



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Mercer County

Stanton, North Dakota

Audit Report for the Years Ended December 31, 2020 and 2019

Client Code: PS29000



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Office of the
State Auditor

MERCER COUNTY

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MERCER COUNTY

County Officials and Audit Personnel
December 31, 2020 and 2019

COUNTY OFFICIALS

December 31, 2020

Gene Wolf	Chairman
Travis Frey	Vice-President
Liza Taylor	Commissioner
Wayne Entze	Commissioner
Marvin Schwehr	Commissioner
Shana Brost	Auditor
Darbie Berger	Treasurer
Dean Danzeisen	Sheriff
Brenda Cook	Recorder
Jessica Binder	States Attorney
Wanda Knutson	Clerk of Court
Carmen Reed	Emergency Manager

December 31, 2019

Duane Scheuer	Chairman
Merlin Dahl	Vice-President
Marvin Schwehr	Commissioner
Wayne Entze	Commissioner
Dwight Berger	Commissioner
Shana Brost	Auditor
Darbie Berger	Treasurer
Dean Danzeisen	Sheriff
Brenda Cook	Recorder
Jessica Binder	States Attorney
Wanda Knutson	Clerk of Court
Carmen Reed	Emergency Manager

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Michael Schmitcke, CPA	Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Mercer County
Stanton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Mercer County, North Dakota, as of and for the years ended December 31, 2020 and December 31, 2019, and the related notes to the financial statements, which collectively comprise Mercer County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Mercer County, North Dakota, as of December 31, 2020 and December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the 2019 financial statements have been restated to correct misstatements. Our opinion is 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 schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

The *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 expenditures of federal awards and notes to the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

MERCER COUNTYIndependent Auditor's Report - Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021 on our consideration of Mercer 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 Mercer 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 Mercer County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 15, 2021

MERCER COUNTY

Statement of Net Position

December 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Water Resource District
ASSETS				
Cash and Investments	\$ 5,855,296	\$ 441,694	\$ 6,296,990	\$ 877,451
Intergovernmental Receivable	617,966	-	617,966	-
Accounts Receivable	20,269	27,812	48,081	-
Inventory	379,069	-	379,069	-
Taxes Receivable	81,531	-	81,531	2,473
Capital Assets				
Nondepreciable	51,000	2,906	53,906	-
Depreciable, Net	15,807,761	117,334	15,925,095	-
Total Assets	\$ 22,812,892	\$ 589,746	\$ 23,402,638	\$ 879,924
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pension and OPEB	\$ 6,205,623	\$ -	\$ 6,205,623	\$ -
Total Assets and Deferred Outflows of Resources	\$ 29,018,515	\$ 589,746	\$ 29,608,261	\$ 879,924
LIABILITIES				
Accounts Payable	\$ 220,958	\$ 2,598	\$ 223,556	\$ -
Salaries Payable	90,389	2,326	92,715	-
Interest Payable	20,561	-	20,561	-
Long-Term Liabilities				
Due Within One Year				
Long Term Debt	516,335	-	516,335	-
Compensated Absences Payable	38,053	1,404	39,457	-
Due After One Year				
Long Term Debt	8,520,090	-	8,520,090	-
Compensated Absences Payable	342,476	12,632	355,108	-
Landfill Closure and Postclosure Care Costs	-	162,606	162,606	-
Net Pension and OPEB Liability	10,691,815	-	10,691,815	-
Total Liabilities	\$ 20,440,677	\$ 181,566	\$ 20,622,243	\$ -
DEFERRED INFLOWS OF RESOURCES				
Taxes Received in Advance	\$ 1,065,080	\$ -	\$ 1,065,080	\$ -
Derived from Pension and OPEB	1,755,716	-	1,755,716	-
Total Liabilities and Deferred Inflows of Resources	\$ 23,261,473	\$ 181,566	\$ 23,443,039	\$ -
NET POSITION				
Net Investment in Capital Assets	\$ 6,801,775	\$ 120,240	\$ 6,922,015	\$ -
Restricted				
Debt Service	103,739	-	103,739	-
Highways	788,230	-	788,230	-
Health and Welfare	169,181	-	169,181	-
Conservation of Natural Resources	203,647	-	203,647	879,924
Emergencies	184,697	-	184,697	-
Unrestricted	(2,494,227)	287,940	(2,206,287)	-
Total Net Position	\$ 5,757,042	\$ 408,180	\$ 6,165,222	\$ 879,924

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

MERCER COUNTY

Statement of Activities

For the Year Ended December 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total	Water Resource District
Primary Government:							
Governmental Activities							
General Government	\$ 2,588,705	\$ 294,184	\$ 2,418,137	\$ 123,616		\$ 123,616	
Public Safety	3,501,449	247,916	810,084	(2,443,449)		(2,443,449)	
Highways	3,163,315	24,989	491	(3,137,835)		(3,137,835)	
Health and Welfare	1,158,137	-	-	(1,158,137)		(1,158,137)	
Conservation of Natural Resources	461,668	-	23,082	(438,586)		(438,586)	
Interest Expense on Long-Term Debt	258,308	-	-	(258,308)		(258,308)	
Total Governmental Activities	<u>\$11,131,582</u>	<u>\$ 567,089</u>	<u>\$ 3,251,794</u>	<u>\$ (7,312,699)</u>		<u>\$ (7,312,699)</u>	
Business-Type Activities							
Landfill	\$ 327,642	\$ 349,723	\$ -	\$ -	\$ 22,081	\$ 22,081	
Landfill Loan	11,253	-	-	-	(11,253)	(11,253)	
Total Business-Type Activities	<u>\$ 338,895</u>	<u>\$ 349,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,828</u>	<u>\$ 10,828</u>	
Total Primary Government	<u>\$11,470,477</u>	<u>\$ 916,812</u>	<u>\$ 3,251,794</u>	<u>\$ (7,312,699)</u>	<u>\$ 10,828</u>	<u>\$ (7,301,871)</u>	
Component Unit							
Water Resource District	<u>\$ 271,078</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (271,078)</u>
General Revenues							
Property Taxes				\$ 3,607,167	\$ -	\$ 3,607,167	\$ 130,192
Non Restricted Grants and Contributions				2,529,080	-	2,529,080	-
Gain on Sale of Assets				15,862	-	15,862	-
Interest Revenue				71,848	29	71,877	14,920
Miscellaneous Revenue				657,651	8,634	666,285	1,338
Total General Revenues				<u>\$ 6,881,608</u>	<u>\$ 8,663</u>	<u>\$ 6,890,271</u>	<u>\$ 146,450</u>
Change in Net Position				<u>\$ (431,091)</u>	<u>\$ 19,491</u>	<u>\$ (411,600)</u>	<u>\$ (124,628)</u>
Net Position - January 1				<u>\$ 6,188,133</u>	<u>\$ 388,689</u>	<u>\$ 6,576,822</u>	<u>\$ 1,004,552</u>
Net Position - December 31				<u>\$ 5,757,042</u>	<u>\$ 408,180</u>	<u>\$ 6,165,222</u>	<u>\$ 879,924</u>

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

MERCER COUNTY

Balance Sheet – Governmental Funds

December 31, 2020

	General	Special Revenue	Non Major Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,068,284	\$ 3,085,361	\$ 350,467	\$ 4,504,112
Intergovernmental Receivable	425,131	192,835	-	617,966
Accounts Receivable	8,330	11,939	-	20,269
Taxes Receivable	47,302	28,424	5,805	81,531
Inventory	-	379,069	-	379,069
Total Assets	<u>\$ 1,549,047</u>	<u>\$ 3,697,628</u>	<u>\$ 356,272</u>	<u>\$ 5,602,947</u>
LIABILITIES, DEFERRED INFLOWS OF FUND BALANCES				
Liabilities				
Accounts Payable	\$ 41,731	\$ 179,227	\$ -	\$ 220,958
Salaries Payable	73,765	16,624	-	90,389
Total Liabilities	<u>\$ 115,496</u>	<u>\$ 195,851</u>	<u>\$ -</u>	<u>\$ 311,347</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 47,302	\$ 28,424	\$ 5,805	\$ 81,531
Taxes Received in Advance	673,496	323,748	67,836	1,065,080
Total Deferred Inflows of Resources	<u>\$ 720,798</u>	<u>\$ 352,172</u>	<u>\$ 73,641</u>	<u>\$ 1,146,611</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 836,294</u>	<u>\$ 548,023</u>	<u>\$ 73,641</u>	<u>\$ 1,457,958</u>
FUND BALANCE				
Nonspendable				
Inventory	\$ -	\$ 379,069	\$ -	\$ 379,069
Committed				
Public Safety	-	500,000	-	500,000
Restricted				
Debt Service	-	-	97,934	97,934
Public Safety	-	382,891	-	382,891
Highways	-	1,512,426	-	1,512,426
Capital Projects	-	-	184,697	184,697
Health and Welfare	-	25,167	-	25,167
Conservation of Natural Resources	-	350,052	-	350,052
Unassigned	712,753	-	-	712,753
Total Fund Balances	<u>\$ 712,753</u>	<u>\$ 3,149,605</u>	<u>\$ 282,631</u>	<u>\$ 4,144,989</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,549,047</u>	<u>\$ 3,697,628</u>	<u>\$ 356,272</u>	<u>\$ 5,602,947</u>

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

MERCER COUNTY

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

December 31, 2020

Total Fund Balances for Governmental Funds	\$ 4,144,989
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	15,858,761
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Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.

Property Taxes Receivable	81,531
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Internal service funds are used by management to charge the costs of certain activities such as self insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.

1,351,184

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

Deferred outflows derived from pensions and OPEB	\$ 6,205,623	
Deferred inflows derived from pensions and OPEB	<u>(1,755,716)</u>	4,449,907

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Long Term Debt	\$ (9,036,425)	
Interest Payable	(20,561)	
Compensated absences	(380,529)	
Net pension and OPEB liability	<u>(10,691,815)</u>	<u>(20,129,330)</u>

Total Net Position of Governmental Activities	<u>\$ 5,757,042</u>
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The notes to the financial statements are an integral part of this statement.

