



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Rolette County

Rolla, North Dakota

Audit Report for the Year Ended December 31, 2019

Client Code: PS40000



Photo credit: North Dakota Tourism



Office of the
State Auditor

ROLETTE COUNTY

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ROLETTE COUNTY

County Officials and Audit Personnel
December 31, 2019

COUNTY OFFICIALS

Merle Boucher
Eldon Moors, Sr.
Craig Poitra
Alex Albert
Henry Larocque

Chairman
Vice-Chairman
Commissioner
Commissioner
Commissioner

Valerie McCloud
Kandace Desjarlais
Nathan Gustafson
Sarah Bruce
Brian Grosinger

Auditor
Treasurer
Sherriff
Recorder
State's Attorney

AUDIT PERSONNEL

Heath Erickson, CPA
Brian Hermanson

Audit Manager
Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



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STATE CAPITOL
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Rolette County
Rolla, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rolette County, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Rolette 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 Rolette 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 October 29, 2020 on our consideration of Rolette 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 Rolette County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 29, 2020

ROLETTE COUNTY

Statement of Net Position

December 31, 2019

		Component Units	
		Water	Health
	Governmental	Resource	District
	Activities	District	District
ASSETS			
Cash and Investments	\$ 1,105,370	\$ 32,065	\$ 374,134
Intergovernmental Receivable	474,684	-	58,027
Accounts Receivable	18,908	-	-
Taxes Receivable	127,780	1,104	5,711
Road Receivables	9,424	-	-
Capital Assets			
Nondepreciable	169,500	-	-
Depreciable, Net	17,280,541	-	61,200
Total Assets	<u>\$ 19,186,207</u>	<u>\$ 33,169</u>	<u>\$ 499,072</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions & OPEB	<u>\$ 1,353,635</u>	<u>\$ -</u>	<u>\$ 280,451</u>
LIABILITIES			
Accounts Payable	\$ 11,662	\$ -	\$ -
Salaries Payable	26,370	-	-
Interest Payable	149,608	-	-
Retainage Payable	-	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	374,596	-	-
Compensated Absences Payable	10,534	-	4,205
Due After One Year			
Long-Term Debt	9,605,277	-	-
Compensated Absences Payable	94,809	-	37,847
Net Pension & OPEB Liability	2,599,814	-	542,146
Total Liabilities	<u>\$ 12,872,670</u>	<u>\$ -</u>	<u>\$ 584,198</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions & OPEB	<u>\$ 1,400,639</u>	<u>\$ -</u>	<u>\$ 257,139</u>
NET POSITION			
Net Investment in Capital Assets	\$ 7,320,560	\$ -	\$ 61,200
Restricted for			
Highways & Bridges	283,538	-	-
Emergencies	103,657	-	-
Conservation of Natural Resources	55,937	33,169	-
Debt Service	245,334	-	-
Unrestricted	<u>(1,742,493)</u>	<u>-</u>	<u>(123,014)</u>
Total Net Position	<u>\$ 6,266,533</u>	<u>\$ 33,169</u>	<u>\$ (61,814)</u>

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

ROLETTE COUNTY

Statement of Activities

For the Year Ended December 31, 2019

					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues			Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	Health District
Primary Government							
Governmental Activities							
General Government	\$ 1,557,856	\$ 50,325	\$ -	\$ 35,000	\$ (1,472,531)		
Public Safety	2,169,102	639,594	52,894	-	(1,476,614)		
Highways & Public Improvement	2,101,010	62,960	1,082,452	-	(955,598)		
Health and Welfare	2,006,808	-	1,923,551	-	(83,257)		
Conserv. of Natural Resources	103,734	-	2,107	-	(101,627)		
Emergency	17,520	-	28,423	-	10,903		
Interest on Long-Term Debt	427,501	-	-	-	(427,501)		
Total Primary Government	<u>\$ 8,383,531</u>	<u>\$ 752,879</u>	<u>\$ 3,089,427</u>	<u>\$ 35,000</u>	<u>\$ (4,506,225)</u>		
Component Units							
Water Resource Board	\$ 5,608	\$ -	\$ -	\$ -		\$ (5,608)	\$ -
Health District	1,284,035	396,867	732,520	-		-	(154,648)
Total Component Units	<u>\$ 1,289,643</u>	<u>\$ 396,867</u>	<u>\$ 732,520</u>	<u>\$ -</u>		<u>\$ (5,608)</u>	<u>\$ (154,648)</u>
General Revenues							
Property Taxes					\$ 2,131,517	\$ 17,756	\$ 93,161
Non Restricted Grants and Contributions					1,329,476	-	-
Unrestricted Investment Earnings					7,088	185	-
Net Gain on Sale of Capital Assets					91,245	-	-
Miscellaneous Revenue					387,914	-	82,565
Total General Revenues					<u>\$ 3,947,240</u>	<u>\$ 17,941</u>	<u>\$ 175,726</u>
Change in Net Position					<u>\$ (558,985)</u>	<u>\$ 12,333</u>	<u>\$ 21,078</u>
Net Position - January 1					<u>\$ 6,825,518</u>	<u>\$ 20,836</u>	<u>\$ (82,892)</u>
Net Position - December 31					\$ 6,266,533	\$ 33,169	\$ (61,814)

