



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Richland County

Wahpeton, North Dakota

Audit Report for the Year Ended December 31, 2019

Client Code: PS39000



Photo credit: North Dakota Tourism



Office of the
State Auditor

RICHLAND COUNTY

Table of Contents

For the Year Ended December 31, 2019

County Officials and Audit Personnel	1
Independent Auditor's Report	2
Basic Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds.....	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	10
Notes to the Financial Statements	11
Required Supplementary Information	
Budgetary Comparison Schedules	30
Schedule of Employer's Share of Net Pension Liability and Employer Contributions	32
Schedule of Employer's Share of Net OPEB Liability and Employer Contributions	33
Notes to the Required Supplementary Information	35
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	37
Summary of Auditor's Results.....	39
Schedule of Audit Findings	40
Governance Communication	43

RICHLAND COUNTY

County Officials and Audit Personnel
December 31, 2019

COUNTY OFFICIALS

Sid Berg
Tim Campbell
Nathan Berseth
Rollie Ehlert
Dan Thompson

Chairman
Vice Chairman
Commissioner
Commissioner
Commissioner

Leslie Hage
Sarah Erickson
Larry Leshovsky
Jackie Babbitt
Megan Kummer
Monica Zentgraf

Auditor
Treasurer
Sheriff
Recorder
States Attorney
Water Resource Secretary-Treasurer

AUDIT PERSONNEL

Heath Erickson, CPA
Michael Scherr

Audit Manager
Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Richland County
Wahpeton, North Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters*Required Supplementary Information*

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020 on our consideration of Richland County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richland County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 11, 2020

RICHLAND COUNTY

Statement of Net Position

December 31, 2019

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and Investments	\$ 8,066,822	\$ 6,506,412
Intergovernmental Receivable	543,490	98,696
Accounts Receivable	136,702	-
Interest Receivable	12,000	-
Due From County	-	-
Unsecured Promissory Note Receivable	66,831	-
Taxes Receivable	165,345	25,238
Loans Receivable	950,708	-
Capital Assets, Net	45,180,251	9,440,305
Total Assets	\$ 55,122,149	\$ 16,070,651
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pension and OPEB	\$ 3,280,510	\$ 65,387
LIABILITIES		
Accounts Payable	\$ 299,181	\$ 23,450
Salaries Payable	82,253	-
Grants Received In Advance	21,234	-
Retainage Payable	16,771	33,322
Interest Payable	4,686	18,227
Long-Term Liabilities		
Due Within One Year		
Long-Term Debt	195,283	325,000
Compensated Absences	120,676	1,641
Due After One Year		
Long-Term Debt	171,920	1,250,000
Compensated Absences	362,029	14,770
Net Pension and OPEB Liability	7,077,401	141,066
Total Liabilities	\$ 8,351,434	\$ 1,807,476
DEFERRED INFLOWS OF RESOURCES		
Derived from Pension and OPEB	\$ 3,556,997	\$ 70,898
NET POSITION		
Net Investment in Capital Assets	\$ 44,791,591	\$ 7,813,756
Restricted		
Highways and Bridges	970,407	-
Flood Repair	64,870	-
Conservation of Natural Resources	10,589	6,443,908
Emergencies	158,814	-
Economic Development	1,345,152	-
Capital Projects	185,504	-
Unrestricted	(1,032,699)	-
Total Net Position	\$ 46,494,228	\$ 14,257,664

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

RICHLAND COUNTY

Statement of Activities

For the Year Ended December 31, 2019

					Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Unit
						Water
					Governmental	Resource
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities	District
Primary Government						
Governmental Activities						
General Government	\$ 3,461,864	\$ 156,652	\$ 19,297	\$ -	\$ (3,285,915)	\$ -
Public Safety	3,874,276	825,859	105,220	-	(2,943,197)	-
Highways And Bridges	5,178,650	124,788	1,962,660	3,186,924	95,722	-
Flood Repair	17,493	-	97,653	-	80,160	-
Health And Welfare	3,761,495	212,597	2,032,872	-	(1,516,026)	-
Culture And Recreation	83,446	-	-	-	(83,446)	-
Conservation Of Natural Resources	386,144	109,617	-	-	(276,527)	-
Economic Development	143,748	18,250	-	-	(125,498)	-
Emergencies	240	-	-	-	(240)	-
Interest On Long-Term Debt	11,989	-	-	-	(11,989)	-
Total Primary Government	<u>\$ 16,919,345</u>	<u>\$ 1,447,763</u>	<u>\$ 4,217,702</u>	<u>\$ 3,186,924</u>	<u>\$ (8,066,956)</u>	<u>\$ -</u>
Component Unit						
Water Resource District	<u>\$ 1,306,775</u>	<u>\$ 2,491</u>	<u>\$ 649,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (654,916)</u>
General Revenues						
Property Taxes					\$ 8,478,162	\$ 1,847,615
Non Restricted Grants and Contributions					1,296,792	-
Gain on Disposal of Capital Assets					32,542	-
Unrestricted Investment Earnings					291,155	142,040
Unrealized Gain on Investments					15,998	-
Miscellaneous Revenue					963,989	46,596
Total General Revenues					<u>\$ 11,078,638</u>	<u>\$ 2,036,251</u>
Change in Net Position					<u>\$ 3,011,682</u>	<u>\$ 1,381,335</u>
Net Position - January 1					<u>\$ 43,482,546</u>	<u>\$ 12,876,329</u>
Net Position - December 31					<u>\$ 46,494,228</u>	<u>\$ 14,257,664</u>