MERCER COUNTY

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

For the Year Ended December 31, 2020

	General	Special Revenue	Non Major Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,106,752	\$ 1,275,808	\$ 245,300	\$ 3,627,860
Intergovernmental	3,360,663	2,417,069	3,142	5,780,874
Charges for Services	334,055	181,689	-	515,744
Licenses, Permits and Fees	26,355	24,990	-	51,345
Interest Income	70,156	706	986	71,848
Miscellaneous	296,611	296,734	64,306	657,651
Total Revenues	\$ 6,194,592	\$ 4,196,996	\$ 313,734	\$ 10,705,322
EXPENDITURES				
Current				
General Government	\$ 2,007,407	\$ -	\$ -	\$ 2,007,407
Public Safety	2,000,401	564,030	-	2,564,431
Highways	-	2,645,768	-	2,645,768
Health and Welfare	1,100,029	21,194	-	1,121,223
Conser. of Natural Resources	-	395,182	-	395,182
Debt Service				
Principal	296,113	38,034	145,000	479,147
Interest & Fees	169,748	5,537	83,925	259,210
Total Expenditures	\$ 5,573,698	\$ 3,669,745	\$ 228,925	\$ 9,472,368
Excess (Deficiency) of Revenues Over Expenditures	\$ 620,894	\$ 527,251	\$ 84,809	\$ 1,232,954
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset	\$ -	\$ 2,900	\$ -	\$ 2,900
Capital Lease Proceeds	-	373,910	-	373,910
Transfers In	802,498	2,197,603	-	3,000,101
Transfers Out	(691,377)	(2,308,724)	-	(3,000,101)
Total Other Financing Sources and Uses	\$ 111,121	\$ 265,689	\$ -	\$ 376,810
Net Change in Fund Balances	\$ 732,015	\$ 792,940	\$ 84,809	\$ 1,609,764
Fund Balance - January 1	\$ (19,262)	\$ 2,356,665	\$ 197,822	\$ 2,535,225
Fund Balance - December 31	\$ 712,753	\$ 3,149,605	\$ 282,631	\$ 4,144,989

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

MERCER COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities For the Year Ended December 31, 2020

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 1,609,764
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$ 481,273	
Current Year Depreciation	<u>(774,954)</u>	(293,681)

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Gain on Sale of Capital Assets	\$ 15,862	
Proceeds from Sale of Capital Assets	<u>(2,900)</u>	12,962

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

Debt Issuance	\$ (373,910)	
Repayment of Debt	<u>479,147</u>	105,237

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

Net Change in Compensated Absences	\$ (26,211)	
Net Change in Interest Payable	(1,584)	
Net Change in Retainage Payable	<u>2,487</u>	(25,308)

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

Net Change in Taxes Receivable		(20,694)
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The Net Pension & OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension & OPEB Liability	\$ (6,444,863)	
Net Change in Deferred Outflows of Resources	4,303,253	
Net Change in Deferred Inflows of Resources	<u>521,028</u>	(1,620,582)

An internal service fund is used by the county's management to charge the cost of health insurance to individual functions. The net operating income of certain activities of internal service funds is reported with governmental activities.

	<u>(198,789)</u>
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Change in <i>Net Position</i> of Governmental Activities	<u>\$ (431,091)</u>
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The notes to the financial statements are an integral part of this statement.

MERCER COUNTY

Statement of Net Position – Proprietary Fund

For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
ASSETS					
Current Assets					
Cash and Investments	\$ 192,903	\$ 166,000	\$ 82,791	\$ 441,694	\$ 1,351,184
Accounts Receivable	27,812	-	-	27,812	-
Total Current Assets	\$ 220,715	\$ 166,000	\$ 82,791	\$ 469,506	\$ 1,351,184
Noncurrent Assets:					
Capital Assets					
Nondepreciable	\$ 2,906	\$ -	\$ -	\$ 2,906	\$ -
Depreciable, Net	117,334	-	-	117,334	-
Total Noncurrent Assets	\$ 120,240	\$ -	\$ -	\$ 120,240	\$ -
Total Assets	\$ 340,955	\$ 166,000	\$ 82,791	\$ 589,746	\$ 1,351,184
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 2,598	\$ -	\$ -	\$ 2,598	\$ -
Salaries Payable	2,326	-	-	2,326	-
Compensated Absences	1,404	-	-	1,404	-
Total Current Liabilities	\$ 6,328	\$ -	\$ -	\$ 6,328	\$ -
Noncurrent Liabilities					
Landfill Closure and Postclosure Care Costs	\$ -	\$ -	\$ 162,606	\$ 162,606	\$ -
Compensated Absences	12,632	-	-	12,632	-
Total Noncurrent Liabilities	\$ 12,632	\$ -	\$ 162,606	\$ 175,238	\$ -
Total Liabilities	\$ 18,960	\$ -	\$ 162,606	\$ 181,566	\$ -
NET POSITION					
Net Investment in Capital Assets	\$ 120,240	\$ -	\$ -	\$ 120,240	\$ -
Unrestricted	201,755	166,000	(79,815)	287,940	1,351,184
Total Net Position	\$ 321,995	\$ 166,000	\$ (79,815)	\$ 408,180	\$ 1,351,184

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

MERCER COUNTYStatement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
OPERATING REVENUES					
Charges for Services	\$ 349,723	\$ -	\$ -	\$ 349,723	\$ -
Contributions to Self Insurance	-	-	-	-	-
Miscellaneous	8,634	-	-	8,634	249,315
Total Operating Revenues	<u>\$ 358,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,357</u>	<u>\$ 249,315</u>
OPERATING EXPENSES					
Operating Expenses	\$ 298,197	\$ -	\$ -	\$ 298,197	\$ -
Closure and Postclosure Costs	-	-	11,253	11,253	-
Health Insurance	-	-	-	-	448,104
Depreciation	29,445	-	-	29,445	-
Total Operating Expenses	<u>\$ 327,642</u>	<u>\$ -</u>	<u>\$ 11,253</u>	<u>\$ 338,895</u>	<u>\$ 448,104</u>
Operating Income (Loss)	<u>\$ 30,715</u>	<u>\$ -</u>	<u>\$ (11,253)</u>	<u>\$ 19,462</u>	<u>\$ (198,789)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	\$ -	\$ -	\$ 29	\$ 29	\$ -
Total Nonoperating Revenues (Expenses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 29</u>	<u>\$ -</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 30,715</u>	<u>\$ -</u>	<u>\$ (11,224)</u>	<u>\$ 19,491</u>	<u>\$ (198,789)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ -	\$ 30,000	\$ 8,800	\$ 38,800	\$ -
Transfers Out	(38,800)	-	-	(38,800)	-
Total Other Financing Sources and Uses	<u>\$ (38,800)</u>	<u>\$ 30,000</u>	<u>\$ 8,800</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Position	<u>\$ (8,085)</u>	<u>\$ 30,000</u>	<u>\$ (2,424)</u>	<u>\$ 19,491</u>	<u>\$ (198,789)</u>
Net Position - January 1	<u>\$ 330,080</u>	<u>\$ 136,000</u>	<u>\$ (77,391)</u>	<u>\$ 388,689</u>	<u>\$ 1,549,973</u>
Net Position - December 31	<u><u>\$ 321,995</u></u>	<u><u>\$ 166,000</u></u>	<u><u>\$ (79,815)</u></u>	<u><u>\$ 408,180</u></u>	<u><u>\$ 1,351,184</u></u>

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

MERCER COUNTY

Statement of Cash Flows – Proprietary Fund For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 341,059	\$ -	\$ -	\$ 341,059	\$ -
Payments to Suppliers & Employees	(294,790)	-	-	(294,790)	(448,104)
Other Receipts	8,634	-	-	8,634	249,315
Net Cash Provided by Operating Activities	\$ 54,903	\$ -	\$ -	\$ 54,903	\$ (198,789)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	\$ -	\$ 30,000	\$ 8,800	\$ 38,800	\$ -
Transfers Out	(38,800)	-	-	(38,800)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (38,800)	\$ 30,000	\$ 8,800	\$ -	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	\$ -	\$ -	\$ 29	\$ 29	\$ -
Net Increase (Decrease) in Cash & Cash Equivalents	\$ 16,103	\$ 30,000	\$ 8,829	\$ 54,932	\$ (198,789)
Cash and Cash Equivalents, January 1	\$ 176,800	\$ 136,000	\$ 73,962	\$ 386,762	\$ 1,549,973
Cash and Cash Equivalents, December 31	\$ 192,903	\$ 166,000	\$ 82,791	\$ 441,694	\$ 1,351,184
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 30,715	\$ -	\$ (11,253)	\$ 19,462	\$ (198,789)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	\$ 29,445	\$ -	\$ -	\$ 29,445	\$ -
Provision for closure and postclosure care costs	-	-	11,253	11,253	-
Change in Assets and Liabilities					
Accounts Receivable	(8,664)	-	-	(8,664)	-
Accounts Payable	1,477	-	-	1,477	-
Salaries Payable	41	-	-	41	-
Compensated Absences	1,889	-	-	1,889	-
Net Cash Provided by Operating Activities	\$ 54,903	\$ -	\$ -	\$ 54,903	\$ (198,789)

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

MERCER COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2020

	Custodial Funds
ASSETS	
Cash and cash equivalents	<u>\$ 2,522,276</u>
LIABILITIES & DEFERRED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 172,833
Funds Held for Other Purposes	<u>79,292</u>
Total Liabilities	<u>\$ 252,125</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 2,270,151</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,522,276</u>

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

MERCER COUNTYStatement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 19,961,308
Grant Collections for Other Governments	522,878
Miscellaneous Collections	<u>27,978</u>
 Total Additions	 <u><u>\$ 20,512,164</u></u>
 DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 19,961,309
Grant Disbursements to Other Governments	522,878
Miscellaneous Disbursements	<u>27,977</u>
 Total Deductions	 <u><u>\$ 20,512,164</u></u>
 Net Increase (Decrease) in Fiduciary Net Position	 <u>\$ -</u>
 Net Position - Beginning	 <u>\$ -</u>
 Net Position - Ending	 <u><u>\$ -</u></u>

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

MERCER COUNTY

Statement of Net Position

December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Water Resource District
ASSETS				
Cash and Investments	\$ 4,496,932	\$ 386,762	\$ 4,883,694	\$ 1,001,410
Intergovernmental Receivable	518,226	-	518,226	-
Accounts Receivable	21,397	19,148	40,545	-
Inventories	155,075	-	155,075	-
Taxes Receivable	102,224	-	102,224	3,142
Capital Assets				
Nondepreciable	51,000	2,906	53,906	-
Depreciable, Net	16,088,480	146,779	16,235,259	-
Total Assets	\$ 21,433,334	\$ 555,595	\$ 21,988,929	\$ 1,004,552
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pension and OPEB	\$ 1,902,370	\$ -	\$ 1,902,370	\$ -
Total Assets and Deferred Outflows of Resources	\$ 23,335,704	\$ 555,595	\$ 23,891,299	\$ 1,004,552
LIABILITIES				
Accounts Payable	\$ 85,294	\$ 1,121	\$ 86,415	\$ -
Salaries Payable	86,214	2,285	88,499	-
Interest Payable	18,976	-	18,976	-
Long-Term Liabilities				
Due Within One Year				
Long Term Debt	481,635	-	481,635	-
Compensated Absences Payable	35,431	1,215	36,646	-
Due After One Year				
Long Term Debt	8,662,514	-	8,662,514	-
Compensated Absences Payable	318,887	10,932	329,819	-
Landfill Closure and Postclosure Care Costs	-	151,353	151,353	-
Net Pension and OPEB Liability	4,246,952	-	4,246,952	-
Total Liabilities	\$ 13,935,903	\$ 166,906	\$ 14,102,809	\$ -
DEFERRED INFLOWS OF RESOURCES				
Taxes Received in Advance	\$ 934,924	\$ -	\$ 934,924	\$ -
Derived from Pension and OPEB	2,276,744	-	2,276,744	-
Total Liabilities and Deferred Inflows of Resources	\$ 17,147,571	\$ 166,906	\$ 17,314,477	\$ -
NET POSITION				
Net Investment in Capital Assets	\$ 6,976,355	\$ 149,685	\$ 7,126,040	\$ -
Restricted				
Debt Service	86,520	-	86,520	-
Highways	1,065,898	-	1,065,898	-
Health and Welfare	222,093	-	222,093	-
Conservation of Natural Resources	204,477	-	204,477	1,004,552
Emergencies	118,711	-	118,711	-
Unrestricted	(2,485,921)	239,004	(2,246,917)	-
Total Net Position	\$ 6,188,133	\$ 388,689	\$ 6,576,822	\$ 1,004,552