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

ROLETTE COUNTY

Balance Sheet – Governmental Funds
December 31, 2019

	General	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 255,613	\$ 653,218	\$ -	\$ 196,539	\$ 1,105,370
Intergovernmental Receivable	317,984	121,700	-	35,000	474,684
Accounts Receivable	12,674	6,234	-	-	18,908
Taxes Receivable	82,769	31,216	13,795	-	127,780
Road Receivables	-	9,424	-	-	9,424
Total Assets	<u>\$ 669,040</u>	<u>\$ 821,792</u>	<u>\$ 13,795</u>	<u>\$ 231,539</u>	<u>\$ 1,736,166</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 4,429	\$ 7,233	\$ -	\$ -	\$ 11,662
Salaries Payable	17,639	8,731	-	-	26,370
Total Liabilities	<u>\$ 22,068</u>	<u>\$ 15,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,032</u>
Deferred Inflows of Resources					
Taxes Receivable	\$ 82,769	\$ 31,216	\$ 13,795	\$ -	\$ 127,780
Road Receivable	-	9,424	-	-	9,424
Total Deferred Inflows of Resources	<u>\$ 82,769</u>	<u>\$ 40,640</u>	<u>\$ 13,795</u>	<u>\$ -</u>	<u>\$ 137,204</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 104,837</u>	<u>\$ 56,604</u>	<u>\$ 13,795</u>	<u>\$ -</u>	<u>\$ 175,236</u>
Fund Balances					
Restricted					
General Government	\$ -	\$ 7,657	\$ -	\$ -	\$ 7,657
Highways and Bridges	-	604,361	-	-	604,361
Emergency	-	103,657	-	-	103,657
Health and Welfare	-	60,082	-	-	60,082
Conservation of Natural Resources	-	49,523	-	-	49,523
Debt Service	-	-	-	231,539	231,539
Unassigned					
General Fund	564,203	-	-	-	564,203
Negative Fund Balance	-	(60,092)	-	-	(60,092)
Total Fund Balances	<u>\$ 564,203</u>	<u>\$ 765,188</u>	<u>\$ -</u>	<u>\$ 231,539</u>	<u>\$ 1,560,930</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 669,040</u>	<u>\$ 821,792</u>	<u>\$ 13,795</u>	<u>\$ 231,539</u>	<u>\$ 1,736,166</u>

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

ROLETTE COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position December 31, 2019

Total Fund Balances of Governmental Funds	\$ 1,560,930
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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, therefore, are not reported in the governmental funds.	17,450,042
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Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.

Road Accounts Receivable	\$ 9,424	
Property Taxes Receivable	<u>127,780</u>	137,204

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 Derived From Pensions and OPEB	\$ 1,353,635	
Deferred Inflows Derived From Pensions and OPEB	<u>(1,400,639)</u>	(47,004)

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	\$ (9,979,873)	
Interest Payable	(149,608)	
Compensated Absences	(105,344)	
Net Pension & OPEB Liability	<u>(2,599,814)</u>	<u>(12,834,639)</u>

Total Net Position of Governmental Activities	<u><u>\$ 6,266,533</u></u>
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The notes to the financial statements are an integral part of this statement.

ROLETTE COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended December 31, 2019

	General	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 1,299,326	\$ 586,489	\$ -	\$ 213,565	\$ 2,099,380
Intergovernmental	1,323,792	3,089,813	-	40,296	4,453,901
Licenses, Permits and Fees	9,030	-	-	-	9,030
Charges for Services	371,117	387,241	-	-	758,358
Interest Income	7,088	-	-	-	7,088
Miscellaneous	267,326	120,587	-	-	387,913
Total Revenues	\$ 3,277,679	\$ 4,184,130	\$ -	\$ 253,861	\$ 7,715,670
EXPENDITURES					
Current					
General Government	\$ 1,449,750	\$ 70,554	\$ -	\$ 35,000	\$ 1,555,304
Public Safety	1,429,505	530,566	-	-	1,960,071
Highways & Public Improvement	-	1,825,838	-	-	1,825,838
Health and Welfare	3,024	1,951,419	-	-	1,954,443
Conserv. of Natural Resources	-	102,627	-	-	102,627
Capital Outlay	-	-	17,520	-	17,520
Debt Service					
Principal	331	156,212	-	200,000	356,543
Interest & Fees	132	13,532	-	345,730	359,394
Total Expenditures	\$ 2,882,742	\$ 4,650,748	\$ 17,520	\$ 580,730	\$ 8,131,740
Excess (Deficiency) of Revenues Over Expenditures	\$ 394,937	\$ (466,618)	\$ (17,520)	\$ (326,869)	\$ (416,070)
OTHER FINANCING SOURCES (USES)					
Lease Financing	\$ -	\$ 370,837	\$ -	\$ -	\$ 370,837
Sale of Capital Assets	805	30,125	-	-	30,930
Transfers In	229,506	168,002	-	945,730	1,343,238
Transfers Out	(498,002)	(299,506)	-	(545,730)	(1,343,238)
Total Other Financing Sources and Uses	\$ (267,691)	\$ 269,458	\$ -	\$ 400,000	\$ 401,767
Net Change in Fund Balances	\$ 127,246	\$ (197,160)	\$ (17,520)	\$ 73,131	\$ (14,303)
Fund Balance - January 1	\$ 436,957	\$ 962,348	\$ 17,520	\$ 158,408	\$ 1,575,233
Fund Balance - December 31	\$ 564,203	\$ 765,188	\$ -	\$ 231,539	\$ 1,560,930

