension liability	1,770,369	1,834,717	1,085,399	814,477	715,686
District's covered-employee payroll	1,197,004	1,184,694	1,122,496	1,074,158	1,007,775
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	147.90%	154.87%	96.70%	75.82%	71.02%
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	85,226	84,350	79,922	76,480	66,791
Contributions in relation to the statutorily required contribution	(85,226)	(84,350)	(79,922)	(76,480)	(66,791)
Contribution deficiency (excess)	0	0	0	0	0
District's covered-employee payroll	1,197,004	1,184,694	1,122,496	1,074,158	1,007,775
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	6.63%

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

- For changes of assumptions, see Note 16 to the financial statements.

HETTINGER COUNTY
Mott, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2019

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<u>Major Governmental Funds</u>						
General Fund	1,138,848.66	1,769,469.99	54,225.20		1,847,006.76	1,115,537.09
County Road and Bridge	394,519.87	763,399.14		100,000.00	843,140.06	214,778.95
Highway Tax Distribution	88,620.16	397,720.49	100,000.00		571,061.50	15,279.15
Social Services	73,058.86	661,452.30		24,146.25	488,522.98	221,841.93
Total Major Governmental Funds	1,695,047.55	3,592,041.92	154,225.20	124,146.25	3,749,731.30	1,567,437.12
<u>Non-Major Governmental Funds</u>						
Unorganized Township Road	82,092.18	53,097.18			11,812.50	123,376.86
Emergency	224,242.52	11,326.89				235,569.41
Veterans Service Officer	2,580.60	13,878.72			13,000.00	3,459.32
County Agent	40,262.92	82,907.58			71,078.17	52,092.33
Poor Relief	7,745.25	3,427.03				11,172.28
County Interest	65,082.78	10,924.16				76,006.94
Weed Control	71,275.54	130,826.15			117,344.89	84,756.80
Hazardous Chemicals	11,180.67	1,525.00				12,705.67
Flex Compensation	44,858.76	26,114.65			23,070.61	47,902.80
Emergency 9-1-1	71,868.85	47,263.79			45,923.88	73,208.76
Senior Citizens	13,387.41	52,436.78			53,309.46	12,514.73
County Historical Society	1,919.40	7,686.61			7,311.26	2,294.75
County Sales Tax	85,939.86	96,121.32		30,078.95	55,860.91	96,121.32
Capital Improvements	67,846.47	116,371.59			81,675.52	102,542.54
USDA Loan/Courthouse Renovation	42,850.07	52.63			15,292.00	27,610.70
Total Non-Major Governmental Funds	833,133.28	653,960.08		30,078.95	495,679.20	961,335.21
Total Governmental Funds	2,528,180.83	4,246,002.00	154,225.20	154,225.20	4,245,410.50	2,528,772.33
<u>Custodial Funds</u>						
Domestic Violence		210.00			210.00	
Tax Estimate	800.05	10,742.45			10,432.31	1,110.19
State Tax	7,492.40	29,898.39			29,206.79	8,184.00
24/7 Sheriff Program	1,932.45	7,309.00			6,368.90	2,872.55
Preservation	41,157.23	4,037.60			5,715.26	39,479.57
State Land Trust		1,939.00			1,939.00	
Soil Conservation	12,152.89	64,933.49			53,772.90	23,313.48
Southwest District Health	23,890.95	100,184.29			97,862.21	26,213.03
Victim Witness	4,288.00	62.46				4,350.46
Job Development Authority	19,747.07	73,029.19			76,190.00	16,586.26
Southwest Water Authority	5,055.31	24,057.76			20,805.59	8,307.48
Water Resource District	23,691.17	103,051.88			90,182.89	36,560.16
Total Cities & City Park Districts	150,634.57	670,242.27			631,866.62	189,010.22
Total Townships	103,589.94	675,573.41			648,283.36	130,879.99
Total School Districts	761,870.04	3,004,391.03			2,855,488.01	910,773.06

(continued)

HETTINGER COUNTY
Mott, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2019
(continued)

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<u>Custodial Funds (continued)</u>						
Total Fire Protection Districts	36,199.55	154,617.26			147,462.42	43,354.39
Total Ambulance Districts	38,098.91	183,796.35			175,836.23	46,059.03
Total Custodial Funds	1,230,600.53	5,108,075.83			4,851,622.49	1,487,053.87
Total Primary Government	3,758,781.36	9,354,077.83	154,225.20	154,225.20	9,097,032.99	4,015,826.20
<u>Discretely Presented</u>						
<u>Component Units</u>						
Water Resource District	363,911.07	114,341.71			123,712.08	354,540.70
Job Development Authority	151,473.83	81,606.19			96,076.89	137,003.13
Hettinger County Fair Association	25,102.00	58,355.69			57,461.68	25,996.01
Total Discretely Presented Component Units	540,486.90	254,303.59			277,250.65	517,539.84
Total Reporting Entity	4,299,268.26	9,608,381.42	154,225.20	154,225.20	9,374,283.64	4,533,366.04