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

MERCER COUNTY

Statement of Activities

For the Year Ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Water Resource District
Primary Government:								
Governmental Activities								
General Government	\$ 2,068,969	\$ 287,239	\$ 2,498,593	\$ -	\$ 716,863		\$ 716,863	
Public Safety	2,759,470	256,867	139,711	-	(2,362,892)		(2,362,892)	
Highways	3,131,419	100,308	144,000	-	(2,887,111)		(2,887,111)	
Health and Welfare	1,206,505	-	-	-	(1,206,505)		(1,206,505)	
Conservation of Natural Resources	458,274	-	14,750	-	(443,524)		(443,524)	
Interest Expense on Long-Term Debt	276,167	-	-	-	(276,167)			
Total Governmental Activities	<u>\$ 9,900,804</u>	<u>\$ 644,414</u>	<u>\$ 2,797,054</u>	<u>\$ -</u>	<u>\$ (6,459,336)</u>		<u>\$ (6,459,336)</u>	
Business-Type Activities								
Landfill	\$ 419,384	\$ 310,363	\$ -	\$ -	\$ -	\$ (109,021)	\$ (109,021)	
Landfill Loan	38,186	-	-	-	-	(38,186)	(38,186)	
Total Business-Type Activities	<u>\$ 457,570</u>	<u>\$ 310,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (147,207)</u>	<u>\$ (147,207)</u>	
Total Primary Government	<u>\$ 10,358,374</u>	<u>\$ 954,777</u>	<u>\$ 2,797,054</u>	<u>\$ -</u>	<u>\$ (6,459,336)</u>	<u>\$ (147,207)</u>	<u>\$ (6,606,543)</u>	
Component Unit								
Water Resource District	<u>\$ 97,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,789</u>				<u>\$ (80,316)</u>
General Revenues								
Property Taxes					\$ 3,599,610	\$ -	\$ 3,599,610	\$ 109,450
Non Restricted Grants and Contributions					2,204,476	-	2,204,476	-
Gain on Sale of Assets					62,726	-	62,726	-
Interest Revenue					72,266	73	72,339	15,016
Miscellaneous Revenue					288,199	7,608	295,807	-
Total General Revenues					<u>\$ 6,227,277</u>	<u>\$ 7,681</u>	<u>\$ 6,234,958</u>	<u>\$ 124,466</u>
Change in Net Position					<u>\$ (232,059)</u>	<u>\$ (139,526)</u>	<u>\$ (371,585)</u>	<u>\$ 44,150</u>
Net Position - January 1					<u>\$ 4,205,290</u>	<u>\$ 435,791</u>	<u>\$ 4,641,081</u>	<u>\$ 950,074</u>
Prior Period Adjustment					<u>\$ 2,214,902</u>	<u>\$ 92,424</u>	<u>\$ 2,307,326</u>	<u>\$ 10,328</u>
Net Position - January 1 as restated					<u>\$ 6,420,192</u>	<u>\$ 528,215</u>	<u>\$ 6,948,407</u>	<u>\$ 960,402</u>
Net Position - December 31					<u>\$ 6,188,133</u>	<u>\$ 388,689</u>	<u>\$ 6,576,822</u>	<u>\$1,004,552</u>

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

MERCER COUNTY

Balance Sheet – Governmental Funds
December 31, 2019

	General	Special Revenue	Non Major Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 298,422	\$ 2,387,423	\$ 261,114	\$ 2,946,959
Intergovernmental Receivable	305,478	212,053	695	518,226
Accounts Receivable	16,301	5,096	-	21,397
Taxes Receivable	56,030	38,785	7,409	102,224
Inventories	-	155,075	-	155,075
Total Assets	<u>\$ 676,231</u>	<u>\$ 2,798,432</u>	<u>\$ 269,218</u>	<u>\$ 3,743,881</u>
LIABILITIES, DEFERRED INFLOWS OF FUND BALANCES				
Liabilities				
Accounts Payable	\$ 23,850	\$ 61,444	\$ -	\$ 85,294
Salaries Payable	70,196	16,018	-	86,214
Total Liabilities	<u>\$ 94,046</u>	<u>\$ 77,462</u>	<u>\$ -</u>	<u>\$ 171,508</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 56,030	\$ 38,785	\$ 7,409	\$ 102,224
Taxes Received in Advance	545,417	325,520	63,987	934,924
Total Deferred Inflows of Resources	<u>\$ 601,447</u>	<u>\$ 364,305</u>	<u>\$ 71,396</u>	<u>\$ 1,037,148</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 695,493</u>	<u>\$ 441,767</u>	<u>\$ 71,396</u>	<u>\$ 1,208,656</u>
FUND BALANCE				
Nonspendable				
Inventory	\$ -	\$ 155,075	\$ -	\$ 155,075
Restricted				
Debt Service	-	-	79,111	79,111
Public Safety	-	344,924	-	344,924
Highways	-	1,558,785	-	1,558,785
Capital Projects	-	-	118,711	118,711
Health and Welfare	-	23,413	-	23,413
Conservation of Natural Resources	-	274,468	-	274,468
Unassigned	(19,262)	-	-	(19,262)
Total Fund Balances	<u>\$ (19,262)</u>	<u>\$ 2,356,665</u>	<u>\$ 197,822</u>	<u>\$ 2,535,225</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 676,231</u>	<u>\$ 2,798,432</u>	<u>\$ 269,218</u>	<u>\$ 3,743,881</u>

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

MERCER COUNTY

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

December 31, 2019

Total Fund Balances for Governmental Funds	\$ 2,535,225
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	16,139,480
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Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.

Property taxes receivable	102,224
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Internal service funds are used by management to charge the costs of certain activities such as self insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.

	1,549,973
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Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows derived from pensions and OPEB	\$ 1,902,370	
Deferred inflows derived from pensions and OPEB	<u>(2,276,744)</u>	(374,374)

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Long Term Debt	\$ (9,144,149)	
Interest Payable	(18,976)	
Compensated absences	(354,318)	
Net pension and OPEB liability	<u>(4,246,952)</u>	<u>(13,764,395)</u>

Total Net Position of Governmental Activities	\$ <u>6,188,133</u>
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The notes to the financial statements are an integral part of this statement.

MERCER COUNTY

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

For the Year Ended December 31, 2019

	General	Special Revenue	Non Major Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,896,113	\$ 1,441,543	\$ 253,629	\$ 3,591,285
Intergovernmental	3,210,909	1,787,040	3,581	5,001,530
Charges for Services	348,268	186,248	-	534,516
Licenses, Permits and Fees	9,590	100,308	-	109,898
Interest Income	69,403	2,863	-	72,266
Miscellaneous	227,169	60,336	695	288,200
Total Revenues	\$ 5,761,452	\$ 3,578,338	\$ 257,905	\$ 9,597,695
EXPENDITURES				
Current				
General Government	\$ 1,891,772	\$ -	\$ -	\$ 1,891,772
Public Safety	1,936,977	565,979	-	2,502,956
Highways	-	2,834,455	-	2,834,455
Health and Welfare	1,202,821	22,081	-	1,224,902
Conser. of Natural Resources	-	448,734	-	448,734
Debt Service				
Principal	287,373	74,832	145,000	507,205
Interest & Fees	178,489	9,011	86,825	274,325
Total Expenditures	\$ 5,497,432	\$ 3,955,092	\$ 231,825	\$ 9,684,349
Excess (Deficiency) of Revenues Over Expenditures	\$ 264,020	\$ (376,754)	\$ 26,080	\$ (86,654)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset	\$ -	\$ 29,400	\$ -	\$ 29,400
Transfers In	130,286	2,236,620	-	2,366,906
Transfers Out	(606,949)	(1,759,957)	-	(2,366,906)
Total Other Financing Sources and Uses	\$ (476,663)	\$ 506,063	\$ -	\$ 29,400
Net Change in Fund Balances	\$ (212,643)	\$ 129,309	\$ 26,080	\$ (57,254)
Fund Balance - January 1	\$ (40,315)	\$ 3,281,959	\$ 134,560	\$ 3,376,204
Prior Period Adjustment	\$ 233,696	\$ (1,054,603)	\$ 37,182	\$ (783,725)
Fund Balance - January 1 as restated	\$ 193,381	\$ 2,227,356	\$ 171,742	\$ 2,592,479
Fund Balance - December 31	\$ (19,262)	\$ 2,356,665	\$ 197,822	\$ 2,535,225

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

MERCER COUNTY

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

Net Change in *Fund Balances* - Total Governmental Funds \$ (57,254)

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

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

Current Year Capital Outlay	\$ 282,943	
Current Year Depreciation	<u>(761,035)</u>	(478,092)

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Gain on Sale of Capital Assets	\$ 62,726	
Proceeds from Sale of Capital Assets	<u>(29,400)</u>	33,326

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

507,205

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

Net Change in Compensated Absences	\$ 124,307	
Net Change in Interest Payable	(4,330)	
Net Change in Retainage Payable	<u>2,488</u>	122,465

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

Net Change in Taxes Receivable		8,324
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The Net Pension & OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension & OPEB Liability	\$ 2,221,797	
Net Change in Deferred Outflows of Resources	(803,737)	
Net Change in Deferred Inflows of Resources	<u>(1,935,847)</u>	(517,787)

An internal service fund is used by the county's management to charge the cost of health insurance to individual functions. The net operating income of certain activities of internal service funds is reported with governmental activities.

149,754

Change in *Net Position* of Governmental Activities \$ (232,059)

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

MERCER COUNTYStatement of Net Position – Proprietary Fund
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
ASSETS					
Current Assets					
Cash and Investments	\$ 176,800	\$ 136,000	\$ 73,962	\$ 386,762	\$ 1,549,973
Accounts Receivable	19,148	-	-	19,148	-
Total Current Assets	\$ 195,948	\$ 136,000	\$ 73,962	\$ 405,910	\$ 1,549,973
Noncurrent Assets:					
Capital Assets					
Nondepreciable	\$ 2,906	\$ -	\$ -	\$ 2,906	\$ -
Depreciable, Net	146,779	-	-	146,779	-
Total Noncurrent Assets	\$ 149,685	\$ -	\$ -	\$ 149,685	\$ -
Total Assets	\$ 345,633	\$ 136,000	\$ 73,962	\$ 555,595	\$ 1,549,973
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 1,121	\$ -	\$ -	\$ 1,121	\$ -
Salaries Payable	2,285	-	-	2,285	-
Compensated Absences	1,215	-	-	1,215	-
Total Current Liabilities	\$ 4,621	\$ -	\$ -	\$ 4,621	\$ -
Noncurrent Liabilities					
Landfill Closure and Postclosure Care Costs	\$ -	\$ -	\$ 151,353	\$ 151,353	\$ -
Compensated Absences	10,932	-	-	10,932	-
Total Noncurrent Liabilities	\$ 10,932	\$ -	\$ 151,353	\$ 162,285	\$ -
Total Liabilities	\$ 15,553	\$ -	\$ 151,353	\$ 166,906	\$ -
NET POSITION					
Net Investment in Capital Assets	\$ 149,685	\$ -	\$ -	\$ 149,685	\$ -
Unrestricted	180,395	136,000	(77,391)	239,004	1,549,973
Total Net Position	\$ 330,080	\$ 136,000	\$ (77,391)	\$ 388,689	\$ 1,549,973