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

ROLETTE 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	\$	(14,303)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Capital Outlay	\$	553,764	
Depreciation Expense		<u>(882,054)</u>	(328,290)

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

Gain on Sale of Capital Assets	\$	91,245	
Sale of Capital Assets		<u>(30,930)</u>	60,315

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

Debt Issuance	\$	(370,837)	
Repayment of Debt		<u>356,543</u>	(14,294)

Bond premium amortization is a reduction to interest expense as it is amortized over the life of the outstanding bonds using the straight-line method.

1,824

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	\$	82,733	
Net Change in Retainage Payable		13,200	
Net Change in Interest Payable		<u>(69,931)</u>	26,002

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

Net Change in Taxes Receivable	\$	32,137	
Net Change in Road Receivables		<u>(14,508)</u>	17,629

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 & OPEB Liability	\$	1,223,193	
Net Change in Deferred Outflows of Resources		(449,432)	
Net Change in Deferred Inflows of Resources		<u>(1,081,629)</u>	<u>(307,868)</u>

Change in Net Position of Governmental Activities	\$	<u>(558,985)</u>
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The notes to the financial statements are an integral part of this statement.

ROLETTE COUNTY

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

ASSETS

Cash and Investments	<u>\$ 649,189</u>
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LIABILITIES

Due to Other Governments	<u>\$ 649,189</u>
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The notes to the financial statements are an integral part of this financial statement.

ROLETTE COUNTY

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Client (hereafter referred to as "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 units discussed below are 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 two component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

Rolette 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 operational and capital budgets. The County also must approve the tax levy established by the Water Resource District.

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

Component Unit Financial Statements. The financial statements of each of the discretely presented component units are presented in the basic financial statements. Complete financial statements of the individual component units can be obtained from the County Auditor at 102 NE 2nd Street Rolla, ND, 58367.

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.

ROLETTE 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.

Capital Projects Fund - This fund accounts for financial resources that exist for capital projects. The major source of revenue is a restricted tax levy.

Debt Service Fund - This fund accounts for the costs associated with long-term debt obligations.

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, Cash Equivalents, 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.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Capital Assets

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

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

Assets	County	Health District
Buildings	50	50
Equipment	9 - 20	-
Vehicles	5 - 10	-
Infrastructure	50	-
Office Equipment	5 - 15	-

Compensated Absences

Vacation leave is earned at the rate of one to two days per month depending on years of service. Annually on an employee's anniversary date, an employee will be allowed to carry over a maximum of the total number of vacation hours accrued during the year prior to the anniversary date. On the employee's anniversary date, if an employee has hours earned over the carry over maximum, those hours will be paid out at a rate of $\frac{1}{2}$ the employee's rate of pay. Upon termination vacation benefits that have accrued through the last day of work will be paid. Sick leave benefits are earned at the rate of five to ten days per year depending on years of service. An unlimited number of sick leave hours may be carried over and employees, with ten years of service, are paid for 10% of their accumulated sick, to a maximum of 1,000 hours of leave, upon termination. A liability for the vested or accumulated vacation 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.

ROLETTE 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.

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 financial institution's failure, the County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount 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.

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.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2019, the County's carrying amount of deposits totaled \$1,754,358, and the bank balances totaled \$2,662,445. Of the bank balances, \$734,593 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 Rolette County Water Resource District's carrying amount of deposits totaled \$32,065, and the bank balances totaled \$38,324, all of which was covered by Federal Depository Insurance.

