

**WARD COUNTY**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**WITH INDEPENDENT AUDITOR'S REPORT**

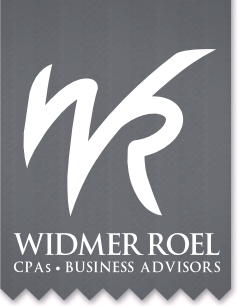
**WARD COUNTY**  
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**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**WARD COUNTY  
COUNTY OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Current**

John Fjeldahl	Commissioner-Chairperson
Alan Walter	Commissioner-Vice Chair
Jim Rostad	Commissioner
Shelly Wepler	Commissioner
John Pietsch	Commissioner
Devra Smestad	Auditor/Treasurer
Robert Roed	Sheriff
Kristin Kowalczyk	County Recorder
Rozanna Larson	States Attorney



4334 18th Avenue S.  
Ste 101  
Fargo, ND 58103-7414

Phone: 701.237.6022  
Toll Free: 888.237.6022  
Fax: 701.280.1495

## INDEPENDENT AUDITOR'S REPORT

County Commission  
**Ward County**  
Minot, North Dakota

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ward County Water Resource District, which represent 4 percent, 4 percent, and 3 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the Water Resource District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, each major fund, and the aggregate remaining fund information of the **Ward County**, as of December 31, 2019, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

For the year ended December 31, 2019, the County restated net position on the statement activities to correct an error in the previously issued financial statements (See Note 13). Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Special Revenue Fund, Schedule of Employer’s Share of Net Pension and OPEB Liability, Schedule of 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 requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ward County’s basic financial statements. The County officials listing and schedule of fund activity arising from cash transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020, on our consideration of the **Ward 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 solely 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 the effectiveness of the County's 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 **Ward County's** internal control over financial reporting and compliance.



Fargo, North Dakota  
September 15, 2020

**WARD COUNTY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	<b>Primary Government</b>	<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Water Resource District</b>	<b>Weather Modification</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,240,623	\$ 1,723,291	\$ 59,335
Investments	-	1,018,960	-
Taxes receivable	861,235	43,158	-
Special assessments receivable	-	6,145	-
Uncertified special assessments receivable	-	2,275,132	-
Due from county treasurer	-	10,371	-
Capital assets, not being depreciated			
Land	698,100	113,800	-
Capital assets, net of accumulated depreciation			
Infrastructure	92,114,273	3,281,441	-
Buildings	62,576,369	-	-
Machinery, vehicles, & equipment	5,617,485	-	-
	<u>185,108,085</u>	<u>8,472,298</u>	<u>59,335</u>
	<u>7,295,356</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	\$ <u>192,403,441</u>	\$ <u>8,472,298</u>	\$ <u>59,335</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions & OPEB	<u>7,295,356</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	\$ <u>192,403,441</u>	\$ <u>8,472,298</u>	\$ <u>59,335</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 15,000	\$ -	\$ -
Interest payable	302,613	15,517	-
Long-term liabilities			
Portion due or payable within one year			
Compensated absences payable	139,884	-	-
Bond payable	6,320,000	160,000	-
Portion due or payable after one year			
Compensated absences	717,184	-	-
Bond payable	27,495,000	2,155,000	-
Bond premium	1,718,281	-	-
Net pension and OPEB liability	13,554,032	-	-
	<u>50,261,994</u>	<u>2,330,517</u>	<u>-</u>
Total liabilities	<u>50,261,994</u>	<u>2,330,517</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions & OPEB	<u>7,359,724</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	125,472,946	1,080,241	-
Restricted for			
Debt services	6,672,805	2,467,924	-
Special reserve	10,350,236	-	-
Capital projects	1,017,188	-	-
Unrestricted	<u>(8,731,452)</u>	<u>2,593,616</u>	<u>59,335</u>
Total net position	<u>134,781,723</u>	<u>6,141,781</u>	<u>59,335</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>192,403,441</u>	\$ <u>8,472,298</u>	\$ <u>59,335</u>

**WARD COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Functions/Programs</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>						
	<u>Expenses</u>	<u>Program Revenues</u>			<u>Primary Government</u>	<u>Component Units</u>	
		<u>Charges for Services</u>	<u>Operating Grants Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Water Resource District</u>	<u>Weather Modification</u>
Primary Government:							
Governmental Activities:							
General Government	\$ 8,061,988	\$ 504,425	\$ 15,150	\$ -	\$ (7,542,413)	\$ -	\$ -
Public Safety	11,324,278	2,217,199	271,871	-	(8,835,208)	-	-
Highways and public improvement	14,817,864	131,429	5,170,989	4,860,960	(4,654,486)	-	-
Health and welfare	7,417,434	137,681	6,173,315	-	(1,106,438)	-	-
Culture and recreation	580,860	7,755	77,000	-	(496,105)	-	-
Conservation and economic development	345,275	-	-	-	(345,275)	-	-
Other	220,223	-	-	-	(220,223)	-	-
Interest on long-term debt	1,000,540	-	-	-	(1,000,540)	-	-
Total governmental activities	<u>\$ 43,768,462</u>	<u>\$ 2,998,489</u>	<u>\$ 11,708,325</u>	<u>\$ 4,860,960</u>	<u>(24,200,688)</u>	<u>-</u>	<u>-</u>
Component Units:							
Water resource district	\$ 1,154,496	\$ -	\$ 79,856	\$ -	-	(1,074,640)	-
Weather modification	129,533	-	-	-	-	-	(129,533)
Total component units	<u>\$ 1,284,029</u>	<u>\$ -</u>	<u>\$ 79,856</u>	<u>\$ -</u>	<u>-</u>	<u>(1,074,640)</u>	<u>(129,533)</u>
<b>GENERAL REVENUES</b>							
					20,700,042	963,453	106,579
					6,441,461	-	-
					3,707,401	-	-
					543,974	30,674	23
					<u>31,392,878</u>	<u>994,127</u>	<u>106,602</u>
					7,192,190	(80,513)	(22,931)
					133,784,345	6,222,294	82,266
					(6,194,812)	-	-
					<u>127,589,533</u>	<u>6,222,294</u>	<u>82,266</u>
					\$ <u>134,781,723</u>	\$ <u>6,141,781</u>	\$ <u>59,335</u>

See Notes to Financial Statements



**WARD COUNTY**  
**BALANCE SHEET - GOVERNMENT FUNDS**  
**DECEMBER 31, 2019**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Government Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,460,246	\$ 8,287,316	\$ 5,621,769	\$ 871,292	\$ 23,240,623
Taxes receivable	671,007	190,228	-	-	861,235
Total assets	\$ 9,131,253	\$ 8,477,544	\$ 5,621,769	\$ 871,292	\$ 24,101,858
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 15,000	\$ -	\$ -	\$ 15,000
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred tax revenue	671,007	190,228	-	-	861,235
Total liabilities and deferred inflows of resources	671,007	205,228	-	-	876,235
<b>FUND BALANCES</b>					
Restricted for:					
Public safety/911	\$ -	\$ 1,683,859	\$ -	\$ -	\$ 1,683,859
Highway and public improvement	-	5,494,317	-	-	5,494,317
Health and welfare	-	930,566	-	-	930,566
Culture and recreation	-	74,506	-	-	74,506
Conservation and economic development	-	120,480	-	-	120,480
Other	-	(31,412)	-	-	(31,412)
Capital project	-	-	-	871,292	871,292
Debt service	-	-	5,621,769	-	5,621,769
Unassigned	8,460,246	-	-	-	8,460,246
Total fund balances	8,460,246	8,272,316	5,621,769	871,292	23,225,623
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,131,253	\$ 8,477,544	\$ 5,621,769	\$ 871,292	\$ 24,101,858

**WARD COUNTY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

<b>Total fund balances for governmental funds</b>		\$ 23,225,623
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds</p>		
Cost of capital assets	238,405,231	
Less accumulated depreciation	<u>(77,399,004)</u>	161,006,227
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds,</p>		
		861,235
<p>Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.</p>		
		(13,554,032)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>		
Total deferred outflows of resources	7,295,356	
Total deferred inflows of resources	<u>(7,359,724)</u>	(64,368)
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated absences payable	(857,068)	
Bonds payable	(33,815,000)	
Unamortized bond discount	(1,718,281)	
Interest payable	<u>(302,613)</u>	<u>(36,692,962)</u>
<b>Total net position of governmental activities</b>		<b>\$ <u><u>134,781,723</u></u></b>