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

MERCER COUNTYStatement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
OPERATING REVENUES					
Charges for Services	\$ 310,363	\$ -	\$ -	\$ 310,363	\$ -
Contributions to Self Insurance	-	-	-	-	1,250,889
Miscellaneous	7,608	-	-	7,608	295,274
Total Operating Revenues	<u>\$ 317,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,971</u>	<u>\$ 1,546,163</u>
OPERATING EXPENSES					
Operating Expenses	\$ 389,906	\$ -	\$ -	\$ 389,906	\$ -
Closure and Postclosure Costs	-	-	38,186	38,186	-
Health Insurance	-	-	-	-	1,396,409
Depreciation	29,478	-	-	29,478	-
Total Operating Expenses	<u>\$ 419,384</u>	<u>\$ -</u>	<u>\$ 38,186</u>	<u>\$ 457,570</u>	<u>\$ 1,396,409</u>
Operating Income (Loss)	<u>\$ (101,413)</u>	<u>\$ -</u>	<u>\$ (38,186)</u>	<u>\$ (139,599)</u>	<u>\$ 149,754</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	\$ -	\$ -	\$ 73	\$ 73	\$ -
Total Nonoperating Revenues (Expenses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73</u>	<u>\$ 73</u>	<u>\$ -</u>
Income (Loss) Before Contributions and Transfers	<u>\$ (101,413)</u>	<u>\$ -</u>	<u>\$ (38,113)</u>	<u>\$ (139,526)</u>	<u>\$ 149,754</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ -	\$ 8,000	\$ 30,000	\$ 38,000	\$ -
Transfers Out	(38,000)	-	-	(38,000)	-
Total Other Financing Sources and Uses	<u>\$ (38,000)</u>	<u>\$ 8,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Position	<u>\$ (139,413)</u>	<u>\$ 8,000</u>	<u>\$ (8,113)</u>	<u>\$ (139,526)</u>	<u>\$ 149,754</u>
Net Position - January 1	\$ 435,269	\$ 128,000	\$ (127,478)	\$ 435,791	\$ -
Prior Period Adjustment	34,224	-	58,200	92,424	1,400,219
Net Position - January 1, As Restated	<u>\$ 469,493</u>	<u>\$ 128,000</u>	<u>\$ (69,278)</u>	<u>\$ 528,215</u>	<u>\$ 1,400,219</u>
Net Position - December 31	<u><u>\$ 330,080</u></u>	<u><u>\$ 136,000</u></u>	<u><u>\$ (77,391)</u></u>	<u><u>\$ 388,689</u></u>	<u><u>\$ 1,549,973</u></u>

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

MERCER COUNTY

Statement of Cash Flows – Proprietary Fund

For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Landfill Fund	Landfill Closure Reserve Fund	Landfill Loan Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 291,216	\$ -	\$ -	\$ 291,216	\$ 1,250,889
Payments to Suppliers & Employees	(392,432)	-	-	(392,432)	(1,396,409)
Other Receipts	7,607	-	-	7,607	295,274
Net Cash Provided by Operating Activities	<u>\$ (93,609)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (93,609)</u>	<u>\$ 149,754</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	\$ -	\$ 8,000	\$ 30,000	\$ 38,000	\$ -
Transfers Out	(38,000)	-	-	(38,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (38,000)</u>	<u>\$ 8,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	\$ -	\$ -	\$ 74	\$ 74	\$ -
Net Increase (Decrease) in Cash & Cash Equivalents	<u>\$ (131,609)</u>	<u>\$ 8,000</u>	<u>\$ 30,074</u>	<u>\$ (93,535)</u>	<u>\$ 149,754</u>
Cash and Cash Equivalents, January 1	<u>\$ 308,409</u>	<u>\$ 128,000</u>	<u>\$ 43,888</u>	<u>\$ 480,297</u>	<u>\$ 1,400,219</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 176,800</u></u>	<u><u>\$ 136,000</u></u>	<u><u>\$ 73,962</u></u>	<u><u>\$ 386,762</u></u>	<u><u>\$ 1,549,973</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	<u>\$ (101,413)</u>	<u>\$ -</u>	<u>\$ (38,186)</u>	<u>\$ (139,599)</u>	<u>\$ 149,754</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	\$ 29,477	\$ -	\$ -	\$ 29,477	\$ -
Provision for closure and postclosure care costs	-	-	38,186	38,186	-
Change in Assets and Liabilities					
Accounts Receivable	(19,148)	-	-	(19,148)	-
Accounts Payable	861	-	-	861	-
Salaries Payable	64	-	-	64	-
Compensated Absences	(3,450)	-	-	(3,450)	-
Net Cash Provided by Operating Activities	<u><u>\$ (93,609)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (93,609)</u></u>	<u><u>\$ 149,754</u></u>

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

MERCER COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2019

	Custodial Funds
ASSETS	
Cash and cash equivalents	<u>\$ 2,238,887</u>
LIABILITIES & DEFERRED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 184,085
Funds Held for Other Purposes	<u>72,132</u>
Total Liabilities	<u>\$ 256,217</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 1,982,670</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,238,887</u>

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

MERCER COUNTYStatement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2019

	Custodial Funds
	<u> </u>
ADDITIONS	
Tax Collections for Other Governments	\$ 19,584,699
Grant Collections for Other Governments	674,886
Miscellaneous Collections	<u>31,307</u>
 Total Additions	 <u><u>\$ 20,290,892</u></u>
 DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 19,584,699
Grant Disbursements to Other Governments	674,886
Miscellaneous Disbursements	<u>31,307</u>
 Total Deductions	 <u><u>\$ 20,290,892</u></u>
 Net Increase (Decrease) in Fiduciary Net Position	 <u>\$ -</u>
 Net Position - Beginning	 <u>\$ -</u>
 Net Position - Ending	 <u><u>\$ -</u></u>

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

MERCER COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

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

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

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the primary government, Mercer County, and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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.

MERCER COUNTY

Notes to the Financial Statements – Continued

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise funds:

Landfill Fund. This fund accounts for the activities of the county's landfill site.

Landfill Loan Fund. The county is required to maintain this fund to accumulate resources to account for the closure and post closure care costs of the landfill site.

Landfill Closure Reserve Fund. The county is required to maintain this fund to accumulate resources to account for the closure and post closure care costs of the landfill site.

Additionally, the County reports the following funds:

Internal Service Fund. This fund accounts for providing health, vision, and dental insurance benefits provided to other departments of Mercer County on a cost reimbursement basis.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds, and of the County's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, salaries, administrative expenses, and depreciation on capital

MERCER COUNTY**Notes to the Financial Statements – Continued**

assets where applicable. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

Capital Assets

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

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

Assets	Years
Buildings	50 - 100
Infrastructure	20 - 40
Land	Indefinite
Equipment	5 - 15
Vehicles	5 - 15

Compensated Absences

Full time employees earn vacation benefits from eight to eighteen hours per month if hired after January 1, 1996 and eight to twenty hours if hired before January 1, 1996, depending on tenure with the County. Employees can carry over a maximum of 240 hours of vacation at December 31 of each year. Upon termination of employment, employees will be paid for vacation benefits that have accrued based on their current rate of pay. Employees terminating employment, that have been continuously employed by the County for a period of five (5) years, and are otherwise eligible to receive sick leave benefits, will be reimbursed for unused sick leave at the rate of 12.5%. Vested or accumulated vacation leave is reported in the general long-term debt account group.

Long-Term Obligations

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

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

Pension

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

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

Nonspendable Fund Balances. Nonspendable fund balance is shown for inventory in the special revenue fund.

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

Committed Fund Balances. Committed fund balance is committed by the highest level of decision-making authority (governing board).

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

MERCER COUNTY

Notes to the Financial Statements – Continued

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2019 has been restated due to prior period errors as follows:

Governmental Activities	
Beginning Net Positon, as previously reported	\$ 4,205,290
Adjustment to restate the January 1, 2019 Net Position	
Governmental Fund Balance	(783,725)
Internal Service Fund Balance	1,400,219
Capital Assets, Net	2,903,606
Bond Premium	(44,776)
Compensated Absences Payable	61,142
Net Pension & OPEB Liability	(906,268)
Deferred Outflows	(226,961)
Deferred Inflows	(188,335)
Net Position January 1, as restated	\$ 6,420,192

Business-type Activities	
Beginning Net Positon, as previously reported	\$ 435,791
Adjustment to restate the January 1, 2019 Net Position	
Capital Assets, Net - Landfill Fund	36,705
Landfill Closure and Postclosure Care Costs - Landfill Loan Fund	58,200
Fund Balance Payables Adjustment - Landfill Fund	(260)
Fund Balance Salaries Payable Adjustment - Landfill Fund	(2,221)
Net Position January 1, as restated	\$ 528,215

Landfill Fund	
Beginning Net Positon, as previously reported	\$ 435,269
Adjustment to restate the January 1, 2019 Net Position	
Capital Assets, Net	36,705
Fund Balance Payables Adjustment	(260)
Fund Balance Salaries Payable Adjustment	(2,221)
Net Position January 1, as restated	\$ 469,493

Landfill Loan Fund	
Beginning Net Positon, as previously reported	\$ (127,478)
Adjustment to restate the January 1, 2019 Net Position	
Landfill Closure and Postclosure Care Costs - Landfill Loan Fund	58,200
Net Position January 1, as restated	\$ (69,278)

Water Resource District	
Beginning Net Positon, as previously reported	\$ 950,074
Adjustment to restate the January 1, 2019 Net Position	
Cash Adjustment	10,328
Net Position January 1, as restated	\$ 960,402

MERCER COUNTY

Notes to the Financial Statements – Continued

Fund balance as of January 1, 2019 has been restated due to prior period errors as follows:

General Fund	
Beginning Fund Balance, as previously reported	\$ (40,315)
Adjustment to restate the January 1, 2019 Fund Balance	
Fund Balance Classification Change	59,253
Fund Balance Receivables Adjustment	284,640
Fund Balance Payables Adjustment	(82,598)
Fund Balance Salaries Payable Adjustment	(27,599)
Fund Balance January 1, as restated	\$ 193,381

Special Revenue Fund	
Beginning Fund Balance, as previously reported	\$ 3,281,959
Adjustment to restate the January 1, 2019 Fund Balance	
Fund Balance Classification Change	(1,474,182)
Fund Balance Receivables Adjustment	242,583
Fund Balance Payables Adjustment	(18,036)
Fund Balance Inventory Adjustment	204,106
Fund Balance Salaries Payable Adjustment	(9,074)
Fund Balance January 1, as restated	\$ 2,227,356

Non Major Funds	
Beginning Fund Balance, as previously reported	\$ 134,560
Adjustment to restate the January 1, 2019 Fund Balance	
Fund Balance Cash Adjustment	37,182
Fund Balance January 1, as restated	\$ 171,742

Internal Service Fund	
Beginning Fund Balance, as previously reported	\$ -
Adjustment to restate the January 1, 2019 Fund Balance	
Fund Balance Classification Change	1,385,539
Fund Balance Receivables Adjustment	14,680
Fund Balance January 1, as restated	\$ 1,400,219

NOTE 3 DEPOSITS**Custodial Credit Risk**

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its

MERCER COUNTY

Notes to the Financial Statements – Continued

boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2020, the County's carrying amount of deposits totaled \$8,568,065, and the bank balances totaled \$8,047,129. Of the bank balances, \$2,177,034 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2019, the County's carrying amount of deposits totaled \$7,911,553, and the bank balances totaled \$7,191,851. Of the bank balances, \$2,157,235 was covered by Federal Depository Insurance. The remaining bank balances, besides \$382,370 of the bank balances which were uninsured and uncollateralized, were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2020, the Mercer County Water Resource District's carrying amount of deposits totaled \$877,451, and the bank balances totaled \$1,024,198. Of the deposits, a total of \$891,449 was covered by Federal Depository Insurance. The remaining bank balances, besides \$57,270 of the bank balances which were uninsured and uncollateralized, were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2019, the Mercer County Water Resource District's carrying amount of deposits totaled \$1,001,410, and the bank balances totaled \$1,003,385. Of the deposits, a total of \$854,857 was covered by Federal Depository Insurance. The remaining bank balances, besides \$49,945 of the bank balances which were uninsured and uncollateralized, were collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