HETTINGER COUNTY
Mott, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2018

	Balance 1-1-18	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
<u>Major Governmental Funds</u>						
General Fund	1,282,766.61	1,576,486.00	25,509.33	16,821.16	1,729,092.12	1,138,848.66
County Road and Bridge	307,738.93	852,926.78		150,000.00	616,145.84	394,519.87
Highway Tax Distribution	82,946.04	397,544.53	150,000.00		541,870.41	88,620.16
Social Services		614,378.79			541,319.93	73,058.86
Total Major Governmental Funds	1,673,451.58	3,441,336.10	175,509.33	166,821.16	3,428,428.30	1,695,047.55
<u>Non-Major Governmental Funds</u>						
Unorganized Township Road	103,216.45	14,015.23			35,139.50	82,092.18
Emergency	209,868.20	14,374.32				224,242.52
Veterans Service Officer	4,551.46	11,029.14			13,000.00	2,580.60
County Agent	23,426.75	89,409.67			72,573.50	40,262.92
Poor Relief		7,745.25				7,745.25
County Special Assessments	135.69			135.69		
County Interest	57,391.73	7,691.05				65,082.78
Weed Control	80,061.22	110,193.32			118,979.00	71,275.54
Hazardous Chemicals	9,843.17	1,337.50				11,180.67
Flex Compensation	44,117.67	26,032.76			25,291.67	44,858.76
Emergency 9-1-1	67,709.96	47,295.33			43,136.44	71,868.85
Senior Citizens	16,945.54	50,471.87			54,030.00	13,387.41
County Historical Society	2,182.19	5,939.93			6,202.72	1,919.40
County Sales Tax	73,081.45	85,936.61		25,373.64	47,704.56	85,939.86
Capital Improvements	49,014.15	79,394.67			60,562.35	67,846.47
USDA Loan/Courthouse Renovation	41,272.00	78.91	16,821.16		15,322.00	42,850.07
Total Non-Major Governmental Funds	782,817.63	550,945.56	16,821.16	25,509.33	491,941.74	833,133.28
Total Governmental Funds	2,456,269.21	3,992,281.66	192,330.49	192,330.49	3,920,370.04	2,528,180.83
<u>Custodial Funds</u>						
Clerk of Court Trust	353.23				353.23	
Domestic Violence	35.00	245.00			280.00	
Mobile Home Tax	8,220.74				8,220.74	
Tax Estimate	1,404.34	3,513.43			4,117.72	800.05
County Supt. Contingency	40.98				40.98	
State Tax	9,061.89	25,881.16			27,450.65	7,492.40
24/7 Sheriff Program	1,488.00	3,928.00			3,483.55	1,932.45
Preservation	36,839.72	5,561.00			1,243.49	41,157.23
State Land Trust		1,812.99			1,812.99	
Soil Conservation	19,195.69	57,964.54			65,007.34	12,152.89
Soil Conservation Ins. Reserve	0.17				0.17	
Southwest District Health	30,865.90	81,067.99			88,042.94	23,890.95
Victim Witness	4,288.00					4,288.00
Sheriff Trust	9,943.71				9,943.71	

(continued)

HETTINGER COUNTY
Mott, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2018
(continued)

	Balance 1-1-18	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
<u>Custodial Funds (continued)</u>						
County Gas and Oil	300.17				300.17	
Job Development Authority	21,521.98	63,567.79			65,342.70	19,747.07
Southwest Water Authority	8,776.04	21,529.06			25,249.79	5,055.31
Water Resource District	36,502.88	96,430.39			109,242.10	23,691.17
Total Cities & City Park Districts	197,898.35	588,184.07			635,447.85	150,634.57
Total Townships	91,194.43	457,970.24			445,574.73	103,589.94
Total School Districts	901,901.83	2,503,447.57			2,643,479.36	761,870.04
Total Fire Protection Districts	43,009.68	128,529.54			135,339.67	36,199.55
Total Ambulance Districts	45,384.15	150,265.32			157,550.56	38,098.91
Total Custodial Funds	1,468,226.88	4,189,898.09			4,427,524.44	1,230,600.53
Total Primary Government	3,924,496.09	8,182,179.75	192,330.49	192,330.49	8,347,894.48	3,758,781.36
<u>Discretely Presented</u>						
<u>Component Units</u>						
Water Resource District	310,312.52	122,348.91			68,750.36	363,911.07
Job Development Authority	147,991.39	65,723.93			62,241.49	151,473.83
Hettinger County Fair Association	34,053.80	73,282.21			82,234.01	25,102.00
Total Discretely Presented Component Units	492,357.71	261,355.05			213,225.86	540,486.90
Total Reporting Entity	4,416,853.80	8,443,534.80	192,330.49	192,330.49	8,561,120.34	4,299,268.26

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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
Hettinger County
Mott, 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 Hettinger County, Mott, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated May 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits 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 audits 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 audits, 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

May 1, 2020

HETTINGER COUNTY
Mott, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

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

SECTION II - FINANCIAL STATEMENT FINDINGS:

No matters were reported