**WARD COUNTY**  
**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Total Government Funds</u>
<b>REVENUES</b>					
Taxes	\$ 16,176,141	\$ 4,489,677	\$ 6,441,461	\$ 22,088	\$ 27,129,367
Licenses, permits and fees	531,471	1,669,651	-	-	2,201,122
Intergovernmental	3,452,897	16,593,379	-	-	20,046,276
Charges and services	659,685	119,806	-	-	779,491
Miscellaneous	793,396	1,045,265	85,110	-	1,923,771
	<u>21,613,590</u>	<u>23,917,778</u>	<u>6,526,571</u>	<u>22,088</u>	<u>52,080,027</u>
<b>EXPENDITURES</b>					
Current					
General government	7,219,037	-	-	86,546	7,305,583
Public safety/911	8,877,639	2,140,443	-	26,434	11,044,516
Highway and public improvement	-	16,963,897	-	4,770	16,968,667
Health and welfare	305,692	6,523,462	-	-	6,829,154
Culture and recreation	132,716	403,811	-	-	536,527
Conservation and economic development	-	328,030	-	-	328,030
Other	202,998	-	-	-	202,998
Debt service:					
Principal	-	-	6,295,291	-	6,295,291
Interest and fees	-	-	1,332,550	-	1,332,550
	<u>16,738,082</u>	<u>26,359,643</u>	<u>7,627,841</u>	<u>117,750</u>	<u>50,843,316</u>
Excess (deficiency) of revenues over expenditures	4,875,508	(2,441,865)	(1,101,270)	(95,662)	1,236,711
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	13,313,947	50,234	-	13,364,181
Transfers out	(363,947)	(12,950,000)	-	(50,234)	(13,364,181)
	<u>(363,947)</u>	<u>363,947</u>	<u>50,234</u>	<u>(50,234)</u>	<u>-</u>
Net change in fund balances	<u>4,511,561</u>	<u>(2,077,918)</u>	<u>(1,051,036)</u>	<u>(145,896)</u>	<u>1,236,711</u>
<b>FUND BALANCES - JANUARY 1</b>	<u>3,948,685</u>	<u>10,350,234</u>	<u>6,672,805</u>	<u>1,017,188</u>	<u>21,988,912</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 8,460,246</u>	<u>\$ 8,272,316</u>	<u>\$ 5,621,769</u>	<u>\$ 871,292</u>	<u>\$ 23,225,623</u>

**WARD COUNTY**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Net change in fund balances - total governmental funds** \$ 1,236,711

Amount reported for governmental activities in the statement of activities are 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. In the current period these amounts are:

Current year capital outlay	11,756,865	
Depreciation expense	<u>(9,813,689)</u>	
		1,943,176

In the statement of activities, only the loss on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or disposed.

Retired assets	(2,307,570)	
Accumulated depreciation on retired assets	<u>1,006,914</u>	
		(1,300,656)

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

6,105,000

Governmental funds report the effect of premiums on refunding when debt is first issued, whereas this amount is deferred and amortized in the statement of activities.

461,251

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 decrease in compensated absences	10,898	
Net decrease in interest payable	<u>61,049</u>	
		71,947

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

Decrease in net pension and OPEB liability	6,955,760	
Decrease in deferred outflows of resources	(2,309,629)	
Increase in deferred inflows of resources	<u>(5,988,434)</u>	
		(1,342,303)

**WARD COUNTY**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Net increase in taxes receivable 17,064

**Change in net position of governmental activities** **\$ 7,192,190**

**WARD COUNTY**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**DECEMBER 31, 2019**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ <u>20,190,761</u>
<b>LIABILITIES</b>	
Due to other governments	\$ <u>20,190,761</u>

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Financial Reporting Entity***

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which the County is financially accountable and other organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County’s financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization’s governing board 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 imposed 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.

***Discretely Presented Component Units***

The component units’ columns in the basic 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.

**Ward County Water Resource District**

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

**Ward County Weather Modification Authority**

The Ward County Modification Authority’s governing board is appointed by the County’s governing board. The County’s governing body has the authority to disapprove, amend, or approve the weather modification authority budget. The weather modification authority has the authority to issue its own debt.

The financial statements of each of the two discretely presented component units are presented in the basic financial statements. Additional information may be obtained from the Ward County Auditor/Treasurer; 225 3<sup>rd</sup> Street SE; Minot, ND 58701

***Basis of Presentation***

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government, Ward County and its component units. These statements include the financial activities of the overall government, except for financial 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.

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

The County reports the following major governmental funds:

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

*Special Revenue Fund:* This fund accounts for all other resources which are required by law, contract or policy to be accounted for in another fund, but which do not meet the criteria of debt service or capital projects funds.

*Debt Service Fund:* This fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs for the general obligation and sales tax revenue bonds.

*Capital Projects Fund:* This fund accounts for financial resources dedicated to the construction of new buildings, additions to old buildings, or the making of major repairs to existing buildings.

The County reports the following fund type:

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

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

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt,



**WARD COUNTY**  
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claims and judgements, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

***Cash and Investments***

Cash includes amounts in demand deposits money market accounts. Investments consist of certificates of deposit stated at cost.

***Capital Assets***

Capital assets include property, 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 the assets life 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:

Infrastructure	50 to 70 years
Buildings	50 to 100 years
Machinery, Vehicles, & Equipment	10 years

***Interest Payable***

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

***Compensated Absences***

Vested or accumulated vacation leave and compensatory time is reported in government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the County. The employees may carry forward unused vacation leave not to exceed 240 hours. Compensatory time must be used or paid out within six months of accrual. No liability is recorded for non-vesting accumulation rights to receive sick pay benefits.

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See additional information regarding this item in Note 11 and 12 to the financial statements.

**WARD COUNTY**  
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In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources related to pensions and other post-employment benefits. See additional information regarding this item in Note 11 and 12 to the financial statements.

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported separately from the applicable bond premium or discount.

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

***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”); 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 out 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 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.

***Fund Equity***

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

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

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

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

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

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

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

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

1. Committed
2. Assigned
3. Unassigned

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

***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.

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Use of Estimates*

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

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

Deposits must either be deposited with the Bank of North Dakota or in another 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 of 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 other securities approved by the banking board.

At year ended December 31, 2019, the County's carrying amount of deposits was \$43,431,384 and the bank balances were \$39,708,654. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$39,208,654 was collateralized with securities held by the pledging financial institution's agent in the government's name.

*Credit Risk*

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

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an Act of Congress.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- d) Obligations of the state.

At December 31, 2019 the County held certificates of deposit in the amount of \$515,000 which are all considered deposits.

*Concentration of Credit Risk*

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

**WARD COUNTY**  
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**NOTE 3 – TAXES RECEIVABLE**

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

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

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

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

**NOTE 4 – CAPITAL ASSETS**

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

Primary Government:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 698,100	\$ -	\$ -	\$ 698,100
Capital assets, being depreciated				
Infrastructure	145,333,222	9,576,159	970,348	153,939,033
Buildings	70,817,426	109,894	-	70,927,320
Machinery, vehicles, & equipment	12,107,188	2,070,812	1,337,222	12,840,778
Total capital assets, being depreciated	<u>228,257,836</u>	<u>11,756,865</u>	<u>2,307,570</u>	<u>237,707,131</u>
Less accumulated depreciation for				
Infrastructure	54,157,760	7,905,375	238,375	61,824,760
Buildings	7,349,897	1,001,054	-	8,350,951
Machinery, vehicles, & equipment	7,084,572	907,260	768,539	7,223,293
Total accumulated depreciation	<u>68,592,229</u>	<u>9,813,689</u>	<u>1,006,914</u>	<u>77,399,004</u>
Total capital assets, being depreciated, net	<u>159,665,607</u>	<u>1,943,176</u>	<u>1,300,656</u>	<u>160,308,127</u>
Governmental activities capital assets, net	<u>\$ 160,363,707</u>	<u>\$ 1,943,176</u>	<u>\$ 1,300,656</u>	<u>\$ 161,006,227</u>