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

As authorized in North Dakota Statutes, idle funds may be invested as follows:

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

At December 31, 2020, The County held investments in the amount of \$1,074,137, which consists of brokered CD's. The market value of the investments and their maturing dates can be seen below:

Investment Type	Total Fair Value	Less Than 1 Year	1-5 Years
Brokered CD	\$ 1,074,137	\$ 150,575	\$ 923,562

MERCER COUNTY

Notes to the Financial Statements – Continued

At December 31, 2019, The County held investments in the amount of \$1,054,429, which consists of brokered CD's. The market value of the investments and their maturing dates can be seen below:

Investment Type	Total Fair Value	Less Than 1 Year	1-5 Years
Brokered CD	\$ 1,054,429	\$ 492,900	\$ 561,529

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2020:

		Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets	Total			
Brokered CD	\$ 1,074,137	\$ -	\$ 1,074,137	\$ -

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

		Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets	Total			
Brokered CD	\$ 1,054,429	\$ -	\$ 1,054,429	\$ -

NOTE 5 PROPERTY TAXES

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

MERCER COUNTY

Notes to the Financial Statements – Continued

NOTE 6 CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2020 and year ended December 31, 2019:

Primary Government - 2020	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 51,000	\$ -	\$ -	\$ -	\$ 51,000
<i>Capital assets, being depreciated</i>					
Buildings	\$ 12,935,846	\$ -	\$ -	\$ -	\$ 12,935,846
Equipment/Vehicles	5,519,379	789,113	(620,053)	-	5,688,439
Infrastructure	3,365,581	-	-	-	3,365,581
Total capital assets, being depreciated	\$ 21,820,806	\$ 789,113	\$ (620,053)	\$ -	\$ 21,989,866
<i>Less accumulated depreciation for</i>					
Buildings	\$ 1,550,526	\$ 171,624	\$ -	\$ -	\$ 1,722,150
Equipment/Vehicles	3,473,372	437,258	(325,175)	-	3,585,455
Infrastructure	708,428	166,072	-	-	874,500
Total accumulated depreciation	\$ 5,732,326	\$ 774,954	\$ (325,175)	\$ -	\$ 6,182,105
Total capital assets being depreciated, net	\$ 16,088,480	\$ 14,159	\$ (294,878)	\$ -	\$ 15,807,761
Total capital assets, net	\$ 16,139,480	\$ 14,159	\$ (294,878)	\$ -	\$ 15,858,761

Depreciation expense was charged to functions of the County at December 31, 2020 as follows:

General Government	\$ 102,609
Public Safety	137,118
Highways and Bridges	526,207
Health and Welfare	1,733
Conservation of Natural Resources	7,287
Total Depreciation Expense	\$ 774,954

Business-Type Activities

Business-Type Activities - 2020	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 2,906	\$ -	\$ -	\$ -	\$ 2,906
<i>Capital assets, being depreciated</i>					
Buildings	\$ 226,344	\$ -	\$ -	\$ -	\$ 226,344
Equipment/Vehicles	462,697	-	-	-	462,697
Total capital assets, being depreciated	\$ 689,041	\$ -	\$ -	\$ -	\$ 689,041
<i>Less accumulated depreciation for</i>					
Buildings	\$ 226,344	\$ -	\$ -	\$ -	\$ 226,344
Equipment/Vehicles	315,918	29,445	-	-	345,363
Total accumulated depreciation	\$ 542,262	\$ 29,445	\$ -	\$ -	\$ 571,707
Total capital assets being depreciated, net	\$ 146,779	\$ (29,445)	\$ -	\$ -	\$ 117,334
Total capital assets, net	\$ 149,685	\$ (29,445)	\$ -	\$ -	\$ 120,240

Depreciation expense was charged to the landfill fund for Business-Type activities.

MERCER COUNTY

Notes to the Financial Statements – Continued

Primary Government - 2019	Balance Jan 1 - Restated	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 51,000	\$ -	\$ -	\$ -	\$ 51,000
<i>Capital assets, being depreciated</i>					
Buildings	\$ 12,935,846	\$ -	\$ -	\$ -	\$ 12,935,846
Equipment/Vehicles	5,618,342	469,143	(568,106)	-	5,519,379
Infrastructure	3,365,581	-	-	-	3,365,581
Total capital assets, being depreciated	\$ 21,919,769	\$ 469,143	\$ (568,106)	\$ -	\$ 21,820,806
<i>Less accumulated depreciation for</i>					
Buildings	\$ 1,378,902	\$ 171,624	\$ -	\$ -	\$ 1,550,526
Equipment/Vehicles	3,465,265	423,339	(415,232)	-	3,473,372
Infrastructure	542,355	166,073	-	-	708,428
Total accumulated depreciation	\$ 5,386,522	\$ 761,036	\$ (415,232)	\$ -	\$ 5,732,326
Total capital assets being depreciated, net	\$ 16,533,247	\$ (291,893)	\$ (152,874)	\$ -	\$ 16,088,480
Total capital assets, net	\$ 16,584,247	\$ (291,893)	\$ (152,874)	\$ -	\$ 16,139,480

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

General Government	\$ 102,610
Public Safety	138,718
Highways and Bridges	510,646
Health and Welfare	1,733
Conservation of Natural Resources	7,329
Total Depreciation Expense	\$ 761,036

Business-Type Activities

Business-Type Activities - 2019	Balance Jan 1 - Restated	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 2,906	\$ -	\$ -	\$ -	\$ 2,906
<i>Capital assets, being depreciated</i>					
Buildings	\$ 226,344	\$ -	\$ -	\$ -	\$ 226,344
Equipment/Vehicles	459,197	3,500	-	-	462,697
Total capital assets, being depreciated	\$ 685,541	\$ 3,500	\$ -	\$ -	\$ 689,041
<i>Less accumulated depreciation for</i>					
Buildings	\$ 226,344	\$ -	\$ -	\$ -	\$ 226,344
Equipment/Vehicles	286,440	29,478	-	-	315,918
Total accumulated depreciation	\$ 512,784	\$ 29,478	\$ -	\$ -	\$ 542,262
Total capital assets being depreciated, net	\$ 172,757	\$ (25,978)	\$ -	\$ -	\$ 146,779
Total capital assets, net	\$ 175,663	\$ (25,978)	\$ -	\$ -	\$ 149,685

Depreciation expense was charged to the landfill fund for Business-Type activities.

MERCER COUNTY

Notes to the Financial Statements – Continued

NOTE 7 LONG-TERM LIABILITIES**Primary Government**

During the year ended December 31, 2020 and 2019, the following changes occurred in governmental activities and business-type activities long-term liabilities:

Governmental Activities - 2020	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Leases Payable	\$ 193,594	\$ 373,910	\$ 38,033	\$ 529,471	\$ 58,727
Bonds Payable	3,115,000	-	145,000	2,970,000	150,000
Bond Premium	42,288	-	2,488	39,800	2,488
Loans Payable	5,793,267	-	296,113	5,497,154	305,120
Total Long-Term Debt	\$ 9,144,149	\$ 373,910	\$ 481,634	\$ 9,036,425	\$ 516,335
Compensated Absences *	354,318	26,211	-	380,529	38,053
Net Pension/OPEB Liability *	4,246,952	6,444,863	-	10,691,815	-
Total Governmental Activities	\$ 13,745,419	\$ 6,844,984	\$ 481,634	\$ 20,108,769	\$ 554,388

Governmental Activities -2019	Balance Jan 1 - Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Leases Payable	\$ 268,425	\$ -	\$ 74,831	\$ 193,594	\$ 38,034
Bonds Payable	3,260,000	-	145,000	3,115,000	145,000
Bond Premium	44,776	-	2,488	42,288	2,488
Loans Payable	6,080,640	-	287,373	5,793,267	296,113
Total Long-Term Debt	\$ 9,653,841	\$ -	\$ 509,692	\$ 9,144,149	\$ 481,635
Compensated Absences *	478,625	-	124,307	354,318	35,431
Net Pension/OPEB Liability *	6,468,749	-	2,221,797	4,246,952	-
Total Governmental Activities	\$ 16,601,215	\$ -	\$ 2,855,796	\$ 13,745,419	\$ 517,066

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

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

GOVERNMENTAL ACTIVITIES							
Year Ending Dec 31	G.O. Bonds Payable		Capital Leases Payable		Loans Payable		Bond Premium
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 150,000	\$ 80,575	\$ 58,727	\$ 17,040	\$ 305,120	\$ 160,742	\$ 2,488
2022	150,000	77,575	212,988	14,995	314,401	151,461	2,488
2023	155,000	74,525	61,148	9,035	323,963	141,899	2,488
2024	160,000	70,975	63,292	6,891	333,817	132,045	2,488
2025	165,000	66,913	65,510	4,673	343,970	121,892	2,488
2026 - 2030	900,000	262,075	67,806	2,377	1,883,296	446,014	12,436
2021 - 2035	1,055,000	116,625	-	-	1,992,586	142,614	12,436
2036 - 2040	235,000	3,525	-	-	-	-	2,488
Total	\$ 2,970,000	\$ 752,788	\$ 529,471	\$ 55,011	\$ 5,497,154	\$ 1,296,667	\$ 39,800

MERCER COUNTY

Notes to the Financial Statements – Continued

Business-Type Activities - 2020	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Landfill Post Closure Liability	\$ 151,353	\$ 11,253	\$ -	\$ 162,606	\$ -
Compensated Absences *	12,147	1,889	-	14,036	1,404
Total Business-Type Activities	\$ 163,500	\$ 13,142	\$ -	\$ 176,642	\$ 1,404

Business-Type Activities - 2019	Balance Jan 1 - Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Landfill Post Closure Liability	\$ 113,167	\$ 38,186	\$ -	\$ 151,353	\$ -
Compensated Absences *	15,597	-	3,450	12,147	1,215
Total Business-Type Activities	\$ 128,764	\$ 38,186	\$ 3,450	\$ 163,500	\$ 1,215

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

NOTE 8 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal law and regulations require the county to place a final cover on its county landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care cost will be paid only near or after the date the landfill stops accepting waste, the county reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$162,606 reported as landfill closure and post closure care liability at December 31, 2020 and \$151,353 at December 31, 2019, represents the cumulative amounts reported to date based on the use of 69 percent at December 31, 2020 and 66 percent at December 31, 2019 of the estimated capacity of the landfill. The county will recognize the remaining estimated cost of closure and post closure care of \$130,472 at December 31, 2020 and \$141,725 at December 31, 2019 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2020 and 2019. The county plans to close the current open cells by the year 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulation.