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

RICHLAND COUNTY

Balance Sheet – Governmental Funds
December 31, 2019

	General	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 4,586,388	\$ 3,480,434	\$ 8,066,822
Intergovernmental Receivable	246,056	297,434	543,490
Accounts Receivable	29,014	107,688	136,702
Interest Receivable	12,000	-	12,000
Unsecured Promissory Note Receivable	66,831	-	66,831
Loans Receivable	-	950,708	950,708
Taxes Receivable	104,441	60,904	165,345
Total Assets	<u>\$ 5,044,730</u>	<u>\$ 4,897,168</u>	<u>\$ 9,941,898</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 91,423	\$ 207,758	\$ 299,181
Salaries Payable	-	82,253	82,253
Grants Received in Advance	-	21,234	21,234
Total Liabilities	<u>\$ 91,423</u>	<u>\$ 311,245</u>	<u>\$ 402,668</u>
Deferred Inflows of Resources			
Taxes Receivable	<u>\$ 104,441</u>	<u>\$ 60,904</u>	<u>\$ 165,345</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 195,864</u>	<u>\$ 372,149</u>	<u>\$ 568,013</u>
Fund Balances			
Nonspendable			
Loan Receivable	\$ -	\$ 950,708	\$ 950,708
Unsecured Promissory Note	66,831	-	66,831
Restricted			
Public Safety	-	108,606	108,606
Highways And Bridges	-	2,145,833	2,145,833
Flood Repair	-	64,870	64,870
Health and Welfare	-	357,115	357,115
Conservation of Natural Resources	-	101,047	101,047
Emergency	-	167,058	167,058
Economic Development	-	390,684	390,684
Capital Projects	-	180,007	180,007
General Government	-	59,091	59,091
Unassigned	<u>4,782,035</u>	<u>-</u>	<u>4,782,035</u>
Total Fund Balances	<u>\$ 4,848,866</u>	<u>\$ 4,525,019</u>	<u>\$ 9,373,885</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,044,730</u>	<u>\$ 4,897,168</u>	<u>\$ 9,941,898</u>

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

RICHLAND COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2019

Total Fund Balances for Governmental Funds	\$ 9,373,885
---	---------------------

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.	45,180,251
--	------------

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.	165,345
--	---------

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

Deferred Outflows Related to Pensions and OPEB	\$ 3,280,510	
Deferred Inflows Related to Pensions and OPEB	<u>(3,556,997)</u>	(276,487)

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

Long-Term Debt	\$ (367,203)	
Interest Payable	(4,686)	
Retainage Payable	(16,771)	
Compensated Absences Payable	(482,705)	
Net Pension and OPEB Liability	<u>(7,077,401)</u>	<u>(7,948,766)</u>

Total Net Position of Governmental Activities	<u><u>\$ 46,494,228</u></u>
--	------------------------------------