(Continued)

**WARD COUNTY**  
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Depreciation expense was charged to functions/programs of the County as follows:

General government	\$ 425,336
Public safety	707,080
Highways and public improvement	8,650,131
Health and welfare	9,936
Culture and recreation	18,448
Conservation and economic development	2,758
	\$ 9,813,689

Component Unit:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Ending Balance</b>
Capital assets not being depreciated				
Land	\$ 113,800	\$ -	\$ -	\$ 113,800
Capital assets, being depreciated				
Infrastructure	3,847,742	-	-	3,847,742
Less accumulated depreciation for				
Infrastructure	485,535	80,766	-	566,301
Total capital assets, being depreciated, net	3,362,207	(80,766)	-	3,281,441
Component unit capital assets, net	\$ 3,476,007	\$ (80,766)	\$ -	\$ 3,395,241

Depreciation expense was charged to functions/programs of the water resource district as follows:

Public works	\$ 80,766
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**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 – LONG-TERM DEBT**

Primary Government:

*Changes in Long-Term Liabilities*

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 21,515,000	\$ -	\$ 2,640,000	\$ 18,875,000	\$ 2,750,000
Sales tax revenue bonds	18,405,000	-	3,465,000	14,940,000	3,570,000
Bond premium	2,179,532	-	461,251	1,718,281	-
Compensated absences	867,966	-	10,898	857,068	139,884
Net pension liability	19,506,096	-	6,926,684	12,579,412	-
Net OPEB liability	1,003,696	-	29,076	974,620	-
<b>Total</b>	<b>\$ 63,477,290</b>	<b>\$ -</b>	<b>\$ 13,532,909</b>	<b>\$ 49,944,381</b>	<b>\$ 6,459,884</b>

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

**General Obligation Debt**

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

\$21,640,000 General Obligation Bonds, Series 2015, due in annual installments of \$2,560,000 to \$3,070,000 through April 1, 2023; interest at 3% to 4%.	\$ 11,615,000
\$7,260,000 General Obligation Correction Center Bonds. Series 2017A due in annual installments of \$1,030,000 to \$3,175,000 from April 1, 2024 through April 1, 2026; interest at 4%.	<u>7,260,000</u>
Total general obligation bonds	<u>\$ 18,875,000</u>

**WARD COUNTY**  
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Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending December, 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,750,000	\$ 671,550	\$ 3,421,550
2021	2,845,000	573,875	3,418,875
2022	2,950,000	472,200	3,422,200
2023	3,070,000	351,800	3,421,800
2024	3,055,000	229,300	3,284,300
2025-2026	<u>4,205,000</u>	<u>125,300</u>	<u>4,330,300</u>
	<u>\$ 18,875,000</u>	<u>\$ 2,424,025</u>	<u>\$ 21,299,025</u>

**Revenue Bond Debt**

The County has issued revenue bonds to provide funds for the construction of new courthouse building. Revenue bonds outstanding at December 31, 2019 are as follows:

\$33,440,000 Sales Tax Revenue Bonds, Series 2013 due in annual installments of \$3,465,000 to \$3,900,000 through April 1, 2023; interest at 3% to 4%.	<u>\$ 14,940,000</u>
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Annual debt service requirements to maturity for revenue bond debt are as follows:

<u>Year Ending December, 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,570,000	\$ 412,500	\$ 3,982,500
2021	3,680,000	285,900	3,965,900
2022	3,790,000	173,850	3,963,850
2023	<u>3,900,000</u>	<u>58,500</u>	<u>3,958,500</u>
	<u>\$ 14,940,000</u>	<u>\$ 930,750</u>	<u>\$ 15,870,750</u>

Component Units:

***Changes in Long-Term Liabilities***

During the year ended December 31, 2019, the following changes occurred in liabilities reported in the long-term liabilities.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Special assessment bonds	\$ <u>2,540,000</u>	\$ <u>-</u>	\$ <u>225,000</u>	\$ <u>2,315,000</u>	\$ <u>160,000</u>



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

***Special Assessment Debt***

The water resource district has issued special assessment bonds to provide funds for the construction of the Nedrose sanitary sewer. Special assessment bonds outstanding at December 31, 2019, are as follows:

\$762,375 Wastewater Improvement Bonds, Series 2002 due in annual installments of \$50,000 through September 1, 2020; interest at 2.5%.	\$ 50,000
\$2,546,106 Sanitary Sewer System Improvement Bonds, Series 2016 due in annual installments of \$110,000 to \$165,000 through September 1, 2036; interest at 2%.	<u>2,265,000</u>
Total special assessment bonds	<u><u>\$ 2,315,000</u></u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

<b>Year Ending December, 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 160,000	\$ 45,300	\$ 205,300
2021	115,000	43,100	158,100
2022	115,000	40,800	155,800
2023	120,000	38,500	158,500
2024	125,000	36,100	161,100
2025-2029	665,000	142,100	807,100
2030-2034	755,000	72,100	827,100
2035-2036	<u>260,000</u>	<u>7,200</u>	<u>267,200</u>
	<u><u>\$ 2,315,000</u></u>	<u><u>\$ 425,200</u></u>	<u><u>\$ 2,740,200</u></u>

**NOTE 6 – TRANSFERS**

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

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
Special revenue fund	363,947	
General fund		363,947
To subsidize expenditures.		
Debt service fund	50,234	
Capital project fund		50,234
To close country club heights fund.		

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – DEFICIT FUND BALANCES**

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

<u>Special Revenue Funds</u>	
Social welfare	\$ (449,349)
CDBG projects	<u>(31,412)</u>
Total	\$ <u><u>(480,761)</u></u>

The County plans to eliminate these deficits with future revenue collections and/or transfers from other funds.

**NOTE 8 – RELATED ORGANIZATION**

The County is responsible for levying a property tax for the Ward County Council on Aging. However, the County’s accountability for this entity does not extend beyond levying the tax. In 2019, the County remitted \$379,036 to the Ward County Council on Aging.

**NOTE 9 – RISK MANAGEMENT**

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (“NDIRF”), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$6,854,966 for public assets.

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

The County has worker’s compensation with the Department of Workforce Safety and Insurance, and purchases commercial insurance for employee health and accident insurance.

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

**NOTE 10 – CONTINGENT LIABILITIES**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Ward County State’s Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 – PENSION PLANS**

*North Dakota Public Employees Retirement System (Main & Law Enforcement Systems)*

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to North Dakota Century Code (“NDCC”) Chapter 54-52 for more complete information.

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

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

*Pension Benefits*

**Main System**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years or credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

**Law Enforcement System**

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 member’s accumulated contributions plus interest.

**WARD COUNTY**  
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***Death and Disability Benefits***

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

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

***Refunds of Member Account Balance***

**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 is 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 is 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 covered compensations. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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**Law Enforcement System**

Member and employer contributions paid to NDPERS are established as a percentage of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

<b>Plan</b>	<b>Member contribution rate</b>	<b>Employer contribution rate</b>
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

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 25 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At December 31, 2019, the County reported a liability for its proportionate share of net pension liability. 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 the share of covered payroll in the Main System and the Law Enforcement System pension plan relative to the covered payroll of all participating employers.

The table shows the net pension liability and the proportionate share for each system:

	<u>Net Pension Liability</u>	<u>Proportion Share</u>	<u>Change in Proportion Share</u>
Main System	\$ 11,628,985	0.992173%	-0.023045%
Law Enforcement System	\$ 950,427	7.991588%	-2.191903%

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

For the year ended December 31, 2019, the County recognized pension expense as follows:

	<b>Pension Expense</b>
Main System	\$ 2,200,223
Law Enforcement System	\$ 254,808

\* Note that the Main System and the Law Enforcement System are two separate plans under NDPERS.