At year ended December 31, 2019, the Rolette County Public Health District's carrying amount of deposits totaled \$374,134, and the bank balances totaled \$424,284. Of the bank balances, \$250,000 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 3 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 4 CAPITAL ASSETS**Primary Government**

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

Primary Government	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 134,500	\$ -	\$ -	\$ -	\$ 134,500
Construction Progress	-	35,000	-	-	35,000
Total Capital Assets, Not Being Depreciated	\$ 134,500	\$ 35,000	\$ -	\$ -	\$ 169,500
Capital Assets Being Depreciated					
Buildings	\$ 11,284,261	\$ -	\$ -	\$ -	\$ 11,284,261
Building Improvements	202,330	-	-	-	202,330
Equipment	4,301,367	384,215	335,336	-	4,350,246
Vehicles	498,770	203,550	74,374	-	627,946
Infrastructure	7,174,287	-	-	-	7,174,287
Total Capital Assets, Being Depreciated	\$ 23,461,015	\$ 587,765	\$ 409,710	\$ -	\$ 23,639,070
Less Accumulated Depreciation					
Buildings	\$ 1,600,068	\$ 214,216	\$ -	\$ -	\$ 1,814,284
Building Improvements	48,054	6,364	-	-	54,418
Equipment	2,562,314	323,839	335,336	-	2,550,817
Vehicles	345,157	84,226	65,689	-	363,694
Infrastructure	1,321,905	253,411	-	-	1,575,316
Total Accumulated Depreciation	\$ 5,877,498	\$ 882,056	\$ 401,025	\$ -	\$ 6,358,529
Total Capital Assets Being Depreciated, Net	\$ 17,583,517	\$ (294,291)	\$ 8,685	\$ -	\$ 17,280,541
Governmental Activities Capital Assets, Net	\$ 17,718,017	\$ (259,291)	\$ 8,685	\$ -	\$ 17,450,041

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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

Primary Government	Amount
General Government	\$ 30,899
Public Safety	260,192
Health & Welfare	15,172
Conservation of Natural Resources	1,107
Highways & Bridges	574,686
Total Depreciation Expense	<u>\$ 882,056</u>

Discretely Presented Component Unit

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

Public Health	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Buildings	\$ 90,000	\$ -	\$ -	\$ -	\$ 90,000
Less Accumulated Depreciation					
Buildings	\$ 27,000	\$ 1,800	\$ -	\$ -	\$ 28,800
Governmental Activities Capital Assets, Net	<u>\$ 63,000</u>	<u>\$ (1,800)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,200</u>

Depreciation expense was charged to the health and welfare function.

NOTE 5 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	\$ 9,425,000	\$ -	\$ 200,000	\$ 9,225,000	\$ 205,000
Bond Premium	49,261	-	1,824	47,437	1,825
Leases Payable	467,394	370,837	135,505	702,726	167,432
Loans Payable	20,708	-	20,708	-	-
Special Assessments Payable	5,041	-	331	4,710	339
Total Long-Term Debt	<u>\$ 9,967,404</u>	<u>\$ 370,837</u>	<u>\$ 358,368</u>	<u>\$ 9,979,873</u>	<u>\$ 374,596</u>
Compensated Absences *	<u>\$ 188,076</u>	<u>\$ -</u>	<u>\$ 82,733</u>	<u>\$ 105,343</u>	<u>\$ 10,534</u>
Net Pension and OPEB Liability	<u>3,823,007</u>	<u>-</u>	<u>1,223,193</u>	<u>2,599,814</u>	<u>-</u>
Total Governmental Activities	<u>\$ 13,978,487</u>	<u>\$ 370,837</u>	<u>\$ 1,664,294</u>	<u>\$ 12,685,030</u>	<u>\$ 385,130</u>

* The change in compensated absences is shown as a net change.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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

Year Ending Dec 31	Bonds Payable		Bond Premium	Capital Leases		Special Assessments	
	Principal	Interest		Principal	Interest	Principal	Interest
2020	\$ 205,000	\$ 344,050	\$ 1,825	\$ 167,432	\$ 17,164	\$ 339	\$ 123
2021	210,000	337,900	1,825	219,639	14,378	348	114
2022	220,000	329,500	1,825	128,428	8,679	357	105
2023	230,000	320,700	1,825	131,727	5,379	367	96
2024	240,000	311,500	1,825	55,500	1,970	376	86
2025-2029	1,350,000	1,409,600	9,122	-	-	2,033	278
2030-2034	1,595,000	1,155,125	9,122	-	-	890	35
2035-2039	1,875,000	870,550	9,122	-	-	-	-
2040-2044	2,260,000	486,600	9,122	-	-	-	-
2045-2049	1,040,000	62,800	1,824	-	-	-	-
Totals	\$ 9,225,000	\$ 5,628,325	\$ 47,437	\$ 702,726	\$ 47,570	\$ 4,710	\$ 837

Discretely Presented Component Unit

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

Health District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 28,543	\$ 13,509	\$ -	\$ 42,052	\$ 4,205
Net Pension and OPEB Liability	745,808	-	203,662	542,146	-
Total Governmental Activities	\$ 774,351	\$ 13,509	\$ 203,662	\$ 584,198	\$ 4,205

* The change in compensated absences is shown as a net change.