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

RICHLAND COUNTY

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

	General	Special Revenue Fund	Total Governmental Funds
REVENUES			
Property Taxes	\$ 5,168,059	\$ 3,284,259	\$ 8,452,318
Intergovernmental	1,161,602	4,352,893	5,514,495
Charges for Services	408,156	1,035,002	1,443,158
Licenses, Permits and Fees	4,605	-	4,605
Interest Income	291,155	-	291,155
Miscellaneous	569,281	394,708	963,989
Total Revenues	\$ 7,602,858	\$ 9,066,862	\$ 16,669,720
EXPENDITURES			
Current			
General Government	\$ 3,229,108	\$ 79,903	\$ 3,309,011
Public Safety	2,554,905	1,048,579	3,603,484
Highways and Bridges	-	5,026,722	5,026,722
Flood Repair	-	17,493	17,493
Health and Welfare	23,620	3,493,626	3,517,246
Culture and Recreation	83,446	-	83,446
Conserv. of Natural Resources	7,000	365,755	372,755
Economic Development	-	143,748	143,748
Debt Service			
Principal	-	499,996	499,996
Interest and Fees	-	16,402	16,402
Total Expenditures	\$ 5,898,079	\$ 10,692,224	\$ 16,590,303
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,704,779	\$ (1,625,362)	\$ 79,417
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	\$ -	\$ 6,256	\$ 6,256
Unrealized Gain on Investments	15,998	-	15,998
Transfers In	284,638	2,574,085	2,858,723
Transfers Out	(1,855,672)	(1,003,051)	(2,858,723)
Total Other Financing Sources and Uses	\$ (1,555,036)	\$ 1,577,290	\$ 22,254
Net Change in Fund Balances	\$ 149,743	\$ (48,072)	\$ 101,671
Fund Balances - January 1	\$ 4,699,123	\$ 4,573,091	\$ 9,272,214
Fund Balances - December 31	\$ 4,848,866	\$ 4,525,019	\$ 9,373,885

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

RICHLAND COUNTY

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

Net Change in *Fund Balances* - Total Governmental Funds **\$ 101,671**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 4,919,600	
Depreciation Expense	<u>(1,888,749)</u>	3,030,851

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

Gain on Sale of Capital Assets	\$ 32,542	
Proceeds from Sale of Capital Assets	<u>(6,256)</u>	26,286

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 499,996

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

Net Change in Compensated Absences Liability	\$ 7,008	
Net Change in Interest Payable	4,413	
Net Change in Retainage Payable	<u>31,217</u>	42,638

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

Net Change in Net Pension Liability and OPEB	\$ 3,060,730	
Net Change in Deferred Outflows of Resources Related to Pensions and OPEB	(957,122)	
Net Change in Deferred Inflows of Resources Related to Pensions and OPEB	<u>(2,819,211)</u>	(715,603)

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. This consists of the change in taxes receivable. 25,843

Change in Net Position of Governmental Activities **\$ 3,011,682**

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

RICHLAND COUNTY

Statement of Fiduciary Assets and Liabilities – Agency Funds
December 31, 2019

ASSETS

Cash and cash equivalents	<u>\$ 8,638,451</u>
---------------------------	---------------------

LIABILITIES

Due to other governments	<u>\$ 8,638,451</u>
--------------------------	---------------------

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

RICHLAND COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

Discretely Presented Component Units: The component unit columns in the government wide financial statements include the financial data of the County's one component unit. This component unit is reported in a separate column to emphasize that it is legally separate from the County.

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

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

Basis of Presentation

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

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

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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.

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fund type:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

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

Capital Assets

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

Capital assets of the county are depreciated using the straight-line method over the following estimated useful lives (in years):

Assets	County	Water Resource District
Buildings	50	-
Equipment	5-20	-
Vehicles	5-20	7
Infrastructure	20-75	30

Compensated Absences

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

Long-Term Obligations

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

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

Pension

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

Other Post-Employment Benefits (OPEB)

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

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Fund Balances

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

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

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

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

NOTE 2 DEPOSITS

Custodial Credit Risk

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

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

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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

At year ended December 31, 2019, the County's carrying amount of deposits totaled \$16,703,065 and the bank balances totaled \$15,838,205. Of the bank balances, \$12,002,753 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2019, the Water Resource District's carrying amount of deposits totaled \$6,506,412, and the bank balances totaled \$6,513,356. Of the bank balances, \$259,993 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

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

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

At December 31, 2019, the County held investments in the amount of \$1,158,137, which consists of government backed securities, and are not considered deposits. The market value of the investments and their maturing dates can be seen below:

Investment Type	Total Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	More Than 10 Years
Municipal Bonds	\$ 1,158,137	\$ 645,987	\$ 512,150	\$ -	\$ -

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2019:

	Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Municipal Bonds	-	1,158,137	-	1,158,137

NOTE 4 PROPERTY TAXES

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

NOTE 5 JOB DEVELOPMENT LOANS RECEIVABLE

The Job Development Authority provides loans to businesses for either startup costs or expansion costs. The Development Authority receives applications from various businesses within the community and either approves or denies the applications based on majority board decision. The Job Development Authority had the following activity in loans outstanding for the year ended December 31, 2019:

	Balance January 1	Additions	Principal Payments	Balance December 31
Loans Receivable	\$ 971,031	\$ 194,978	\$ 215,301	\$ 950,708

NOTE 6 UNSECURED PROMISSORY NOTE RECEIVABLE

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

	Balance January 1	Additions	Principal Payments	Balance December 31
Unsecured Promissory Notes	\$ 77,227	\$ -	\$ 10,396	\$ 66,831

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 7 CAPITAL ASSETS**Primary Government**

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

Primary Government	Balance January 1	Increases	Decreases	Transfers	Balance December 31
Capital assets not being depreciated					
Land	\$ 57,840	\$ -	\$ -	\$ -	\$ 57,840
Construction in Progress	1,770,817	4,691,864	-	(1,928,113)	4,534,568
Total Capital Assets, Not Being Depreciated	\$ 1,828,657	\$ 4,691,864	\$ -	\$ (1,928,113)	\$ 4,592,408
Capital assets being depreciated					
Buildings	\$ 5,788,053	\$ 66,845	\$ 20,000	\$ -	\$ 5,834,898
Equipment	5,075,504	86,199	307,077	-	4,854,626
Vehicles	2,006,842	74,692	89,665	-	1,991,869
Infrastructure	42,387,560	-	-	1,928,113	44,315,673
Total Capital Assets, Being Depreciated	\$ 55,257,959	\$ 227,736	\$ 416,742	\$ 1,928,113	\$ 56,997,066
Less accumulated depreciation					
Buildings	\$ 2,818,823	\$ 126,264	\$ 20,000	\$ -	\$ 2,925,087
Equipment	2,872,936	335,382	226,704	-	2,981,614
Vehicles	1,143,521	164,705	86,143	-	1,222,083
Infrastructure	8,018,041	1,262,398	-	-	9,280,439
Total Accumulated Depreciation	\$ 14,853,321	\$ 1,888,749	\$ 332,847	\$ -	\$ 16,409,223
Total Capital Assets Being Depreciated, Net	\$ 40,404,638	\$ (1,661,013)	\$ 83,895	\$ 1,928,113	\$ 40,587,843
Primary Government - Capital Assets, Net	\$ 42,233,295	\$ 3,030,851	\$ 83,895	\$ -	\$ 45,180,251

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

Primary Government	Amounts
General Government	\$ 94,613
Public Safety	159,548
Highways & Bridges	1,605,584
Health and Welfare	24,068
Conservation of Natural Resources	4,936
Total Depreciation Expense	\$ 1,888,749

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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

Water Resource District	Balance January 1	Increases	Decreases	Transfers	Balance December 31
Capital assets not being depreciated					
Land	\$ 1,016,739	\$ 90,710	\$ -	\$ -	\$ 1,107,449
Construction in Progress	780,742	918,276	-	-	1,699,018
Total Capital Assets, Not Being Depreciated	\$ 1,797,481	\$ 1,008,986	\$ -	\$ -	\$ 2,806,467
Capital assets being depreciated					
Equipment	\$ 11,420	\$ -	\$ -	\$ -	\$ 11,420
Infrastructure	7,823,226	173,162	-	-	7,996,388
Total Capital Assets, Being Depreciated	\$ 7,834,646	\$ 173,162	\$ -	\$ -	\$ 8,007,808
Less accumulated depreciation					
Equipment	\$ 6,875	\$ 909	\$ -	\$ -	\$ 7,784
Infrastructure	1,105,412	260,774	-	-	1,366,186
Total Accumulated Depreciation	\$ 1,112,287	\$ 261,683	\$ -	\$ -	\$ 1,373,970
Total Capital Assets Being Depreciated, Net	\$ 6,722,359	\$ (88,521)	\$ -	\$ -	\$ 6,633,838
Water Resource District - Capital Assets, Net	\$ 8,519,840	\$ 920,465	\$ -	\$ -	\$ 9,440,305

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

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

During the year ended December 31, 2019, the following changes occurred in governmental activities long-term liabilities:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 410,000	\$ -	\$ 410,000	\$ -	\$ -
Leases Payable	567,378	-	200,175	367,203	195,283
Total Long-Term Debt	\$ 977,378	\$ -	\$ 610,175	\$ 367,203	\$ 195,283
Compensated Absences *	\$ 489,713	\$ -	\$ 7,008	\$ 482,705	\$ 120,676
Net Pension and OPEB Liability *	10,138,131	-	3,060,730	7,077,401	-
Total Primary Government	\$ 11,605,222	\$ -	\$ 3,677,913	\$ 7,927,309	\$ 315,959

* The change in Compensated Absences and Net Pension & OPEB Liability is shown as a net change.