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

**Main System**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,887	\$ 2,110,439
Changes of assumptions	4,345,446	3,730,942
Net difference between projected and actual earnings on pension plan investments	202,605	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	407,624	302,153
County contributions subsequent to the measurement date	717,853	-
	\$ 5,680,415	\$ 6,143,534

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Law Enforcement**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 121,510	\$ 116,239
Changes of assumptions	681,252	691,930
Net difference between projected and actual earnings on pension plan investments	26,849	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,255	329,059
County contributions subsequent to the measurement date	<u>311,135</u>	<u>-</u>
	<u>\$ 1,153,001</u>	<u>\$ 1,137,228</u>

The contributions subsequent to the measurement date for the primary government and its component units will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

**Main System**

Year Ended June 30:		
2020		\$ 470,258
2021		235,563
2022		(415,344)
2023		(1,121,617)
2024		(349,832)
Thereafter		-

**Law Enforcement System**

Year Ended June 30:		
2020		\$ 46,724
2021		25,869
2022		(22,300)
2023		(160,877)
2024		(184,778)
Thereafter		-

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

*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	<b>Service at</b>		
	<b>Beginning of</b>	<b>State</b>	<b>Non-State</b>
	<b>Year</b>	<b>Employee</b>	<b>Employee</b>
	<hr/>	<hr/>	<hr/>
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	3		
	4		
	<b>Age*</b>		
	<hr/>		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

\*Age-based salary increase rates apply for employees with three or more years of service  
7.50%, net of investment expenses  
None

Investment rate of return  
Cost-of-living adjustments

**Law Enforcement**

Inflation	2.50%	
Salary increases	<b>Service at</b>	
	<b>Beginning of</b>	<b>Increase</b>
	<b>Year</b>	<b>Rate</b>
	<hr/>	<hr/>
	0	20.00%
	1-2	20.00%
	2+	10.00%
	<b>Age*</b>	
	<hr/>	
	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  
7.50%, net of investment expenses  
None

Investment rate of return  
Cost-of-living adjustments



**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Morality Table with ages set back one year for males (not setback for females) multiplied by 125%.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic equity	30%	6.30%
International equity	21%	6.93%
Private equity	7%	10.15%
Domestic fixed income	23%	2.11%
Global real assets	19%	5.41%
Cash equivalents	0%	0.25%

***Discount Rate***

For NDPERS, GASB Statement No. 67 includes a specific 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 NDPERS 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%.

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

***Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

**Main System**

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
District's proportionate share of net pension liability	\$ <u>16,673,462</u>	\$ <u>11,628,985</u>	\$ <u>7,390,743</u>

**Law Enforcement System**

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
District's proportionate share of net pension liability	\$ <u>1,858,203</u>	\$ <u>950,427</u>	\$ <u>206,011</u>

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Additional financial and actuarial information is available on their website, [www.nd.gov/ndpers](http://www.nd.gov/ndpers), or may be obtained by contacting the agency at: North Dakota Public Employees Retirement System, 400 E Broadway Ave Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

**NOTE 12 – OPEB PLANS**

***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 NDPERS, 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.

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 NDPERS, 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 ("RHIC"). 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 NDPERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

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

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

At December 31, 2019, the County reported a liability of \$974,620 for its proportionate share of the net OPEB liability. 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 County's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the County's proportion was 1.213440 percent, which was a decrease of 0.060984 from its proportion measured as of June 30, 2018.

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

For the year ended December 31, 2019, the County recognized OPEB expense of \$125,797. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,066	\$ 30,446
Changes of assumptions	116,158	-
Net difference between projected and actual earnings on pension plan investments	1,086	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,032	48,516
County contributions subsequent to the measurement date	<u>314,598</u>	<u>-</u>
	<u>\$ 461,940</u>	<u>\$ 78,962</u>

\$234,739 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.

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

Year Ended June 30:		
2020		\$ 11,194
2021		11,194
2022		20,267
2023		18,602
2024		7,761
2025		(259)
Thereafter		(379)

***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

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Large cap domestic equities	33%	7.31%
Small cap domestic equities	6%	10.40%
International equities	21%	7.32%
U.S. high yield	4%	6.13%
Emerging markets debt	4%	7.45%
Core-plus fixed income	32%	4.26%

***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.

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of net pension liability	\$ <u>1,243,972</u>	\$ <u>974,620</u>	\$ <u>744,053</u>

**NOTE 13 – PRIOR PERIOD ADJUSTMENT**

The County restated its beginning net position in the governmental activities.

	<b>Governmental Activities</b>
Beginning of year net position, as previously reported	\$ 133,784,345
Adjustment to beginning net pension liability, deferred outflows of resources, and deferred inflows of resources balances for NDPERS - Main System	(2,284,034)
Recording beginning net pension liability, deferred outflows of resources, and deferred inflows of resources balances for NDPERS - Law Enforcement System	(964,371)
Recording beginning net OPEB liability, deferred outflows of resources, and deferred inflows of resources balances for OPEB plan	(766,875)
Bond premium balance as of December 31, 2018	<u>(2,179,532)</u>
Beginning of year net position, as restated	\$ <u>127,589,533</u>

**NOTE 14 – TAX EXEMPTIONS**

At December 31, 2019, the local governments within the County provided tax exemptions to individuals and commercial entities under the following criteria:

***Charitable Organization***

Under NDCC §57-02-08(8), buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to NDCC §23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit is exempt. The total reduction in property taxes resulting from the exemption in 2019 was \$35,127.

**WARD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 15 – SUBSEQUENT EVENTS**

The County believes it understands the risks associated with COVID-19. The County is in the process of implementing risk mitigation tactics as to the potential impact, if any, on the County related to all aspects of the County's business transactions with vendors and constituents, and human interaction within and outside of the County's offices.

**WARD COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**



**WARD COUNTY**

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION AND OPEB LIABILITY  
LAST 10 FISCAL YEARS\***

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND PERS - Main System	6/30/2019	0.992173%	\$ 11,628,985	\$ 10,320,290	112.68%	71.66%
ND PERS - Main System	6/30/2018	1.015218%	\$ 17,132,911	\$ 10,429,512	164.27%	62.80%
ND PERS - Main System	6/30/2017	0.998332%	\$ 16,046,472	\$ 10,191,403	157.45%	61.98%
ND PERS - Main System	6/30/2016	0.936847%	\$ 9,130,487	\$ 9,441,211	96.71%	70.46%
ND PERS - Main System	6/30/2015	0.913962%	\$ 6,214,786	\$ 8,142,296	76.33%	77.15%
ND PERS - Main System	6/30/2014	0.946207%	\$ 6,005,778	\$ 7,970,652	75.35%	77.70%
ND PERS - Law Enforcement	6/30/2019	7.991588%	\$ 950,427	\$ 3,219,967	29.52%	84.95%
ND PERS - Law Enforcement	6/30/2018	10.183491%	\$ 2,373,185	\$ 3,515,450	67.51%	71.64%
ND PERS - Law Enforcement	6/30/2017	11.462062%	\$ 2,523,509	\$ 3,297,140	76.54%	69.86%
ND PERS - Law Enforcement	6/30/2016	11.286701%	\$ 1,293,281	\$ 3,185,768	40.60%	78.73%
ND PERS - Law Enforcement	6/30/2015	14.574460%	\$ 885,474	\$ 2,136,098	41.45%	83.61%
ND PERS - Law Enforcement	6/30/2014	16.688576%	\$ 1,032,479	\$ 2,181,867	47.32%	80.56%

\* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
OPEB	6/30/2019	1.213440%	\$ 974,620	\$ 13,540,257	7.20%	63.13%
OPEB	6/30/2018	1.274424%	\$ 1,003,696	\$ 13,944,962	7.20%	61.89%
OPEB	6/30/2017	1.246814%	\$ 986,243	\$ 13,488,543	7.31%	59.78%

\* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**WARD COUNTY**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS\***