NOTE 6 OPERATING LEASES

The County is engaged in various operating leases. Total lease payments made during 2019 totaled \$11,523. Future lease payments are as follows:

	Operating Lease
2020	7,781
2021	2,438
2022	1,828

The Public Health District is engaged in various operating leases. Total lease payments made during 2019 totaled \$11,670. Future lease payments are as follows:

	Operating Lease
2020	11,670
2021	8,630
2022	1,275

NOTE 7 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.

Law Enforcement System (With prior main system service)

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement 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 (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 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 (Main and Law Enforcement Systems)

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

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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

Main System

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.

Law Enforcement System

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Main System

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

Law Enforcement System

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 5.5% and employer contribution rates are 7.93% of covered compensation.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	Net Pension Liability
Main System	\$ 2,423,365
Law Enforcement System	(40,733)
Health District	509,594

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
Main System	0.206759%	0.000443%	\$ 428,829
Law Enforcement System	8.852509%	-4.525528%	111,867
Health District	0.043478%	0.001140%	107,076

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

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,434	\$ 439,795
Changes of Assumptions	905,548	777,491
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	42,221	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	24,339	45,000
Employer Contributions Subsequent to the Measurement Date	77,515	-
Total	\$ 1,051,057	\$ 1,262,286

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 7,751	\$ 52,245
Changes of Assumptions	143,910	73,989
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	6,091	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	57,728	4,429
Employer Contributions Subsequent to the Measurement Date	36,913	-
Total	\$ 252,393	\$ 130,663

Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 303	\$ 92,482
Changes of Assumptions	190,422	163,494
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	8,878	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	38,090	(1)
Employer Contributions Subsequent to the Measurement Date	31,951	-
Total	\$ 269,644	\$ 255,975

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:

Main System	\$ 77,515
Law Enforcement System	36,913
Health District	31,951

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

	Main System	Law Enforcement System	Health District
2020	\$ 68,242	\$ 61,214	\$ 31,208
2021	19,932	44,492	18,118
2022	(84,660)	(6,770)	(10,456)
2023	(222,954)	(9,204)	(43,264)
2024	(69,304)	(4,915)	(13,888)

ROLETTE 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:

Main System

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

Law Enforcement System

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	20.00%
	1	20.00%
	2	10.00%
	Age*	
	Under 30	7.25%
	30 – 39	6.50%
	40 – 49	6.25%
	50 – 59	5.75%
	60+	5.00%
	* 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	

Main and Law Enforcement System

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%.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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

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 (Main and Law Enforcement Systems)

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (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%)
Main System	\$ 3,474,584	\$ 2,423,365	\$ 1,540,158
Law Enforcement System	80,440	(40,733)	(131,369)
Health District	730,648	509,594	323,870

Pension Plan Fiduciary Net Position

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

NOTE 8 OPEB PLAN**General Information about the OPEB Plan*****North Dakota Public Employees Retirement System***

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

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

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.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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

At December 31, 2019, for its respective proportionate share of the net pension liability, the following net OPEB liabilities were reported:

	Net OPEB Liability
Primary Government	\$ 217,182
Health District	32,552

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on the its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB 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	0.270400%	0.001986%	\$ 29,361
Health District	0.040529%	0.000780%	4,552

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

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,366	\$ 6,785
Changes of Assumptions	25,884	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	242	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	372	905
Employer Contributions Subsequent to the Measurement Date	18,321	-
Total	\$ 50,185	\$ 7,690

Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 806	\$ 1,017
Changes of Assumptions	3,880	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	36	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	969	147
Employer Contributions Subsequent to the Measurement Date	5,116	-
Total	\$ 10,807	\$ 1,164

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

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Primary Government	\$ 18,321
Health District	5,116

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	Health District
2020	\$ 3,824	\$ 726
2021	3,824	726
2022	5,846	1,029
2023	5,475	973
2024	3,218	650
2025	1,674	358
Thereafter	313	65

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 of 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.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Sensitivity of the 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	\$ 277,204	\$ 217,182	\$ 165,803
Health District	41,549	32,552	24,851

NOTE 9 TRANSFERS

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

NOTE 10 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 (NDRF), 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 NDRF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDRF is limited to losses of two million dollars per occurrence for general liability, two million for automobile, and \$3,051,779 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.

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

NOTE 11 CONDUIT DEBT OBLIGATIONS

From time to time, the County has obtained community development block grant loans to 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 are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facility transfers to the private-sector entity served by the loan. 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.

As of December 31, 2019, there was one community development block grant loan outstanding, with an aggregate principal amount payable of \$264,500.