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

PRIMARY GOVERNMENT		
Year Ending December 31	Capital Leases	
	Principal	Interest
2020	\$ 195,812	\$ 7,447
2021	171,391	2,801
Total	\$ 367,203	\$ 10,248

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component Unit

During the year ended December 31, 2019, the following changes occurred in governmental long-term liabilities of the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 1,725,000	\$ 620,000	\$ 770,000	\$ 1,575,000	\$ 325,000
Compensated Absences *	\$ 14,668	\$ 1,743	\$ -	\$ 16,411	\$ 1,641
Net Pension and OPEB Liability *	214,750	-	73,684	141,066	-
Total Water Resource District	\$ 1,954,418	\$ 621,743	\$ 843,684	\$ 1,732,477	\$ 326,641

* The change in Compensated Absences and Net Pension & OPEB Liability is shown as a net change.

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

WATER RESOURCE DISTRICT		
Year Ending December 31	Bonds Payable	
	Principal	Interest
2020	\$ 325,000	\$ 30,835
2021	600,000	18,490
2022	290,000	10,179
2023	105,000	5,756
2024	105,000	3,769
2025 - 2029	150,000	2,175
Total	\$ 1,575,000	\$ 71,204

NOTE 9 OPERATING LEASES

The County is engaged in various operating leases. Total lease payments made during 2019 totaled \$115,899. Future lease payments are as follows:

	Operating Leases
2020	\$ 78,079
2021	115,809
2022	40,327
2023	38,209

NOTE 10: PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was 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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% 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, the following net pension liabilities were reported:

	Net Pension Liability
Primary Government	\$ 6,652,449
Water Resource District	132,596

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2019, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2018 Measurement	Pension Expense
Primary Government	0.567580%	(0.007943%)	\$ 1,202,860
Water Resource District	0.011313%	(0.000878%)	23,975

RICHLAND COUNTY

Notes to the Financial Statements – Continued

At December 31, 2019, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,939	\$ 1,207,292
Changes of Assumptions	2,485,845	2,134,313
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	115,902	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	262,184	195,066
District Contributions Subsequent to the Measurement Date	289,829	-
Total Primary Government	\$ 3,157,700	\$ 3,536,672

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 79	\$ 24,064
Changes of Assumptions	49,548	42,541
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2,310	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,226	3,888
District Contributions Subsequent to the Measurement Date	5,777	-
Total Water Resource District	\$ 62,939	\$ 70,492

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020:

Primary Government	\$ 289,829
Water Resource District	5,777

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

	Primary Government	Water Resource District
2020	\$ 213,468	\$ 4,255
2021	103,991	2,073
2022	(185,443)	(3,696)
2023	(605,821)	(12,075)
2024	(194,996)	(3,887)

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	7.25%
	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	7.50%, net of investment expenses	
Cost-of-living adjustments	None	

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

Discount rate

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

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%

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

The following presents the County's, Water Resource District's, and Job Development Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Primary Government	\$ 9,538,180	\$ 6,652,449	\$ 4,227,930
Water Resource District	190,114	132,596	84,271

Pension Plan Fiduciary Net Position

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

NOTE 11: OTHER POST EMPLOYMENT BENEFITS (OPEB)**General Information about the OPEB Plan****North Dakota Public Employees Retirement System**

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance funded on an actuarially determined basis.

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

RICHLAND COUNTY

Notes to the Financial Statements – Continued

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At December 31, 2019, the following net OPEB liabilities were reported:

	Net OPEB Liability
Primary Government	\$ 424,952
Water Resource District	8,470

The net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2019, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2018 Measurement	OPEB Expense
Primary Government	0.529082%	(0.010689%)	\$ 59,263
Water Resource District	0.010546%	(0.001465%)	1,181

RICHLAND COUNTY

Notes to the Financial Statements – Continued

At December 31, 2019, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 10,494	\$ 13,275
Changes of Assumptions	50,648	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	474	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	14,790	7,050
District Contributions Subsequent to the Measurement Date	46,405	-
Total Primary Government	\$ 122,810	\$ 20,326

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 209	\$ 265
Changes of Assumptions	1,009	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	9	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	295	141
District Contributions Subsequent to the Measurement Date	925	-
Total Water Resource District	\$ 2,448	\$ 405

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020:

Primary Government	\$ 46,405
Water Resource District	925

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

	Primary Government	Water Resource District
2020	\$ 9,295	\$ 185
2021	9,295	185
2022	13,250	264
2023	12,524	250
2024	8,218	164
2025	3,121	62
Thereafter	376	8

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.25%, net of investment expenses
Cost of living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

Proportionate Share of the OPEB Liability	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Primary Government	\$ 542,395	\$ 424,952	\$ 324,421
Water Resource District	10,811	8,470	6,466

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 12 TRANSFERS

The following table shows amounts reported for transfers in and transfers out as reported in the basic financial statements in the governmental funds for the year ended December 31, 2019:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 284,638	\$ 1,855,672
Special Revenue Fund	2,574,085	1,003,051
Total Transfers	\$ 2,858,723	\$ 2,858,723

NOTE 13 RISK MANAGEMENT

The County is exposed to various risks of loss related 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 joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDRIF is limited to losses of one million dollars per occurrence for general liability, one million for automobile, and \$5,798,391 for public assets/mobile equipment and portable property.

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

The County has worker's compensation with the ND Workforce Safety and Insurance and also pays an annual premium to the Hartford Steam Boiler Inspection and Insurance Company for the County boiler.

NOTE 14 CONSTRUCTION COMMITMENTS

The County had open constructions commitment as of December 31, 2019 as follows:

Primary Government	Contract	Total Completed	Retainage	Remaining Balance	Percent Complete
Bridge 116-34.1	\$ 1,206,693	\$ 1,156,123	\$ 7,486	\$ 58,056	95.81%
CH 4-3, 4-4	2,235,650	2,017,259	729	219,120	90.23%
CH4-1, 4-2, 81-3	353,298	342,280	8,557	19,575	96.88%
CH 1-3	942,168	882,091	-	60,077	93.62%
Total Commitments	4,737,809	4,397,753	16,772	356,828	92.82%

The Water Resource District had open constructions commitment as of December 31, 2019 as follows:

Water Resource District	Contract	Total Completed	Retainage	Remaining Balance	Percent Complete
Drain RS #1	\$ 678,783	\$ 666,439	\$ 33,322	\$ 45,666	98.18%
Dr. #7	479,069	469,553	-	9,516	98.01%
Total Commitments	1,157,852	1,135,992	33,322	55,182	98.11%

NOTE 15 CONDUIT DEBT

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

At December 31, 2019, the County is involved in conduit debt obligations under the following criteria.

Industrial Revenue Bonds

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

As of December 31, 2019, there are four series of Industrial Revenue Bonds with a principal amount outstanding of \$53,355,000. The County is in no way liable to repay the Industrial Revenue Bonds.

NOTE 16 JOINT VENTURE

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2019:

	Red River Joint Water Resource District
Total Assets	\$ 13,450,277
Total Liabilities	73,258
Net Position	\$ 13,377,019
Revenues	\$ 2,570,262
Expenses	896,172
Change in Net Position	\$ 1,674,090

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

RICHLAND COUNTY

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	\$ 5,153,263	\$ 5,153,263	\$ 5,168,059	\$ 14,796
Intergovernmental	1,007,676	1,007,676	1,161,602	153,926
Charges for services	387,600	387,600	408,156	20,556
Licenses, permits and fees	3,425	3,425	4,605	1,180
Interest income	150,000	150,000	291,155	141,155
Miscellaneous	484,310	484,310	569,281	84,971
Total Revenues	\$ 7,186,274	\$ 7,186,274	\$ 7,602,858	\$ 416,584
EXPENDITURES				
Current				
General government	\$ 3,304,370	\$ 3,425,470	\$ 3,229,108	\$ 196,362
Public safety	2,652,605	2,652,605	2,554,905	97,700
Health and welfare	24,350	24,350	23,620	730
Culture and recreation	84,800	84,800	83,446	1,354
Conservation of natural resources	7,000	7,000	7,000	-
Total Expenditures	\$ 6,073,125	\$ 6,194,225	\$ 5,898,079	\$ 296,146
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,113,149	\$ 992,049	\$ 1,704,779	\$ 712,730
OTHER FINANCING SOURCES (USES)				
Unrealized Gain on Investments	\$ -	\$ -	\$ 15,998	\$ 15,998
Transfers in	-	-	284,638	284,638
Transfers out	(2,723,100)	(2,723,100)	(1,855,672)	867,428
Total Other Financing Sources and Uses	\$ (2,723,100)	\$ (2,723,100)	\$ (1,555,036)	\$ 1,168,064
Net Change in Fund Balances	\$ (1,609,951)	\$ (1,731,051)	\$ 149,743	\$ 1,880,794
Fund Balances - January 1	\$ 4,699,123	\$ 4,699,123	\$ 4,699,123	\$ -
Fund Balances - December 31	\$ 3,089,172	\$ 2,968,072	\$ 4,848,866	\$ 1,880,794