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND PERS - Main System	6/30/2019	\$ 734,805	\$ (734,805)	\$ -	\$ 10,320,290	7.12%
ND PERS - Main System	6/30/2018	\$ 742,581	\$ (742,581)	\$ -	\$ 10,429,512	7.12%
ND PERS - Main System	6/30/2017	\$ 725,628	\$ (725,628)	\$ -	\$ 10,191,403	7.12%
ND PERS - Main System	6/30/2016	\$ 672,214	\$ (672,214)	\$ -	\$ 9,441,211	7.12%
ND PERS - Main System	6/30/2015	\$ 579,731	\$ (579,731)	\$ -	\$ 8,142,296	7.12%
ND PERS - Main System	6/30/2014	\$ 567,510	\$ (567,510)	\$ -	\$ 7,970,652	7.12%
ND PERS - Law Enforcement	6/30/2019	\$ 315,879	\$ (315,879)	\$ -	\$ 3,219,967	9.81%
ND PERS - Law Enforcement	6/30/2018	\$ 344,866	\$ (344,866)	\$ -	\$ 3,515,450	9.81%
ND PERS - Law Enforcement	6/30/2017	\$ 323,449	\$ (323,449)	\$ -	\$ 3,297,140	9.81%
ND PERS - Law Enforcement	6/30/2016	\$ 312,524	\$ (312,524)	\$ -	\$ 3,185,768	9.81%
ND PERS - Law Enforcement	6/30/2015	\$ 209,551	\$ (209,551)	\$ -	\$ 2,136,098	9.81%
ND PERS - Law Enforcement	6/30/2014	\$ 214,041	\$ (214,041)	\$ -	\$ 2,181,867	9.81%

\* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
OPEB	6/30/2019	\$ 154,359	\$ (154,359)	\$ -	\$ 13,540,257	1.14%
OPEB	6/30/2018	\$ 158,973	\$ (158,973)	\$ -	\$ 13,944,962	1.14%
OPEB	6/30/2017	\$ 153,769	\$ (153,769)	\$ -	\$ 13,488,543	1.14%

\* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**WARD COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 16,517,193	\$ 16,517,193	\$ 16,176,141	\$ (341,052)
Licenses, permits and fees	545,800	545,800	531,471	(14,329)
Intergovernmental	2,261,107	2,261,107	3,452,897	1,191,790
Charges and services	465,000	465,000	659,685	194,685
Miscellaneous	<u>240,000</u>	<u>240,000</u>	<u>793,396</u>	<u>553,396</u>
Total revenues	<u>20,029,100</u>	<u>20,029,100</u>	<u>21,613,590</u>	<u>1,584,490</u>
<b>EXPENDITURES</b>				
Current				
General government	8,248,803	8,326,002	7,219,037	(1,106,965)
Public safety	10,593,267	10,598,067	8,877,639	(1,720,428)
Health and welfare	367,639	367,639	305,692	(61,947)
Culture and recreation	160,000	160,000	132,716	(27,284)
Other	<u>203,205</u>	<u>203,220</u>	<u>202,998</u>	<u>(222)</u>
Total expenditures	<u>19,572,914</u>	<u>19,654,928</u>	<u>16,738,082</u>	<u>(2,916,846)</u>
Excess (deficiency) of revenues over expenditures	456,186	374,172	4,875,508	4,501,336
<b>OTHER FINANCING USES</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>(363,947)</u>	<u>(363,947)</u>
Net change in fund balance	456,186	374,172	4,511,561	4,137,389
<b>FUND BALANCE, JANUARY 1</b>	<u>3,948,685</u>	<u>3,948,685</u>	<u>3,948,685</u>	<u>-</u>
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 4,404,871</u>	<u>\$ 4,322,857</u>	<u>\$ 8,460,246</u>	<u>\$ 4,137,389</u>

**WARD COUNTY**

**BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 3,346,122	\$ 3,426,122	\$ 4,489,677	\$ 1,063,555
Licenses, permits and fees	1,345,589	1,345,589	1,669,651	324,062
Intergovernmental	11,218,029	11,220,779	16,593,379	5,372,600
Charges and services	100,000	100,000	119,806	19,806
Miscellaneous	<u>415,650</u>	<u>415,650</u>	<u>1,045,265</u>	<u>629,615</u>
 Total revenues	 <u>16,425,390</u>	 <u>16,508,140</u>	 <u>23,917,778</u>	 <u>7,409,638</u>
<b>EXPENDITURES</b>				
Current				
Public safety	1,860,497	2,501,047	2,140,443	(360,604)
Highway and public improvement	10,281,042	12,170,777	16,963,897	4,793,120
Health and welfare	6,809,881	6,809,881	6,523,462	(286,419)
Culture and recreation	490,297	490,297	403,811	(86,486)
Conservation and economic development	<u>309,849</u>	<u>328,849</u>	<u>328,030</u>	<u>(819)</u>
 Total expenditures	 <u>19,751,566</u>	 <u>22,300,851</u>	 <u>26,359,643</u>	 <u>4,058,792</u>
 Excess (deficiency) of revenues over expenditures	 <u>(3,326,176)</u>	 <u>(5,792,711)</u>	 <u>(2,441,865)</u>	 <u>3,350,846</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	13,313,947	13,313,947
Transfers out	<u>-</u>	<u>-</u>	<u>(12,950,000)</u>	<u>(12,950,000)</u>
 Total other financing sources (uses)	 <u>-</u>	 <u>-</u>	 <u>363,947</u>	 <u>363,947</u>
 Net change in fund balances	 (3,326,176)	 (5,792,711)	 (2,077,918)	 3,714,793
<b>FUND BALANCE, JANUARY 1</b>	<u>10,350,234</u>	<u>10,350,234</u>	<u>10,350,234</u>	<u>-</u>
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 7,024,058</u>	<u>\$ 4,557,523</u>	<u>\$ 8,272,316</u>	<u>\$ 3,714,793</u>

**WARD COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT BUDGET POLICIES**

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

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

**NOTE 2 – LEGAL COMPLIANCE**

Budget Amendments

The governing board approved the following amendments to the County’s budget for the year ending December 31, 2019:

	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
General fund	\$ 19,572,914	\$ 82,014	\$ 19,654,928
Special revenue fund	\$ 19,751,566	\$ 2,549,285	\$ 22,300,851

Excess of Actual Expenditures Over Budget

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

Special revenue fund	\$ 4,058,792
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No remedial action is anticipated or required by the County regarding these excess expenditures.

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

*North Dakota Public Employees Retirement System Changes of Assumptions*

Amounts reported in 2019 reflect the following actuarial assumption changes effective July 1, 2019 based on the results of an actuarial experiences study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**WARD COUNTY**  
**SCHEDULE OF FUND ACTIVITY**  
**ARISING FROM CASH TRANSACTIONS**  
**DECEMBER 31, 2019**