ROLETTE COUNTYNotes to the Financial Statements – Continued

NOTE 12 JOINT VENTURES

Under authorization of state statutes, the Rolette County Water Resource District joined the water resource districts of Cavalier County, Nelson County, Pierce County, Ramsey County, Benson County, Towner County and Walsh County to establish and operate a joint exercise of powers agreement for water management districts located within the Devils Lake basin. The joint agreement created Devils Lake Basin Joint Water Resource Board. The agreement was established for the mutual advantage of the governments. Each government appoints one member of the 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 due to the lack of provisions being made for this in the joint power's agreement.

Summary financial information (the latest information available) as of and for the year ended December 31, 2007 is as follows:

	Devils Lake Basin Joint WRD
Total Assets	\$ 828,235
Total Liabilities	(20,051)
Total Net Position	\$ 848,286
Total Revenues	\$ 848,156
Total Expenses	918,404
Change in Net Position	\$ (70,248)

Additional financial information may be obtained from the Devils Lake Basin Joint Water Resource District, 524, 4th Ave. #27, Devils Lake, ND 58301.

NOTE 13 SUBSEQUENT EVENTS

The County is a defendant in various lawsuits incident to its operations. In the opinion of County Counsel and management, such claims against the County not covered by Insurance would not materially affect the financial condition of the County.

ROLETTE COUNTY

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,385,754	\$ 1,385,754	\$ 1,299,326	\$ (86,428)
Intergovernmental	1,123,800	1,123,800	1,323,792	199,992
Licenses, Permits and Fees	3,660	3,660	9,030	5,370
Charges for Services	459,000	459,000	371,117	(87,883)
Interest Income	3,000	3,000	7,088	4,088
Miscellaneous	142,500	142,500	267,326	124,826
Total Revenues	\$ 3,117,714	\$ 3,117,714	\$ 3,277,679	\$ 159,965
EXPENDITURES				
Current				
General Government	\$ 1,379,357	\$ 1,402,371	\$ 1,449,750	\$ (47,379)
Public Safety	1,476,729	1,476,729	1,429,505	47,224
Health & Welfare	5,000	5,000	3,024	1,976
Debt Service				
Principal	-	-	331	(331)
Interest	-	-	132	(132)
Total Expenditures	\$ 2,861,086	\$ 2,884,100	\$ 2,882,742	\$ 1,358
Excess (Deficiency) of Revenues Over Expenditures	\$ 256,628	\$ 233,614	\$ 394,937	\$ 161,323
OTHER FINANCING SOURCES (USES)				
Sale of Assets	\$ -	\$ -	\$ 805	\$ 805
Transfers In	-	-	229,506	229,506
Transfers Out	(457,624)	(457,624)	(498,002)	(40,378)
Total Other Financing Sources and Uses	\$ (457,624)	\$ (457,624)	\$ (267,691)	\$ 189,933
Net Change in Fund Balance	\$ (200,996)	\$ (224,010)	\$ 127,246	\$ 351,256
Fund Balance - January 1	\$ 436,957	\$ 436,957	\$ 436,957	\$ -
Fund Balance - December 31	\$ 235,961	\$ 212,947	\$ 564,203	\$ 351,256

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

ROLETTE COUNTY

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 613,750	\$ 613,750	\$ 586,489	\$ (27,261)
Intergovernmental	2,957,945	2,957,945	3,089,813	131,868
Charges for Services	471,748	471,748	387,241	(84,507)
Miscellaneous	21,600	21,600	120,587	98,987
Total Revenues	\$ 4,065,043	\$ 4,065,043	\$ 4,184,130	\$ 119,087
EXPENDITURES				
Current				
General Government	\$ 5,000	\$ 5,000	\$ 70,554	\$ (65,554)
Public Safety	424,434	552,674	530,566	22,108
Highways and Bridges	1,325,215	1,669,581	1,455,001	214,580
Health & Welfare	1,976,880	1,978,745	1,951,419	27,326
Conservation of Natural Resources	135,200	205,700	102,627	103,073
Emergency	199,375	199,375	-	199,375
Debt Service				
Principal	-	-	156,212	(156,212)
Interest	-	-	13,532	(13,532)
Total Expenditures	\$ 4,066,104	\$ 4,611,075	\$ 4,279,911	\$ 331,164
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,061)	\$ (546,032)	\$ (95,781)	\$ 450,251
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 168,002	\$ 168,002
Transfers Out	325,000	325,000	(299,506)	(624,506)
Sale of Assets	-	-	30,125	30,125
Total Other Financing Sources and Uses	\$ 325,000	\$ 325,000	\$ (101,379)	\$ (456,504)
Net Change in Fund Balance	\$ 323,939	\$ (221,032)	\$ (197,160)	\$ (6,253)
Fund Balance - January 1	\$ 962,348	\$ 962,348	\$ 962,348	\$ -
Fund Balance - December 31	\$ 1,286,287	\$ 741,316	\$ 765,188	\$ (6,253)