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

RICHLAND COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	\$ 3,281,005	\$ 3,281,005	\$ 3,284,259	\$ 3,254
Intergovernmental	4,062,028	4,062,028	4,352,893	290,865
Charges for services	1,270,400	1,270,400	1,035,002	(235,398)
Miscellaneous	172,900	172,900	394,708	221,808
Total Revenues	\$ 8,786,333	\$ 8,786,333	\$ 9,066,862	\$ 280,529
EXPENDITURES				
Current				
General Government	\$ 134,830	\$ 135,845	\$ 79,903	\$ 55,942
Public Safety	1,469,791	1,505,961	1,048,579	457,382
Highways and Bridges	5,521,413	5,521,413	5,026,722	494,691
Flood Repair	-	17,500	17,493	7
Health and Welfare	3,584,978	3,625,728	3,493,626	132,102
Conserv. of Natural Resources	417,337	423,202	365,755	57,447
Economic Development	360,550	360,550	143,748	216,802
Debt Service				
Principal	510,000	510,000	499,996	10,004
Interest and Fees	15,016	15,016	16,402	(1,386)
Total Expenditures	\$ 12,013,915	\$ 12,115,215	\$ 10,692,224	\$ 1,422,991
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,227,582)	\$ (3,328,882)	\$ (1,625,362)	\$ 1,703,520
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset	\$ -		\$ 6,256	\$ 6,256
Transfers in	3,776,600	3,776,600	2,574,085	(1,202,515)
Transfers out	(1,053,500)	(1,053,500)	(1,003,051)	50,449
Total Other Financing Sources and Uses	\$ 2,723,100	\$ 2,723,100	\$ 1,577,290	\$ (1,145,810)
Net Change in Fund Balances	\$ (504,482)	\$ (605,782)	\$ (48,072)	\$ 557,710
Fund Balances - January 1	\$ 4,573,091	\$ 4,573,091	\$ 4,573,091	\$ -
Fund Balances - December 31	\$ 4,068,609	\$ 3,967,309	\$ 4,525,019	\$ 557,710

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

RICHLAND COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2019

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

County	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.567580%	\$ 6,652,449	\$ 5,903,803	112.68%	70.26%
2018	0.575523%	9,712,579	5,912,447	164.27%	61.50%
2017	0.550137%	8,842,502	5,616,029	157.45%	60.63%
2016	0.513519%	5,004,744	5,277,256	94.84%	69.09%
2015	0.552910%	3,759,693	4,925,759	76.33%	75.76%
2014	0.587117%	3,659,597	4,856,874	75.35%	76.30%

Water Resource District	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.011313%	\$ 132,596	\$ 117,674	112.68%	1.40%
2018	0.012191%	205,736	125,240	164.27%	1.30%
2017	0.012260%	197,063	125,158	157.45%	1.35%
2016	0.010159%	99,013	104,404	94.84%	1.37%
2015	0.010135%	68,915	90,289	76.33%	1.39%
2014	0.010762%	67,080	89,026	75.35%	1.40%

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

RICHLAND COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued
 For the Year Ended December 31, 2019

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

County	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 429,830	\$ 440,295	\$ (10,465)	\$ 5,903,803	7.31%
2018	435,477	461,711	(26,234)	5,912,447	7.65%
2017	407,231	396,102	11,129	5,616,029	6.90%
2016	382,065	376,864	5,201	5,277,256	7.00%
2015	380,996	372,472	8,525	4,925,759	7.43%
2014	345,809	345,809	-	4,856,874	6.99%

Water Resource District	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 8,567	\$ 8,776	\$ (209)	\$ 117,674	0.15%
2018	9,224	9,780	(556)	125,240	0.16%
2017	9,075	8,827	248	125,158	0.15%
2016	7,559	7,456	103	104,404	0.14%
2015	6,984	6,827	156	90,289	0.14%
2014	6,339	6,339	-	89,026	0.13%

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

RICHLAND COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2019

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

County	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.529082%	\$ 424,952	\$ 5,903,803	7.06%	61.90%
2018	0.540336%	425,552	5,912,447	7.05%	60.61%
2017	0.519118%	410,628	5,616,029	7.15%	58.48%