	<u>Balance</u> <u>01/01/19</u>	<u>Receipts</u>	<u>Transfers</u> <u>In</u>	<u>Transfers</u> <u>Out</u>	<u>Disbursements</u>	<u>Balance</u> <u>12/31/19</u>
<b>MAJOR GOVERNMENTAL FUNDS</b>						
<u>General fund</u>	\$ 3,948,685	\$ 21,613,590	\$ -	\$ (363,947)	\$ (16,738,082)	\$ 8,460,246
<u>Special revenue fund</u>						
Library	68,324	409,993	-	-	(403,811)	74,506
911 wired/wireless	(148,516)	2,188,700	244,547	-	(2,131,568)	153,163
911 depreciation	559,451	135,000	-	-	(8,512)	685,939
Highway	89,727	8,853,135	7,826,400	-	(16,637,163)	132,099
Highway user	8,285,749	4,891,469	-	(7,800,000)	-	5,377,218
Weed	74,565	373,945	-	-	(328,030)	120,480
Social welfare	80,566	137,681	5,231,000	-	(5,898,596)	(449,349)
Human services	587,117	5,940,661	-	(5,150,000)	-	1,377,778
State attorney	4,130	-	12,000	-	(363)	15,767
Senior citizens	993	626,010	-	-	(624,866)	2,137
Emergency	587,498	81,664	-	-	-	669,162
Emergency FEMA township	100,653	-	-	-	(32,214)	68,439
Emergency FEMA county	91,389	-	-	-	-	91,389
CDBG projects	(31,412)	279,520	-	-	(279,520)	(31,412)
Total	<u>10,350,234</u>	<u>23,917,778</u>	<u>13,313,947</u>	<u>(12,950,000)</u>	<u>(26,344,643)</u>	<u>8,287,316</u>
<u>Debt service fund</u>						
Sales tax bond	6,478,675	6,496,571	-	-	(7,438,950)	5,536,296
Special district finance	194,130	30,000	50,234	-	(188,891)	85,473
Total	<u>6,672,805</u>	<u>6,526,571</u>	<u>50,234</u>	<u>-</u>	<u>(7,627,841)</u>	<u>5,621,769</u>
<u>Capital projects fund</u>						
Construction	989,042	-	-	-	(117,750)	871,292
Country club heights	28,146	22,088	-	(50,234)	-	-
Total	<u>1,017,188</u>	<u>22,088</u>	<u>-</u>	<u>(50,234)</u>	<u>(117,750)</u>	<u>871,292</u>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<u>21,988,912</u>	<u>52,080,027</u>	<u>13,364,181</u>	<u>(13,364,181)</u>	<u>(50,828,316)</u>	<u>23,240,623</u>
<u>Agency fund</u>						
24/7 sobriety fund	235,919	200,281	-	-	(213,313)	222,887
Crime/victim witness fund	(10,321)	32,231	-	-	(26,750)	(4,840)
Marriage license - dvcc fund	(7,875)	19,635	-	-	(17,745)	(5,985)
District reimbursements fund	(22,216)	14,913	-	-	(13,240)	(20,543)
Foster care recruit/retain fund	115,170	2,260	-	-	(19,045)	98,385
Employee benefits fund	1,360	58,611	-	-	(63,767)	(3,796)
Jail inmate trust (commissary) fund	161,320	80,635	-	-	(52,388)	189,567
Utilities central assess fund	1,284	-	-	-	-	1,284
Gas and oil production fund	27,965	-	-	-	-	27,965
State aid distribution fund	-	-	-	-	-	-
Hazardous chemical fund	26,273	5,325	-	-	-	31,598
Gambling tax fund	4,945	8,505	-	-	(12,000)	1,450
First district health unit fund	55,857	700,684	-	-	(699,705)	56,836
State medical center fund	7,043	318,724	-	-	(313,357)	12,410
State fair fund	13,612	462,737	-	-	(457,441)	18,908
Townships fund	-	-	-	-	-	-
Cities fund	-	-	-	-	-	-
Schools fund	-	-	-	-	-	-
Garrison diversion fund	1,462	345,530	-	-	(345,023)	1,969
Weather modification fund	484	112,352	-	-	(112,360)	476
Water management district fund	24,191	1,178,632	-	-	(1,173,898)	28,925
Soil conservation fund	(3,233)	140,027	-	-	(139,090)	(2,296)
Souris river joint board fund	5,054	536,181	-	-	(529,592)	11,643
Unorganized township fund	-	-	-	-	-	-
Assiniboine river basin board fund	(36)	6,755	-	-	(6,776)	(57)
Prepaid taxes fund	13,679,936	4,928,776	-	-	(355,512)	18,253,200
Tax deed sales fund	457,532	212,748	-	-	(210,125)	460,155
Homeland security grants fund	-	2,855	-	-	-	2,855
Asset forfeitures - sheriff fund	122,706	32,272	-	-	(65,289)	89,689
Drug proceeds - sa fund	47,298	10,748	-	-	(32,110)	25,936
Park improvement fund	14,135	25,547	-	-	-	39,682
Doc preservation fund	355,407	45,316	-	-	(64,098)	336,625
NDSU extension activities fund	26,601	7,521	-	-	(9,723)	24,399

(Continued)

**WARD COUNTY**  
**SCHEDULE OF FUND ACTIVITY**  
**ARISING FROM CASH TRANSACTIONS**  
**DECEMBER 31, 2019**

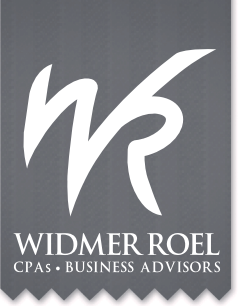
Minot parent resource fund	1,119	21,873	-	-	(20,487)	2,505
Unclaimed property fund	5,497	(961)	-	-	(595)	3,941
Vending commissions fund	9,559	1,481	-	-	(1,002)	10,038
Game & fish licenses fund	-	-	-	-	-	-
Payroll fund	88	-	-	-	-	88
Afton township fund	248	130,607	-	-	(130,499)	356
Anna township fund	-	25,017	-	-	(25,017)	-
Baden township fund	15,301	38,607	-	(15,255)	(38,653)	-
Berthold township fund	(15,255)	63,030	15,255	-	(63,030)	-
Brilliant township fund	-	12,650	-	-	(12,650)	-
Burlington township fund	753	58,269	-	-	(58,395)	627
Burt township fund	-	11,288	-	-	(11,288)	-
Cameron township fund	-	25,906	-	-	(25,881)	25
Carbondale township fund	-	25,871	-	-	(25,792)	79
Carpio township fund	56	30,096	-	-	(30,153)	(1)
Denmark township fund	-	26,928	-	-	(26,928)	-
Des lacs township fund	352	35,655	-	-	(35,358)	649
Elmdale township fund	23	34,214	-	-	(34,138)	99
Eureka township fund	332	117,332	-	-	(116,574)	1,090
Evergreen township fund	-	16,211	-	-	(16,211)	-
Foxholm township fund	212	36,479	-	-	(36,620)	71
Freedom township fund	643	34,904	-	-	(35,122)	425
Gasman township fund	232	36,950	-	-	(37,183)	(1)
Greely township fund	-	16,143	-	-	(16,089)	54
Harrison township fund	1,940	227,468	-	-	(228,334)	1,074
Hiddenwood township fund	-	31,313	-	-	(31,313)	-
Hilton township fund	-	17,338	-	-	(17,338)	-
Iota flat township fund	-	26,845	-	-	(26,845)	-
Kenmare township fund	-	53,201	-	-	(53,071)	130
Kirkelie township fund	67	70,083	-	-	(69,709)	441
Linton township fund	-	13,483	-	-	(13,411)	72
Lund township fund	-	17,614	-	-	(17,614)	-
Mandan township fund	-	25,503	-	-	(25,497)	6
Margaret township fund	-	48,403	-	-	(48,201)	202
Maryland township fund	-	34,915	-	-	(34,915)	-
Mayland township fund	-	29,315	-	-	(29,315)	-
Mckinley township fund	470	67,672	-	-	(68,142)	-
Nedrose township fund	243	150,933	-	-	(149,942)	1,234
New prairie township fund	(124)	49,915	-	-	(49,164)	627
Newman township fund	8	27,389	-	-	(26,058)	1,339
Orlien township fund	224	27,517	-	-	(27,741)	-
Passport township fund	198	32,708	-	-	(32,906)	-
Ree township fund	-	25,082	-	-	(24,956)	126
Rice lake township fund	-	17,310	-	-	(17,133)	177
Rolling green township fund	1,133	34,456	-	-	(34,979)	610
Rushville township fund	(224,904)	50,291	-	-	(17,850)	(192,463)
Ryder township fund	-	39,627	-	-	(39,614)	13
Sauk prairie township fund	1,145	34,373	-	-	(35,422)	96
Sawyer township fund	599	45,264	-	-	(45,859)	4
Shealy township fund	397	16,282	-	(34)	(16,646)	(1)
Spencer township fund	124	22,577	34	-	(22,433)	302
Spring lake township fund	-	17,180	-	-	(17,180)	-
St Marys township fund	89	19,587	-	-	(19,587)	89
Sundre township fund	154	112,776	-	-	(112,662)	268
Surrey township fund	525	120,642	-	-	(121,167)	-
Tolgen township fund	(25)	13,300	-	-	(13,364)	(89)
Torning township fund	51	17,990	-	-	(17,855)	186
Vang township fund	114	17,121	-	-	(16,654)	581
Waterford township fund	-	55,497	-	-	(55,497)	-
Willis township fund	(321)	41,988	-	-	(41,496)	171
Berthold city fund	467	426,784	-	-	(425,506)	1,745
Burlington city fund	18,352	831,081	-	-	(847,258)	2,175
Carpio city fund	32	41,376	-	-	(40,839)	569
Des lacs city fund	62	20,571	-	-	(20,634)	(1)
Donnybrook city fund	1	10,085	-	-	(9,904)	182
Douglas city fund	53	7,729	-	-	(7,760)	22
Kenmare city fund	1,905	476,657	-	-	(478,019)	543
Makoti city fund	(94)	17,747	-	-	(17,628)	25
Minot city fund	92,473	27,778,291	-	-	(27,719,142)	151,622
Ryder city fund	-	16,672	-	-	(16,519)	153
Sawyer city fund	455	87,734	-	-	(88,156)	33
Surrey city fund	3,595	690,723	-	-	(691,000)	3,318
United ambulance district fund	1,176	157,193	-	-	(157,489)	880
Berthold rural fire fund	-	24,170	-	-	(24,149)	21