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

ROLETTE 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

Main System	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	0.206759%	\$ 2,423,365	\$ 2,150,645	112.68%	71.66%
2018	0.206316%	3,481,808	2,119,517	164.27%	62.80%
2017	0.207947%	3,342,391	2,122,812	157.45%	61.98%
2016	0.201208%	1,960,968	2,027,704	96.71%	70.46%
2015	0.214508%	1,458,618	1,911,009	76.33%	77.15%
2014	0.217098%	1,377,967	1,828,794	75.35%	77.70%

Law Enforcement System	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	8.852509%	\$ (40,733)	\$ 866,635	-4.70%	104.84%
2018	13.378037%	129,805	817,511	15.88%	89.76%
2017	13.203484%	129,242	778,580	16.60%	87.23%
2016	17.636926%	11,297	815,090	1.39%	98.17%
2015	17.396229%	(20,360)	656,982	-3.10%	104.37%
2014	18.130002%	(2,419)	495,374	-0.49%	100.61%

Health 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	0.043478%	\$ 509,594	\$ 452,245	112.68%	71.66%
2018	0.042338%	714,500	434,941	164.28%	62.80%
2017	0.041181%	661,914	420,392	157.45%	61.98%
2016	0.036650%	357,190	369,342	96.71%	70.46%
2015	0.034647%	235,594	308,664	76.33%	77.15%
2014	0.033079%	209,959	278,658	75.35%	77.70%

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

ROLETTE 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**

Main System	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	\$ 156,579	\$ 152,479	\$ 4,100	\$ 2,150,645	7.09%
2018	156,112	153,279	2,833	2,119,517	7.23%
2017	153,930	152,127	1,803	2,122,812	7.17%
2016	146,802	148,594	(1,792)	2,027,704	7.33%
2015	145,156	146,566	(1,410)	1,911,009	7.67%
2014	130,210	130,210	-	1,828,794	7.12%

Law Enforcement System	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	\$ 59,339	\$ 67,162	\$ (7,823)	\$ 866,635	7.75%
2018	63,091	60,403	2,688	817,511	7.39%
2017	65,668	63,543	2,125	778,580	8.16%
2016	65,550	62,032	3,518	815,090	7.61%
2015	53,827	55,411	(1,584)	656,982	8.43%
2014	39,283	39,283	-	495,374	7.93%

Health 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	\$ 32,926	\$ 33,302	\$ (376)	\$ 452,245	7.36%
2018	32,036	31,194	842	434,941	7.17%
2017	30,484	28,987	1,497	420,392	6.90%
2016	26,740	22,506	4,234	369,342	6.09%
2015	23,445	21,460	1,985	308,664	6.95%
2014	19,840	19,840	-	278,658	7.12%

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

ROLETTE 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	0.270400%	\$ 217,182	\$ 3,017,280	7.20%	63.13%
2018	0.268414%	211,394	2,937,028	7.20%	61.89%
2017	0.268190%	212,141	2,901,392	7.31%	59.78%

Health 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	0.040529%	\$ 32,552	\$ 452,245	7.20%	63.13%
2018	0.039749%	31,305	434,941	7.20%	61.89%
2017	0.038859%	30,738	420,392	7.31%	59.78%

**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	\$ 35,091	\$ 34,068	\$ 1,023	\$ 3,017,280	1.13%
2018	34,450	33,225	1,225	2,937,028	1.13%
2017	33,727	33,492	235	2,901,392	1.15%

Health 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	\$ 5,260	\$ 5,332	\$ (72)	\$ 452,245	1.18%
2018	5,102	4,995	107	434,941	1.15%
2017	4,887	4,641	246	420,392	1.10%

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

ROLETTE 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:

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
General Fund	\$ 2,861,086	\$ 23,014	\$ 2,884,100
Special Revenue Fund	4,066,104	544,971	4,611,075
Debt Service Fund	550,050	30,685	580,735

NOTE 3 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 4 CHANGES OF BENEFIT TERMS – PENSION & OPEB

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

ROLETTE COUNTYNotes to the Required Supplementary Information - 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 5 CHANGES OF ASSUMPTIONS – PENSION & OPEB**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 6 BUDGET TO ACTUAL RECONCILIATION

Leases issued that are paid by the special revenue fund are not included in the budgetary comparison schedule expenditures, but are included in the combined statement of revenues, expenditures and changes in fund balance. The reconciliation is provided below:

	Combined Statement	Adjustment	Budget to Actual Statement
Special Revenue Fund			
Expenditures	\$ 4,650,748	\$ (370,837)	\$ 4,279,911
Lease Proceeds	370,837	(370,837)	-



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
Rolette County
Rolla, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rolette County as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Rolette County's basic financial statements, and have issued our report thereon dated October 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rolette 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 Rolette County's internal control. Accordingly, we do not express an opinion on the effectiveness of Rolette 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 finding*, 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 items 2019-001, and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2019-003, and 2019-004 to be a significant deficiency.