The county is required by state and federal laws and regulations to make annual contributions to a separate fund to finance closure and post closure care. The county is in compliance with these requirements, at December 31, 2020, cash of \$248,791 and at December 31, 2019 cash of \$209,962 is held for this purpose. The county expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

NOTE 9 PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney

MERCER COUNTY

Notes to the Financial Statements – Continued

General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25

MERCER COUNTY

Notes to the Financial Statements – Continued

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, 2020 and 2019, the following net pension liabilities were reported:

	Net Pension Liability
County - 2020	\$ 10,424,216
County - 2019	3,991,950

The net pension liability was measured as of June 30, 2020 and 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 their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020 and 2019 the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 and 2019 Measurement	Pension Expense
County - 2020	0.331346%	-0.009243%	\$ 1,886,182
County - 2019	0.340589%	-0.026630%	782,146

At December 31, 2020 and 2019, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

County - 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 40,568	\$ 528,205
Changes in Assumptions	5,588,038	923,841
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	336,441	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	131,433	283,023
Contributions - Employer	42,555	-
Total	\$ 6,139,035	\$ 1,735,069

County - 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,364	\$ 724,463
Changes in Assumptions	1,491,687	1,280,742
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	69,549	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	242,779	247,112
Contributions - Employer	41,508	-
Total	\$ 1,847,887	\$ 2,252,317

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Notes to the Financial Statements – Continued

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021 and 2020:

County - 2020	\$ 42,555
County - 2019	41,508

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

2021	1,341,495
2022	1,116,760
2023	876,865
2024	1,026,291

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	30%	6.30%
International Equities	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and

MERCER COUNTY

Notes to the Financial Statements – Continued

compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
County	\$ 13,524,638	\$ 10,424,216	\$ 7,887,316

Pension Plan Fiduciary Net Position

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

NOTE 10 OPEB PLAN**General Information about the OPEB Plan*****North Dakota Public Employees Retirement System***

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

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

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

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Notes to the Financial Statements – Continued

OPEB Benefits

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

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

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

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

At December 31, 2020 and 2019, the following net OPEB liabilities were reported:

	Net OPEB Liability
County - 2020	\$ 267,599
County - 2019	255,002

The net OPEB liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020 and 2019, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 and 2019 Measurement	OPEB Expense
County - 2020	0.318117%	0.000630%	\$ 38,530
County - 2019	0.317487%	-0.027280%	34,080

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Notes to the Financial Statements – Continued

At December 31, 2020 and 2019, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

County - 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,943	\$ 6,416
Changes of Assumptions	35,880	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	9,202	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	8,749	14,231
Contributions - Employer	6,814	-
Total	\$ 66,588	\$ 20,647

County - 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 6,298	\$ 7,966
Changes of Assumptions	30,392	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	284	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	10,863	16,461
Contributions - Employer	6,646	-
Total	\$ 54,483	\$ 24,427

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021:

County - 2020	\$ 6,814
County - 2019	6,646

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

2021	8,630
2022	11,009
2023	10,572
2024	7,667
2025	1,480
2026	(231)

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

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Notes to the Financial Statements – Continued

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
International Equities	21%	6.45%
Domestic Fixed Income	40%	1.15%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the 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, 2020, calculated using the discount rate of 6.50%, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Proportionate Share of the OPEB Liability	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County	\$ 350,962	\$ 267,599	\$ 197,105

NOTE 11 TRANSFERS

Transfers are used to move unrestricted general revenue to finance programs that the County accounts for in other funds in accordance with budget authority and to subsidize other programs. Transfers were also made to close out funds and to finance various projects. The following table shows amounts reported for transfers in and transfers out as reported in the basic financial statements in the governmental funds for the year ended December 31, 2020 and 2019:

Transfers - 2020	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 802,498	\$ 691,377
Special Revenue Fund	2,197,603	2,308,724
Total Transfers	\$ 3,000,101	\$ 3,000,101

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Notes to the Financial Statements – Continued

Transfers - 2019	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 130,286	\$ 606,949
Special Revenue Fund	2,236,620	1,759,957
Total Transfers	\$ 2,366,906	\$ 2,366,906

NOTE 12 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDRF is limited to losses of two million dollars per occurrence for general liability, two million for automobile, and \$4,060,191 for public assets/mobile equipment and portable property.

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

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

NOTE 13 DEFICIT CASH BALANCE

The following funds had a deficit cash balance at December 31, 2019. The county plans to eliminate this deficit with less spending and or transfers from other funds.

	Deficit Amount
General Fund	
Mercer Oliver Youth Bureau	\$ 1,556
Special Revenue Funds	
Mercer Co Task Force	\$ 35,576

MERCER COUNTYBudgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2020 and 2019

	2020				2019			
	Original Budget	Amended Budget	Actual	Variance with Final Budget	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES								
Taxes	\$ 2,117,300	\$ 2,117,300	\$ 2,106,752	\$ (10,548)	\$ 2,057,303	\$ 2,057,303	\$ 1,896,113	\$ (161,190)
Intergovernmental	3,109,009	3,109,009	3,360,663	(481,117)	3,254,968	3,254,968	3,495,549	240,581
Charges for Services	349,830	349,830	334,055	(15,775)	552,080	552,080	348,268	(203,812)
Licenses, Permits and Fees	12,900	12,900	26,355	13,455	13,400	13,400	9,590	(3,810)
Interest Income	28,000	103,057	70,156	(32,901)	11,000	11,000	69,403	58,403
Miscellaneous	205,725	205,860	296,611	214,442	149,225	149,225	227,169	77,944
Total Revenues	<u>\$ 5,822,764</u>	<u>\$ 5,897,956</u>	<u>\$ 6,194,592</u>	<u>\$ (312,444)</u>	<u>\$ 6,037,976</u>	<u>\$ 6,037,976</u>	<u>\$ 6,046,092</u>	<u>\$ 8,116</u>
EXPENDITURES								
Current								
General Government	\$ 2,159,147	\$ 2,159,147	\$ 2,007,407	\$ 151,740	\$ 2,101,402	\$ 2,101,402	\$ 2,001,969	\$ 99,433
Public Safety	2,077,012	2,077,012	2,000,401	542,473	1,852,134	1,855,377	1,936,977	(81,600)
Health & Welfare	1,153,500	1,153,500	1,100,029	53,471	1,199,500	1,199,500	1,202,821	(3,321)
Debt Service								
Principal	-	-	296,113	(296,113)	-	-	287,373	(287,373)
Interest & Fees	-	-	169,748	(169,748)	-	-	178,489	(178,489)
Total Expenditures	<u>\$ 5,389,659</u>	<u>\$ 5,389,659</u>	<u>\$ 5,573,698</u>	<u>\$ 281,823</u>	<u>\$ 5,153,036</u>	<u>\$ 5,156,279</u>	<u>\$ 5,607,629</u>	<u>\$ (451,350)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 433,105</u>	<u>\$ 508,297</u>	<u>\$ 620,894</u>	<u>\$ 112,597</u>	<u>\$ 884,940</u>	<u>\$ 881,697</u>	<u>\$ 438,463</u>	<u>\$ (443,234)</u>
OTHER FINANCING SOURCES (USES)								
Transfers In	\$ 254,804	\$ 254,804	\$ 802,498	\$ 547,694	\$ -	\$ -	\$ 130,286	\$ 130,286
Transfers Out	(621,024)	(621,024)	(691,377)	(70,353)	(633,812)	(633,812)	(606,949)	26,863
Total Other Financing Sources and Uses	<u>\$ (366,220)</u>	<u>\$ (366,220)</u>	<u>\$ 111,121</u>	<u>\$ 477,341</u>	<u>\$ (633,812)</u>	<u>\$ (633,812)</u>	<u>\$ (476,663)</u>	<u>\$ 157,149</u>
Net Change in Fund Balance	<u>\$ 66,885</u>	<u>\$ 142,077</u>	<u>\$ 732,015</u>	<u>\$ 589,938</u>	<u>\$ 251,128</u>	<u>\$ 247,885</u>	<u>\$ (38,200)</u>	<u>\$ (286,085)</u>
Fund Balance - January 1	<u>\$ (19,262)</u>	<u>\$ (19,262)</u>	<u>\$ (19,262)</u>	<u>\$ -</u>	<u>\$ (40,315)</u>	<u>\$ (40,315)</u>	<u>\$ (40,315)</u>	<u>\$ -</u>
Prior Period Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,253</u>	<u>\$ (59,253)</u>
Fund Balance - January 1 Restated	<u>\$ (19,262)</u>	<u>\$ (19,262)</u>	<u>\$ (19,262)</u>	<u>\$ -</u>	<u>\$ 18,938</u>	<u>\$ 18,938</u>	<u>\$ 18,938</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 47,623</u>	<u>\$ 122,815</u>	<u>\$ 712,753</u>	<u>\$ 589,938</u>	<u>\$ 270,066</u>	<u>\$ 266,823</u>	<u>\$ (19,262)</u>	<u>\$ (286,085)</u>

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

MERCER COUNTY

Budgetary Comparison Schedule – Special Revenue Fund

For the Year Ended December 31, 2020 and 2019

	2020				2019			
	Original Budget	Amended Budget	Actual	Variance with Final Budget	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES								
Taxes	\$ 1,452,518	\$ 1,452,518	\$ 1,275,808	\$ (176,710)	\$ 1,624,245	\$ 1,624,245	\$ 1,441,543	\$ (182,702)
Intergovernmental	2,489,878	2,489,878	2,417,069	(72,809)	1,378,414	1,459,795	2,029,623	327,245
Charges for Services	184,100	184,100	181,689	(2,411)	200,800	200,800	186,248	(14,552)
Licenses, Permits and Fees	80,000	80,000	24,990	(55,010)	30,000	30,000	100,308	70,308
Interest Income	260	260	706	446	15,200	15,200	2,863	(12,337)
Miscellaneous	105,250	105,250	296,734	191,484	106,850	106,850	60,336	(46,514)
Total Revenues	\$ 4,312,006	\$ 4,312,006	\$ 4,196,996	\$ (115,010)	\$ 3,355,509	\$ 3,436,890	\$ 3,820,921	\$ 141,448
EXPENDITURES								
Current								
Public Safety	\$ 766,531	\$ 944,324	\$ 564,030	\$ 380,294	\$ 602,989	\$ 602,989	\$ 572,266	\$ 37,010
Highways	3,725,684	3,745,953	2,271,858	1,100,185	3,308,443	3,308,443	2,650,262	678,094
Health and Welfare	22,966	22,966	21,194	1,772	22,892	22,892	22,248	811
Conser. of Natural Resources	516,857	516,857	395,182	121,675	526,430	526,922	449,477	78,188
Debt Service								
Principal	-	-	38,034	38,034	78,258	78,258	74,832	(3,426)
Interest	-	-	5,537	5,537	-	-	9,011	9,011
Total Expenditures	\$ 5,032,038	\$ 5,230,100	\$ 3,295,835	\$ 1,647,497	\$ 4,539,012	\$ 4,539,504	\$ 3,778,096	\$ 799,688
Excess (Deficiency) of Revenues Over Expenditures	\$ (720,032)	\$ (918,094)	\$ 901,161	\$ 1,819,255	\$ (1,183,503)	\$ (1,102,614)	\$ 42,825	\$ 1,145,439
OTHER FINANCING SOURCES (USES)								
Sale of Capital Assets	\$ -	\$ -	\$ 2,900	\$ 2,900	\$ -	\$ -	\$ 29,400	\$ 29,400
Transfers In	2,720,318	2,720,318	2,197,603	(522,715)	3,031,162	3,031,162	2,236,620	(794,542)
Transfers Out	(2,177,466)	(2,576,232)	(2,308,724)	267,508	(2,619,294)	(2,619,294)	(1,759,957)	859,337
Total Other Financing Sources and Uses	\$ 542,852	\$ 144,086	\$ (108,221)	\$ (252,307)	\$ 411,868	\$ 411,868	\$ 506,063	\$ 94,195
Net Change in Fund Balances	\$ (177,180)	\$ (774,008)	\$ 792,940	\$ 1,566,948	\$ (771,635)	\$ (690,746)	\$ 548,888	\$ 1,239,634
Fund Balance - January 1	\$ 2,356,665	\$ 2,356,665	\$ 2,356,665	\$ -	\$ 3,281,959	\$ 3,281,959	\$ 3,281,959	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,474,182)	\$ (1,258,709)
Fund Balance - January 1 Restated	\$ 2,356,665	\$ 2,356,665	\$ 2,356,665	\$ -	\$ 1,807,777	\$ 1,807,777	\$ 1,807,777	\$ -
Fund Balance - December 31	\$ 2,179,485	\$ 1,582,657	\$ 3,149,605	\$ 1,566,948	\$ 1,036,142	\$ 1,117,031	\$ 2,356,665	\$ 1,239,634