(Continued)

**WARD COUNTY**  
**SCHEDULE OF FUND ACTIVITY**  
**ARISING FROM CASH TRANSACTIONS**  
**DECEMBER 31, 2019**

Burlington rural fire fund	893	120,252	-	-	(120,319)	826
Carpio rural fire fund	29	19,107	-	-	(19,048)	88
Deering rural fire fund	-	8,754	-	-	(8,720)	34
Des lacs rural fire fund	413	22,860	-	-	(22,873)	400
Donnybrook rural fire fund	-	9,352	-	-	(9,333)	19
Douglas rural fire fund	6	3,703	-	-	(3,703)	6
Glenburn rural fire fund	27	10,782	-	-	(10,808)	1
Kenmare rural fire fund	249	33,432	-	-	(33,394)	287
Max rural fire fund	140	51,863	-	-	(52,003)	-
Minot rural fire fund	1,860	571,090	-	-	(569,062)	3,888
Plaza rural fire fund	-	4,193	-	-	(4,193)	-
Ryder makoti rural fire fund	185	65,586	-	-	(65,031)	740
Sawyer rural fire fund	7	15,172	-	-	(15,016)	163
Surrey rural fire fund	76	19,387	-	-	(19,406)	57
Velva rural fire fund	-	4,138	-	-	(4,118)	20
Berthold city park fund	15	15,746	-	-	(15,705)	56
Carpio city park fund	1	2,000	-	-	(1,957)	44
Des lacs city park fund	5	1,128	-	-	(1,133)	-
Donnybrook city park fund	-	991	-	-	(971)	20
Kenmare city park fund	125	31,682	-	-	(31,765)	42
Makoti city park fund	(22)	3,884	-	-	(3,912)	(50)
Minot city park fund	30,647	7,310,243	-	-	(7,299,556)	41,334
Ryder city park fund	-	845	-	-	(836)	9
Surrey city park fund	125	39,593	-	-	(39,503)	215
Minot school 1 fund	90,479	24,067,384	-	-	(24,030,976)	126,887
Velva school 2 fund	-	24,425	-	-	(24,425)	-
Nedrose school 4 fund	23,873	3,273,976	-	-	(3,283,823)	14,026
United school 7 fund	13,531	2,204,089	-	-	(2,199,574)	18,046
Bowbells school 14 fund	-	8,756	-	-	(8,756)	-
Sawyer school 16 fund	3,613	771,974	-	-	(764,445)	11,142
Glenburn school 26 fund	1,291	441,954	-	-	(440,200)	3,045
Kenmare school 28 fund	6,616	1,289,051	-	-	(1,288,105)	7,562
Surrey school 41 fund	3,123	982,523	-	-	(983,129)	2,517
Max school 50 fund	374	388,880	-	-	(389,125)	129
South praire school 70 fund	13,846	2,136,794	-	-	(2,109,554)	41,086
Lewis and clark school 161 fund	11,027	2,715,119	-	-	(2,713,333)	12,813
Rice lake recreation dist fund	-	260,200	-	-	(253,540)	6,660
Rice lake sewer assessment fund	-	186,476	-	-	(183,681)	2,795
	<u>15,464,171</u>	<u>89,645,506</u>	<u>15,289</u>	<u>(15,289)</u>	<u>(84,918,916)</u>	<u>20,190,761</u>
<b>Total</b>						
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>37,453,083</u>	<u>141,725,533</u>	<u>13,379,470</u>	<u>(13,379,470)</u>	<u>(135,747,232)</u>	<u>43,431,384</u>
<u>Component units</u>						
Weather modification	<u>82,266</u>	<u>106,603</u>	<u>-</u>	<u>-</u>	<u>(129,534)</u>	<u>59,335</u>
<b>Total</b>	<u>82,266</u>	<u>106,603</u>	<u>-</u>	<u>-</u>	<u>(129,534)</u>	<u>59,335</u>
<b>TOTAL REPORTING ENTITY</b>	<u>\$ 37,535,349</u>	<u>\$ 141,832,136</u>	<u>\$ 13,379,470</u>	<u>\$ (13,379,470)</u>	<u>\$ (135,876,766)</u>	<u>\$ 43,490,719</u>





4334 18th Avenue S.  
Ste 101  
Fargo, ND 58103-7414

Phone: 701.237.6022  
Toll Free: 888.237.6022  
Fax: 701.280.1495

## **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**

County Commission  
**Ward County**  
Minot, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Ward County** (County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise **Ward County's** basic financial statements, and have issued our report thereon dated September 15, 2020.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered **Ward 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 **Ward County's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Ward 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 findings and questioned costs, 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 findings and questioned costs as items 2019-001, 2019-005, 2019-006, 2019-007, and 2019-008 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 accompany schedule of findings and questioned costs as items 2019-002, 2019-003, 2019-004, and 2019-009 to be significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether **Ward 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.

### ***Ward County's Response to Findings***

**Ward County's** response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **Ward 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.



Fargo, North Dakota  
September 15, 2020

**WARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>  X  </u> yes	<u>        </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>  X  </u> yes	<u>        </u> none reported
Noncompliance material to financial statements noted?	<u>        </u> yes	<u>  X  </u> no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2019-001 (MATERIAL WEAKNESS) – BANK RECONCILIATIONS**

***Condition***

Currently the reconciled bank account balances per the county’s daily cash summary differ from the county’s cash balances per its accounting software. The difference varies slightly from month to month, but it typically is approximately \$300,000.

***Criteria***

A strong system of internal controls ensures the county’s account balances are properly reconciled to ensure all applicable receipts and disbursements are recorded completely, accurately, and in the proper period, and errors are promptly identified and corrected.

***Cause***

This discrepancy appeared to arise when the county transitioned to new accounting software, and the auditor/treasurer’s office has not yet allocated sufficient time and resources to identify and correct the cause of the discrepancy.

***Effect***

Because the bank accounts are not fully reconciled, there is an increased risk of inaccurate financial reporting, as well as an increased risk of errors or fraud related to cash transactions.

***Recommendation***

We recommend the county auditor/treasurer’s office allocate adequate time and resources to work with the software provider and take any other steps to resolve the reconciliation issue.

***Views of Responsible Officials***

The Auditor/Treasurer is prioritizing the Deputy’s time to allow for research along with the Acct Tech II’s and Auditor/Treasurer as needed to identify and correct the reconciliation variance in 2020.

**WARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2019-002 (SIGNIFICANT DEFICIENCY) – INTER-FUND TRANSFERS**

***Condition***

The transfers between funds were out of balance by approximately \$70,000. Several transfers were improperly recorded as revenues or expenditures on one “side” of the entry, and transfers on the other. Furthermore, there were transactions between county funds and agency funds which were recorded as transfers.

***Criteria***

Under generally accepted accounting principles, fund transfers in must always equal transfers out. Furthermore, transactions between county funds and agency funds must be treated as revenues and expenditures, not transfers.

***Cause***

The auditor/treasurer’s office was not reconciling or monitoring inter-fund transfers.

***Effect***

The inter-fund transfers were out of balance by \$70,000.

***Recommendation***

We recommend the county auditor/treasurer’s office monitor inter-fund transfers to ensure the entries are balanced, and properly record amounts moving between government and agency funds as revenues and expenditures.

***Views of Responsible Officials***

The auditor treasurer is monitoring transfers to ensure that they are balanced going forward.