ROLETTE 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 Rolette 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings* as item 2019-001.

Rolette County's Response to Findings

Rolette County's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Rolette 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
October 29, 2020

ROLETTE COUNTY

Summary of Auditor's Results
For the Year Ended December 31, 2019

Financial Statements

Type of Report Issued?

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

Internal control over financial reporting

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

Schedule of Audit Findings

For the Year Ended December 31, 2019

2019-001 IMPROPER BIDDING OF ROAD EQUIPMENT – MATERIAL WEAKNESS – MATERIAL NONCOMPLIANCE

Condition

Rolette County did not advertise for bids for the lease-purchase agreement of a motor grader at a cost of \$324,114.65. Instead, the County utilized an out of state cooperative purchase agreement that was not applicable to the County.

Effect

Rolette County may not be in compliance with N.D.C.C. §24-05-04(2)(3) and N.D.C.C. §54-44-.4-13(7).

Cause

Rolette County may not have accurately interpreted the out of state cooperative purchase agreement used to acquire the motor grader.

Criteria

N.D.C.C. §24-05-04(2) states “Except as provided in N.D.C.C. § 54-44.4-13, a purchase of county road machinery and any rental contract or agreement for the use of road machinery and other articles, except necessary repairs for road machinery, which exceeds the sum of one hundred thousand dollars must be advertised by publishing an advertisement for bids at least once each week for two consecutive weeks in the official newspaper of the county and in any other newspapers as the board deems advisable.”

N.D.C.C. §24-05-04(3) states “Notwithstanding the provisions of this section relating to the duration of rental contracts, the board of county commissioners may enter lease-purchase agreements for the road machinery and articles covered by this section if those agreements provide for the complete performance and full payment of the purchase price of the machinery or articles within seven years from the date of the execution of the lease-purchase agreement according to section 44-08-01.1.

Additionally, N.D.C.C. § 54-44.4-13(7) states “Before entering into a cooperative purchasing agreement under this section, the office of management and budget must determine that the contracts were awarded through full and open competition or source selection methods specified in section 54-44.4-05 and shall send notice to approved vendors of the office's intent to make a cooperative purchase in accordance with this chapter.

Prior Recommendation

No.

Recommendation

We recommend that Rolette County review upcoming lease-purchase agreements of county road machinery to ensure compliance with N.D.C.C. §24-05-04(2)(3). We further recommend that Rolette County consult with the Office of Management and Budget to ensure compliance with N.D.C.C. §54-44-.4-13(7).

Rolette County's Response

Agree. Rolette County will review upcoming lease-purchase agreements to ensure compliance with North Dakota Century Code sections §24-05-04(2)(3) and §54-44-.4-13(7).

2019-002 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

Rolette County currently does not prepare the financial statements, including the 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 Rolette County's financial statements.

Cause

Management chose not to allocate County resources for preparation of the financial statements.

Criteria

Rolette 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 Rolette 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.

Rolette County's Response

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

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

Condition

The Rolette County Water Resource District and Rolette County Public Health District have 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.

Criteria

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.

Cause

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

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Water Resource District and Health District's financial condition.

Recommendation

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

- Financial statements and credit memos should be reviewed 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.

Rolette County's Response

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

ROLETTE COUNTYSchedule of Audit Findings– Continued

2019-004 FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY**Condition**

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

Effect

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

Cause

Rolette County may not have considered preparing a fraud risk assessment.

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

No.

Recommendation

We recommend Rolette 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.

Rolette County's Response

Agree. Rolette County will conduct a fraud risk assessment.

STATE AUDITOR
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GOVERNANCE COMMUNICATION

Board of County Commissioners
Rolette County
Rolla, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rolette County, North Dakota, for the year ended December 31, 2019 which collectively comprise Client's basic financial statements, and have issued our report thereon dated October 29, 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 September 1, 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 Rolette 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 Rolette 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 Rolette 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.

ROLETTE COUNTY

Governance Communication – Continued

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

Corrected and Uncorrected Misstatements

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

	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
PRIMARY GOVERNMENT						
Intergovernmental Receivable	474,685	-	-	-	474,685	-
Accounts Receivable	18,908	-	-	-	18,908	-
Revenue	-	493,593	-	-	-	493,593
Expenditures	38,032	-	-	-	38,032	-
Accounts Payable	-	11,662	-	-	-	11,662
Salaries Payable	-	26,370	-	-	-	26,370
Expenditures	-	-	370,837	-	370,837	-
Capital Lease Proceeds	-	-	-	370,837	-	370,837
PUBLIC HEALTH DISTRICT						
Accounts Receivable	58,005	-	-	-	58,005	-
Revenue	-	58,005	-	-	-	58,005

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 October 29, 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.

ROLETTE COUNTY

Governance Communication – Continued

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 Rolette 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 Rolette 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 Rolette County.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 29, 2020



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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