Water Resource District	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.010546%	\$ 8,470	\$ 117,674	0.14%	1.23%
2018	0.011446%	9,014	125,240	0.15%	1.28%
2017	0.011569%	9,151	125,158	0.16%	1.30%

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

County	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 68,661	\$ 70,495	\$ (1,833)	\$ 5,903,803	1.17%
2018	69,350	73,926	(4,576)	5,912,447	1.22%
2017	65,282	63,422	1,861	5,616,029	1.10%

Water Resource District	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 1,369	\$ 1,405	\$ (37)	\$ 117,674	0.02%
2018	1,469	1,566	(97)	125,240	0.03%
2017	1,455	1,413	41	125,158	0.02%

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

RICHLAND COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The board of County commissioners amended the County expenditures and transfers budget for various funds as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Major Funds			
General Fund	\$ 6,073,125	\$ 121,100	6,194,225
Special Revenue Fund	12,013,915	101,300	12,115,215

NOTE 3 CHANGES OF BENEFIT TERMS

Pension

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018

RICHLAND COUNTY

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

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

NOTE 4 CHANGES OF ASSUMPTIONS**Pension**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

NOTE 5 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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



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

Independent Auditor's Report

Board of County Commissioners
Richland County
Wahpeton, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Richland County's basic financial statements, and have issued our report thereon dated December 11, 2020.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings* as item 2019-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2019-002 and 2019-003 to be significant deficiencies.

RICHLAND COUNTY

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

Compliance and Other Matters

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

Richland County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 11, 2020

Summary of Auditor's Results

For the Year Ended December 31, 2019

Type of Report Issued?

Unmodified

Unmodified

Unmodified

Unmodified

Material weaknesses identified?

 X Yes None Noted

 X Yes None Noted

 Yes X None Noted

RICHLAND COUNTY

Schedule of Audit Findings

For the Year Ended December 31, 2019

2019-001 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS**Condition**

Richland County currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

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

Cause

Management chooses not to allocate county resources for preparation of the financial statements.

Criteria

Richland County is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

Yes.

Recommendation

We recommend Richland County consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

Richland County's Response

Agree. Richland County is aware the auditors complete the financial statements and note disclosures.

2019-002 FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY

Condition

Richland County does not currently prepare a fraud risk assessment of the entire entity.

Effect

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

Cause

Richland County has limited amount of staff and decided it was not necessary to implement at this date.

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Prior Recommendation

Yes.

Recommendation

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

Richland County's Response

Agree. Departments will again be contacted to submit information & comply.

2019-003 LACK OF SEGREGATION OF DUTIES - COMPONENT UNIT – SIGNIFICANT DEFICIENCY

Condition

The Richland County Water Resource District has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations

Effect

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

Cause

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

Criteria

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

Prior Recommendation

Yes.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Richland County Water Resource District's Response

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



GOVERNANCE COMMUNICATION

Board of County Commissioners
Richland County
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County, North Dakota, for the year ended December 31, 2019 which collectively comprise Richland County's basic financial statements, and have issued our report thereon dated December 11, 2020. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated November 24, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Richland County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

RICHLAND COUNTY

Governance Communication – Continued

Corrected and Uncorrected Misstatements

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

	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
Governmental Fund Adjustments						
<u>To record client provided receivables</u>						
Accounts Receivable	136,701	-	-	-	136,701	-
Interest Receivable	12,000	-	-	-	12,000	-
Intergovernmental Receivable	543,490	-	-	-	543,490	-
Revenue	-	692,191	-	-	-	692,191
<u>To record client provided payables</u>						
Expenditures	381,434	-	-	-	381,434	-
Salaries Payable	-	82,253	-	-	-	82,253
Accounts Payable	-	299,181	-	-	-	299,181
<u>To record unearned revenue</u>						
Revenue	-	-	21,234	-	21,234	-
Unearned Revenue	-	-	-	21,234	-	21,234
<u>To record change in fair market value</u>						
Change in fair market value	-	-	15,998	-	15,998	-
Other Financing Sources	-	-	-	15,998	-	15,998
Water Resource District						
<u>To record client provided receivables</u>						
Intergovernmental Receivable	98,696	-	-	-	98,696	-
Revenue	-	98,696	-	-	-	98,696
<u>To record client provided payables</u>						
Expenditures	23,450	-	-	-	23,450	-
Accounts Payable	-	23,450	-	-	-	23,450

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 11, 2020.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 11, 2020



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505