**2019-003 (SIGNIFICANT DEFICIENCY) – CONTROL ENVIRONMENT – AUDITOR/TREASURER**

***Condition***

Based on our interviews and observations, the county auditor/treasurer’s office could be more effective and have stronger segregation of duties if the employees in that department were empowered to a greater extent. For example, the deputy auditor/treasurer does not currently attend commission meetings with the auditor/treasurer.

***Criteria***

According to the COSO elements of internal control, an effective control environment “enforces accountability through structures, authorities, and responsibilities.” An effective control environment considers appropriate levels of expertise, oversight and reporting lines.

**WARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

*Cause*

Under the existing structure, the auditor/treasurer's office staff are not empowered to the extent possible, or to the extent typical of other successful counties of similar size.

*Effect*

The county auditor/treasurer's office has not been able to fulfill some of its financial accounting and reporting responsibilities, such as reconciling its financial statements, transfers, or property and equipment records. Also, the structure is such that, if the county auditor/treasurer were unexpectedly absent for an extended period, the office would not be able to continue as effectively as if the staff had been more fully empowered.

*Recommendation*

We recommend the auditor/treasurer's office take steps to hire highly qualified staff and empower them to effectively carry out the functions of the auditor/treasurer's office.

*Views of Responsible Officials*

Management reviews all applicant's qualifications when hiring to fill open positions to ensure the county is hiring qualified individuals. Management is also working on scheduling some continuing education courses via an online platform. In addition, job duties are being reviewed within transition of staff to ensure workload is managed adequately and effectively.

**2019-004 (SIGNIFICANT DEFICIENCY) – FINANCIAL REPORTS**

*Condition*

The County's financial reports presented to the County commission consist of various summary-level data entered into spreadsheets. Much of this information could be generated from the county's accounting software.

*Criteria*

Providing schedules generated from the accounting software would encourage additional confidence in the County's financial statements, as well as be more efficient and accurate than duplicate data entry.

*Cause*

The auditor/treasurer's office has used this format of presentation for several years.

*Effect*

The process of re-entering financial data from the accounting software into spreadsheets increases the risk of errors or intentional manipulation of the financial information. Also, it requires additional time and effort to re-enter the information.

**WARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

***Recommendation***

We recommend the auditor/treasurer's office work with the commission to determine the financial information required by the commission. To the extent feasible, the auditor should generate reports from the County's software.

***Views of Responsible Officials***

Management has already provided the commission with a system generated financial reports. The auditor/treasurer's office will need to expand upon these some to include additional information they had been provided in the past but is committed to find a way to do this out of the software and avoid manual reports as much as possible.

**2019-005 (MATERIAL WEAKNESS) – POSTING PRIOR AUDIT ADJUSTMENTS**

***Condition***

Based on our analysis of prior year financial data for the county, we noted that several audit adjustments to correct accounting errors were not posted to the county's financial records. Therefore, the county's financial statements were not updated (where appropriate) to reflect the audited financial records. For example, in 2016 an erroneous entry was posted in recording prepaid taxes. That entry still has not been corrected, so the opening general fund balance for 2017 is overstated, and 2017 tax revenues are understated by approximately \$550,000.

***Criteria***

In order to ensure transparency and accuracy of its financial records, the county should correct its applicable audit adjustments.

***Cause***

The prior auditor may not have fully communicated the nature of proposed audit adjustments. Also, as is the case with the prepaid tax posting error mentioned above, management has been unable to determine how to correct that entry within the software.

***Effect***

The county's financial statements don't match the cash-basis reports presented in the audited financial statements as they should.

***Recommendation***

We recommend the auditor/treasurer's office post all approved audit adjustments. We further recommend the county work with the Tyler Systems software provider to learn how to make corrections as needed.

***Views of Responsible Officials***

Management will reach out to the software provider to determine if the county can make the prior year adjustment. Going forward, the county will apply any applicable audit adjustments in a timely manner.

**WARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2019-006 (MATERIAL WEAKNESS) – ACCOUNTING SOFTWARE ACCESS**

***Condition***

The county does not currently have a process for accurately monitoring access to the accounting software.

***Criteria***

To help ensure the integrity of the county's financial information, management should monitor access to the accounting software to ensure access to the software is limited to only current employees who have a need to access it. This is especially true for access other than "read-only" access.

***Cause***

There is not a policy in place to review software access.

***Effect***

There is an increased risk that unauthorized individuals could make changes to the county's financial statements.

***Recommendation***

We recommend the county establish a policy to periodically monitor which individuals have what levels of access to the accounting software.

***Views of Responsible Officials***

The HR director and auditor/treasurer plan to work on mapping out access roles to ensure access is on an as needed basis.

**2019-007 (MATERIAL WEAKNESS) – PROCUREMENT POLICY AND CAPITALIZATION POLICY**

***Condition***

The county's capital asset policy is not consistent. One of the county's policies calls for capitalizing assets over \$500, another policy capitalizes assets over \$5,000. Also, the capital asset listing maintained by the county auditor/treasurer's office is incomplete.

***Criteria***

The county's policies should be sufficient to ensure a complete and accurate presentation of capital assets in accordance with generally accepted accounting principles.

***Effect***

The county's property and equipment records could be materially misstated.

**WARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

***Recommendation***

We recommend the county review its capitalization policies to ensure all are consistent. We further recommend the county auditor/treasurer review the capital asset listing which we will provide and ensure the county's records are complete.

***Views of Responsible Officials***

Management will review current policies and consider implementing an updated policy that is more consistent.

**2019-008 (MATERIAL WEAKNESS) – GAAP FINANCIAL STATEMENT PRESENTATION**

***Condition***

Widmer Roel assists Ward County with preparation of its financial statements and related disclosures in accordance with generally accepted accounting principles (GAAP).

***Criteria***

According to the COSO elements of internal control, an organization's internal control should include the capability of preparing financial statements in accordance with U.S. GAAP.

***Cause***

The county has determined it is more cost-effective to allocate its limited resources to areas other than preparation of financial statements and instead engage its third-party auditor to assist in this process.

***Effect***

This is very common for organizations the size and structure of Ward County.

***Recommendation***

We recommend management carefully review the county's financial statements and note disclosures and be able to understand the purpose and source of all material financial statement amounts and disclosures. We recommend management continue to prepare all requested supporting schedules, understanding their importance to the financial statements.

***Views of Responsible Officials***

Ward County will continue to have a third-party audit. We will carefully review the draft financial statements and discuss any questions with the outside auditor.



**WARD COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2019-009 (SIGNIFICANT DEFICIENCY) – GENERAL FUND BALANCES**

***Condition***

In our review of prior years' financial information, we noted the following:

- The general fund balance has fluctuated from year-to-year. Notably, at December 31, 2017, the general fund balance was negative \$500k, and as of December 31, 2019, it had increased to positive \$8.5 million.

***Cause***

The general fund mill levy has fluctuated substantially from year to year. The mill levy is based on a combination of:

1. Budgeted expenditures for the coming year
2. Estimated cash at year-end
3. Estimated other revenue sources for the coming year
4. Budgeted minimum cash reserve

The fluctuations in the general fund have been a result of differences between items 1, 2 and 3 above, and actual results. While the actual results of items 1 through 3 cannot be fully controlled by the county, management may be able to improve the precision of these estimates. Also, management can monitor the actual results (particularly estimated cash at year-end) while there still is time to change the mill levy amount or take other action. Also, the county's budgeted cash reserve is near zero, which means if items 1 through 3 are perfectly estimated, the general fund budget at the end of each year would also be near zero.

***Effect***

The county's general fund balance fluctuations, particularly the temporary drop into a negative balance, have been a source of concern for management, the governing board, and certain external parties.

***Recommendation***

We recommend management evaluate its process for monitoring its estimates and the impact on cash balances, and communicate timely with the commission, to enable the county to take timely steps to mitigate large fluctuations in the general fund balance.

We further recommend management and the commission consider adopting a minimum fund balance (i.e. cash reserve) policy, which will help prevent the fund balance from going negative if there is an unexpected circumstance which adversely impacts revenues or expenses.

***Views of Responsible Officials***

Ward County will work towards building a cash reserve. Management will also review current process of estimates of revenue, expenditures and cash on hand in an attempt to have more realistic cash reserve. Management will also consider drafting a cash reserve policy.