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

MERCER COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2020 and 2019

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

County	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.331346%	\$ 10,424,216	\$ 3,655,147	285.19%	48.91%
2019	0.340589%	3,991,950	3,542,702	112.68%	71.66%
2018	0.367219%	6,197,221	3,772,503	164.27%	62.80%
2017	0.346070%	5,562,481	3,532,831	157.45%	61.98%
2016	0.346286%	3,374,895	3,489,744	96.71%	70.46%
2015	0.304012%	2,067,230	2,708,377	76.33%	77.15%
2014	0.283028%	1,769,439	2,384,177	74.22%	77.70%

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

County	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 258,816	\$ 261,265	\$ (2,449)	3,805,376	6.87%
2019	257,929	262,811	(4,882)	3,542,702	7.42%
2018	277,861	268,923	8,938	3,772,503	7.13%
2017	256,173	273,674	(17,501)	3,532,831	7.75%
2016	252,652	219,001	33,651	3,489,744	6.28%
2015	205,723	204,848	875	2,708,377	7.56%
2014	169,753	169,753	-	2,384,177	7.12%

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

MERCER COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2020 and 2019

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

County	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.318117%	\$ 267,599	\$ 3,626,445	7.38%	63.38%
2019	0.317487%	255,002	3,542,702	7.20%	63.13%
2018	0.344767%	(271,528)	3,772,503	-7.20%	61.89%
2017	0.326557%	259,288	3,532,831	7.34%	59.78%

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

County	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 42,603	\$ 41,650	953	3,805,376	1.09%
2019	41,202	42,080	(878)	3,542,702	1.19%
2018	44,249	43,056	1,193	3,772,503	1.14%
2017	41,067	43,818	(2,751)	3,532,831	1.24%

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

MERCER COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2020 and 2019

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3 CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

OPEB

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

MERCER COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 4 CHANGES OF ASSUMPTIONS – PENSION AND OPEB**Pension**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.50% to 7.00%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation.
- Mortality table updates were made for the July 1, 2020 valuation.

OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

NOTE 5 LEGAL COMPLIANCE - BUDGETS**Budget Amendments**

The board of County commissioners amended the budget for 2020 and 2019 as follows:

2020	Original Budget	Amendment	Amended Budget
EXPENDITURES			
Special Revenue Fund	\$ 5,032,038	\$ 198,062	\$ 5,230,100
TRANSFER OUT			
Special Revenue Fund	2,177,466	398,766	2,576,232

2020	Original Budget	Amendment	Amended Budget
REVENUES			
General Fund	\$ 5,822,764	\$ 75,192	\$ 5,897,956

2019	Original Budget	Amendment	Amended Budget
EXPENDITURES			
General Fund	\$ 5,153,036	\$ 3,243	\$ 5,156,279
Special Revenue Fund	4,539,012	492	4,539,504

2019	Original Budget	Amendment	Amended Budget
REVENUES			
Special Revenue Fund	\$ 3,355,509	\$ 81,381	\$ 3,436,890

MERCER COUNTYNotes to the Required Supplementary Information - Continued

NOTE 6 BUDGET TO ACTUAL RECONCILIATION

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

2020	Income Statement	Adjustment	Budget to Actual Statement
Special Revenue Fund			
Expenditures	\$ 3,669,745	\$ (373,910)	\$ 3,295,835
Capital Lease Proceeds	373,910	(373,910)	-

MERCER COUNTYSchedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020 and 2019

Assistance Listing Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Fiscal Year 2020 Expenditures	Fiscal Year 2019 Expenditures	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed Through the State Department of Human Services:					
93.563	Child Support Enforcement	N/A	\$ -	\$ 118	\$ 118
Passed Through the State Department of Health:					
93.940	HIV Prevention Activities Health Department Based	N/A	-	165	165
Total U.S. Department of Health and Human Services Pass-Through Programs			\$ -	\$ 283	\$ 283
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed Through State Department of Emergency Services					
97.042	Emergency Management Performance Grants	N/A	\$ 16,907	\$ 21,149	\$ 38,056
Total U.S. Department of Homeland Security			\$ 16,907	\$ 21,149	\$ 38,056
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)					
Passed Through State Department of Commerce					
14.231	Emergency Solutions Grant Program	N/A	\$ 9,747	\$ 9,964	\$ 19,711
Total U.S. Department of Housing and Urban Development Pass-Through Programs			\$ 9,747	\$ 9,964	\$ 19,711
U.S. DEPARTMENT OF THE INTERIOR					
Passed Through the State Treasurer:					
15.433	Flood Control Act Lands	N/A	\$ 1,022	\$ 1,019	\$ 2,041
15.437	Minerals Leasing Act	N/A	130,106	352,367	482,473
Total U.S. Department of the Interior Pass-Through Programs			\$ 131,128	\$ 353,386	\$ 484,514
U.S. DEPARTMENT OF LABOR					
Passed Through the State Job Service Department					
17.225	Unemployment Insurance	N/A	\$ 250	\$ 60	\$ 310
Total U.S. Department of Labor Pass-Through Programs			\$ 250	\$ 60	\$ 310
U.S. DEPARTMENT OF THE TREASURY					
Passed Through the State Treasurer Department					
21.019	Coronavirus Relief Fund	N/A	\$ 1,337,695	\$ -	\$ 1,337,695
Passed Through the State Department of Corrections and Rehabilitation					
21.019	Coronavirus Relief Fund	N/A	2,183	-	2,183
Total U.S. Dept. of the Treasury			\$ 1,339,878	\$ -	\$ 1,339,878
Total Expenditures of Federal Awards			\$ 1,497,910	\$ 384,842	\$ 1,882,752

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

MERCER COUNTY

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020 and 2019

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2020 and 2019. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the *Uniform Guidance*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 PASS-THROUGH GRANT NUMBER

For Federal programs marked "N/A", the County was unable to obtain a pass-through grant number.

NOTE 4 INDIRECT COST RATE

The County has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance



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

Independent Auditor's Report

Board of County Commissioners
Mercer County
Stanton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Mercer County as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Mercer County's basic financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mercer 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 Mercer County's internal control. Accordingly, we do not express an opinion on the effectiveness of Mercer County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2020-001 through 2020-008 that we consider to be material weaknesses.

MERCER COUNTY

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

Compliance and Other Matters

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

Mercer County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 15, 2021

STATE AUDITOR
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of County Commissioners
Mercer County
Stanton, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Mercer County's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Mercer County's major federal program for the year ended December 31, 2020 and 2019. Mercer County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Mercer County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020 and 2019.

MERCER COUNTY

Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance – Continued

Report on Internal Control Over Compliance

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

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 15, 2021

MERCER COUNTY

Summary of Auditor's Results

For the Year Ended December 31, 2020 and 2019

Financial Statements

Type of Report Issued:

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

Internal control over financial reporting

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

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	<u> </u> Yes	<u> X </u>	None noted
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements? Yes X None noted

Identification of Major Programs

Assistance Listing Number	Name of Federal Program or Cluster
CFDA 21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? Yes X No

MERCER COUNTY

Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2020 and 2019

2020-001 AS/400 REPORTING ISSUES – MATERIAL WEAKNESS

Condition

At times the fund balance reports, revenue and expenditure summary reports, and revenue and expenditure detail reports generated by the AS/400 accounting software do not consistently agree to each other.

Effect

Mercer County management may have difficulty making informed decisions due to the discrepancies in the AS/400 accounting software.

Cause

The AS/400 accounting software may not be set up properly to ensure all transactions including journal entries such as transfers and reversing journal entries are reported in all types of reports. Additionally, Mercer County does not have adequate technical support for issues that arise during each fiscal year.

Criteria

Proper internal control according to the COSO framework requires the organization to obtain or generate and use relevant, quality information for internal communication as well as with external parties.

Prior Recommendation

No.

Recommendation

We recommend Mercer County review the current reports that are generated in the AS/400 software to ensure the reports consistently agree to each other. We further recommend Mercer County review the IT support agreement with the AS/400 software to ensure adequate technical support is being provided.

Mercer County's Response

See Corrective Action Plan

MERCER COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2020-002 ADJUSTING JOURNAL ENTRIES – MATERIAL WEAKNESS**Condition**

Material auditor-identified adjusting entries to the financial statements were proposed and adjusted to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Effect

Inadequate internal controls over recording of transactions affects Mercer County's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause

Mercer County management does not have sufficient procedures in place to ensure adjusting entries used to compile the financial statements are reviewed.

Criteria

Mercer County is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

No.

Recommendation

We recommend Mercer County review all adjusting entries to the financial statements to properly reflect the financial statements are in accordance with GAAP.

Mercer County's Response

See Corrective Action Plan

MERCER COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2020-003 LACK OF SEGREGATION OF DUTIES FOR THE TREASURERS ACCOUNT – MATERIAL WEAKNESS**Condition**

Mercer County Treasurer's Office does not currently have sufficient internal controls surrounding the transactions in the treasurer's checking account.

Effect

There is an increased risk of material misstatement to Mercer County's financial statements whether due to error or fraud.

Cause

Mercer County chose not to assign county resources for review procedures surrounding the treasurer's checking account.

Criteria

Proper internal control according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the treasurer's checking account.

Prior Recommendation

No.

Recommendation

We recommend Mercer County implement procedures with another county office to ensure there are adequate internal controls over the treasurer's checking account and to ensure transactions are being reported properly.

Mercer County's Response

See Corrective Action Plan

MERCER COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2020-004 LACK OF SEGREGATION OF DUTIES - COMPONENT UNIT – MATERIAL WEAKNESS**Condition**

The Mercer County Water Resource District has a secretary who is responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Mercer County Water Resource District's financial condition whether due to error of fraud.

Cause

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

Criteria

Proper internal control according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of the Mercer County Water Resource District.

Prior Recommendation

No.

Recommendation

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

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

Mercer County Water Resource District's Response

See Corrective Action Plan

MERCER COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2020-005 ACCURACY OF FINANCIAL REPORTS - COMPONENT UNIT – MATERIAL WEAKNESS**Condition**

The annual financial reports submitted to the board did not agree to the underlying records for December 31, 2020 and 2019.

Effect

Mercer County Water Resource District management may have difficulty making informed decisions due to the discrepancies in the annual financial reports.

Cause

Mercer County Water Resource District does not have a review process in place to ensure the annual financial reports are complete and accurate.

Criteria

Proper internal control according to the COSO framework requires the organization to obtain or generate and use relevant, quality information for internal communication as well as with external parties.

Prior Recommendation

No.

Recommendation

We recommend Mercer County Water Resource District ensure all annual financial reports agree to the underlying records and are complete and accurate.

Mercer County Water Resource District's Response

See Corrective Action Plan

MERCER COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2020-006 PROPER APPROVAL AND SUPPORT FOR EXPENDITURES - COMPONENT UNIT – MATERIAL WEAKNESS**Condition**

During testing it was found that two expenditures totaling \$139,550 were not approved for payment by the board and three expenditures totaling \$1,623 did not have proper supporting documentation regarding the payment.

Effect

Mercer County Water Resource District may be subject to an increased risk of errors, fraudulent financial reporting, asset misappropriation, and corruption.

Cause

Mercer County Water Resource District does not have an adequate process to ensure all expenditures are properly supported and approved by the board.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to expenditures, management is responsible for maintaining adequate support documentation and approving all expenditures.

Prior Recommendation

No.

Recommendation

We recommend Mercer County Water Resource District review and update, if necessary, its current procedures to ensure all expenditures are properly supported and approved by the board.

Mercer County Water Resource District's Response

See Corrective Action Plan

MERCER COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2020-007 INACCURATE BANK RECONCILIATIONS - COMPONENT UNIT – MATERIAL WEAKNESS**Condition**

During testing of the December 31, 2020 bank reconciliation of Mercer County Water Resource District, it was found that a check in the amount of \$139,414 was erroneously excluded.

Effect

There is an increased risk of material misstatement to Mercer County Water Resource District's financial statements whether due to error or fraud if bank reconciliations are not complete and accurate.

Cause

Mercer County Water Resource District does not have adequate procedures in place to ensure bank reconciliations are complete and accurate.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the bank reconciliations, management is responsible for policies and procedures for complete and accurate bank reconciliations.

Prior Recommendation

No.

Recommendation

We recommend Mercer County Water Resource District review its bank reconciliation policies and procedures and update, if necessary, to ensure that all bank reconciliations are complete and accurate.

Mercer County Water Resource District's Response

See Corrective Action Plan

MERCER COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2020-008 INADEQUATE PLEDGE OF ASSETS – COMPONENT UNIT - MATERIAL WEAKNESS**Condition**

Mercer County Water Resource District was under pledged by \$57,270 as of December 31, 2020 and \$49,945 as of December 31, 2019.

Effect

Mercer County Water Resource District is not in compliance with N.D.C.C. §21-04-09.

Cause

Mercer County Water Resource District may not have been aware they were under pledged as of December 31, 2020 and December 31, 2019.

Criteria

N.D.C.C. §21-04-09 states “When securities are pledged to the board of any public corporation, the treasurer or other individual legally charged with the custody of public funds shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits.”

Prior Recommendation

No.

Recommendation

We recommend Mercer County Water Resource District maintain adequate pledges of securities in accordance with N.D.C.C. §21-04-09.

Mercer County Water Resource District’s Response

See Corrective Action Plan

OFFICE OF THE COUNTY AUDITOR

MERCER COUNTY, NORTH DAKOTA

Shana L. Brost, Mercer County Auditor | sbrost@nd.gov

Gwyn Bosch, Deputy Auditor
Alice Grinsteinner, Admin Assistant

Date: November 8, 2021
To: Joshua C. Gallion, ND State Auditor
FROM: Shana L. Brost, County Auditor
RE: Mercer County 2020 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Shana L. Brost, County Auditor

Section I – Financial Statement Findings:

2020-001 AS/400 REPORTING ISSUES – MATERIAL WEAKNESS

Condition:

At times the fund balance reports, revenue and expenditure summary reports, and revenue and expenditure detail reports generated by the AS/400 accounting software do not consistently agree to each other.

Corrective Action Plan: Mercer County will update their software so all reports generated will agree with one another to create further transparency and eliminate the need for supplemental spreadsheets to reconcile at month and year end.

Anticipated Completion Date: Agree. Mercer County Auditor, Treasurer, and Tax Director will work together to find a software program that meets all department needs during fiscal year 2022. We are hopeful to implement as soon as possible, but would like to be up and running no later than January 2023.

2020-002 ADJUSTING JOURNAL ENTRIES – MATERIAL WEAKNESS

Condition:

Material auditor-identified adjusting entries to the financial statements were proposed and adjusted to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Corrective Action Plan: Agree. Mercer County will make certain they are provided with adjustments made by the independent auditor, the adjustments are reviewed, understood and accurate.

Anticipated Completion Date: Corrective action was implemented during the current audit. County Auditor reviewed adjustments with State Auditor's office.

2020-003 LACK OF SEGREGATION OF DUTIES FOR THE TREASURER'S ACCOUNT– MATERIAL WEAKNESS

Condition:

Mercer County Treasurer's Office does not currently have sufficient internal controls surrounding the transactions in the treasurer's account.

Corrective Action Plan: Agree. Mercer County's Treasurer's office will give a copy of the Bank of North Dakota's bank statement monthly to be reconciled by the Auditor's office at month end.

Anticipated Completion Date: Mercer County will take corrective action on this finding immediately, with reconciliation to begin during the November 2021 month end process.

Mercer County Water Resource District

Date: November, 15, 2021
To: Joshua C. Gallion, ND State Auditor
FROM: Mark Kaffar, Mercer County Water Resource District
RE: Mercer County Water Resource District 2020 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Mark Kaffar, Mercer County Water Resource District

This letter is to address the schedule of audit finding and questioned costs as it related to the Mercer County Water Resource District (Board) as identified below.

Section I – Financial Statement Findings:

2020-004 LACK OF SEGREGATION OF DUTIES – COMPONENT UNIT - MATERIAL WEAKNESS

Condition:

The Mercer County Water Resource District has a secretary who is responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Water Resource District Response: Agree, but no action will be taken due to budget constraints.

Corrective Action Plan:

This audit identified a lack of segregation of duties, which increases the risk of fraud and misstatement. I do not believe that this is a significant concern to the district as all financial transactions require two or more board members to complete the transaction and the secretary/treasurer only has access to monitor the identified accounts. Additionally, all financial transactions occur at monthly meetings. This process shall continue to operate with all financial transactions requiring two or more board member signatures to conduct financial transactions on behalf of the board.

Anticipated Completion Date:

This area of concern has been addressed by the board and the newly adopted procedures will continue moving forward.

2020-005 ACCURACY OF FINANCIAL REPORTS – COMPONENT UNIT – MATERIAL WEAKNESS

Condition:

The annual financial reports submitted to the board did not agree to the underlying records for December 31, 2020 and 2019.

Water Resource District Response: Agree, please see Corrective Action Plan

Corrective Action Plan:

The audit identified a lack of accuracy of financial reports. This is a significant area of concern that the Board did not have a process or procedure in place to cross-reference past statements with the current monthly reports coupled with the fact that the Board was not receiving monthly statements on all accounts. Moving forward the board will be cross-referencing all financial accounts at least quarterly with past records of the Board and current bank financial records.

Anticipated Completion Date:

This area of concern has been addressed by the board and the newly adopted procedures will continue moving forward.

2020-006 PROPER APPROVAL AND SUPPORT FOR EXPENDITURES – COMPONENT UNIT – MATERIAL WEAKNESS

Condition:

During testing it was found that two expenditures totaling \$139,550 were not approved for payment by the board and three expenditures totaling \$1,623 did not have proper supporting documentation regarding the payment.

Water Resource District Response: Agree, please see Corrective Action Plan

Corrective Action Plan:

The audit identified a lack of proper approval and support for expenditures. This is an issue that relates to record-keeping for the meeting minutes. The Board was aware and consented to all financial transactions due to our internal procedures requiring signatures of a least two board members. However, the secretary/treasurer will more clearly identify such approval and expenditures in all future meeting minutes. Furthermore, the specific transactions identified were approved by the board during an open meeting.

Anticipated Completion Date:

This area of concern has been addressed by the board and the newly adopted procedures will continue moving forward.

2020-007 INACCURATE BANK RECONCILIATIONS – COMPONENT UNIT – MATERIAL WEAKNESS

Condition:

During testing of the December 31, 2020 bank reconciliation of Mercer County Water Resource District, it was found that a check in the amount of \$139,414 was erroneously excluded.

Water Resource District Response: Agree, please see Corrective Action Plan

Corrective Action Plan:

The audit identified inaccurate bank reconciliations. This relates back to the secretary/treasurer failing to have a process or procedure in place to cross-reference past statements with the current monthly

reports coupled with the fact that the Board was not receiving monthly statements on all accounts. Moving forward the board will be cross-referencing all financial accounts at least quarterly with past records of the Board and current bank financial records.

Anticipated Completion Date:

This area of concern has been addressed by the board and the newly adopted procedures will continue moving forward.

2020-008 INADEQUATE PLEDGE OF ASSETS – COMPONENT UNIT – MATERIAL WEAKNESS

Condition:

Mercer County Water Resource District was under pledged by \$57,270 as of December 31, 2020 and \$49,945 as of December 31, 2019.

Water Resource District Response: Agree, please see Corrective Action Plan

Corrective Action Plan:

The audit identified an inadequate pledge of assets. Moving forward the board will only conduct business with financial institutions that provide adequate pledges to comply with NDCC 21-04-09.

Anticipated Completion Date:

This area of concern has been addressed by the board and the newly adopted procedures will continue moving forward.

Sincerely,



Mark Kaffar
Secretary / Treasurer
Mercer County Water Resource District



GOVERNANCE COMMUNICATION

Board of County Commissioners
Mercer County
Stanton, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Mercer County, North Dakota, for the year ended December 31, 2020 and 2019 which collectively comprise Mercer County's basic financial statements, and have issued our report thereon dated November 15, 2021. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated June 22, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mercer County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2020 and 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

MERCER COUNTYGovernance Communication – Continued

Corrected and Uncorrected Misstatements

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

2020 Adjustments

	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
General Fund		
<u>To Record Intergovernmental Receivable</u>		
Intergovernmental Receivable	143,217	
Intergovernmental Revenue		143,217
Special Revenue Fund		
<u>To Record Intergovernmental Receivable</u>		
Intergovernmental Receivable	129,410	
Intergovernmental Revenue		129,410
Internal Service Fund		
<u>To Record Fund Classification Adjustment</u>		
Expenditures	1,117,049	
Revenue		1,117,049

2019 Adjustments

General Fund		
<u>To Record Fund Balance Receivable Adjustment PPA</u>		
Intergovernmental Revenue	284,640	
Fund Balance - Jan1		284,640
<u>To Record Fund Balance Payables Adjustment PPA</u>		
Fund Balance - Jan 1	82,598	
Expenditures		82,598
<u>To Record Fund Balance Salaries Payable Adjustment PPA</u>		
Fund Balance - Jan 1	27,599	
Expenditures		27,599

MERCER COUNTY

Governance Communication – Continued

2019 Adjustments Continued	Audit Adjustments	
	Debit	Credit
Special Revenue Fund		
<u>To Record Fund Balance Receivable Adjustment PPA</u>		
Intergovernmental Revenue	242,583	
Fund Balance - Jan1		242,583
 <u>To Record Fund Balance Payables Adjustment PPA</u>		
Fund Balance - Jan 1	18,036	
Expenditures		18,036
 <u>To Record Fund Balance Inventory Adjustment PPA</u>		
Fund Balance - Jan 1	204,106	
Expenditures		204,106
 <u>To Record Fund Balance Salaries Payable Adjustment PPA</u>		
Fund Balance - Jan 1	9,074	
Expenditures		9,074
 Non Major Funds		
<u>To Record Fund Balance Cash Adjustment PPA</u>		
Fund Balance - Jan 1	37,182	
Miscellaneous Revenue		37,182
 Internal Service Fund		
<u>To Record Fund Balance Receivable Adjustment PPA</u>		
Revenue	14,680	
Fund Balance - Jan1		14,680
 Enterprise Fund		
<u>To Record Fund Balance Payables Adjustment PPA</u>		
Fund Balance - Jan 1	260	
Expenditures		260
 <u>To Record Fund Balance Salaries Payable Adjustment PPA</u>		
Fund Balance - Jan 1	2,221	
Expenditures		2,221
 Governmental Activities		
<u>To Record Capital Asset PPA</u>		
Capital Assets, Net	2,823,225	
Net Position		2,823,225

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 15, 2021.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 15, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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