



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Mountrail County

Stanley, North Dakota

Audit Report for the Year Ended December 31, 2020

Client Code: PS31000



Photo credit: North Dakota Tourism



Office of the
State Auditor

MOUNTRAIL COUNTY

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WHAT WE LOOKED AT

Our team reviewed financial transactions, expenditures, as well as compliance with laws and regulations.

WHAT WE FOUND



Lacking Estimated Cash Supporting Documentation

Mountrail County may not have confirmed the estimated cash supporting documentation with the preliminary and final budget calculations.

Read more on page 37



Interim Fund Noncompliance

Mountrail County used the upcoming budgeted annual appropriations for its interim fund calculations instead of using the current annual appropriations.

Read more on page 38



County Budget Noncompliance

Each of Mountrail County's approved final budget files did not include all the required elements outlined in North Dakota State Law.

Read more on page 41

ADDITIONAL CONCERNS IDENTIFIED



In addition to the three mentioned above, we found three other areas of concern over the course of our audit. Complete details on these can be found in the full audit report.

MOUNTRAIL COUNTY

County Officials and Audit Personnel
December 31, 2020

COUNTY OFFICIALS

At December 31, 2020

Chairman	Trudy Ruland
Vice Chairman	Wayne Olson
Commissioner	Joan Hollekim
Commissioner	Garry Jacobson
Commissioner	Daniel Uran
County Auditor	Stephanie Pappa
County Treasurer	Jessica Niemitalo
County Recorder	Melissa Vachal
Sheriff	Corey Bristol
State's Attorney	Wade Enget

AUDIT PERSONNEL

Audit Manager	Heath Erickson, CPA
Audit In-Charge	Peishan Merrick

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Mountrail County
Stanley, North Dakota

Report on the Financial Statements

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

Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Mountrail County, North Dakota, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting in Note 1 to the financial statements.

MOUNTRAIL COUNTY

Independent Auditor's Report – Continued

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. Mountrail County prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mountrail County's financial statements. The *Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Special Revenue Fund, 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 Supplementary Information* are presented for purposes of additional analysis and are not a required part of the financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis 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 (Uniform Guidance) and is also not a required part of the financial statements.

The *Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Special Revenue Fund, Schedule of Employer's Share of Net Pension Liability and Employer Contributions, Schedule of Employer's Share of Net OPEB Liability and Employer Contributions, Notes to the Supplementary Information*, and the *Schedule of Expenditures of Federal Awards* are the responsibility of management and were derived from and relate 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 *Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Special Revenue Fund, Schedule of Employer's Share of Net Pension Liability and Employer Contributions, Schedule of Employer's Share of Net OPEB Liability and Employer Contributions, Notes to the Supplementary Information*, and the *Schedule of Expenditures of Federal Awards* are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our audit report dated December 1, 2021 on our consideration of Mountrail 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 Mountrail 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 Mountrail County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 1, 2021

MOUNTRAIL COUNTY

Statement of Net Position – Modified Cash Basis

December 31, 2020

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and Investments	\$ 191,563,067	\$ 213,392
Capital Assets		
Nondepreciable	27,617,118	6,648
Depreciable, Net	<u>191,365,537</u>	<u>94,973</u>
Total Assets	<u>\$ 410,545,722</u>	<u>\$ 315,013</u>
NET POSITION		
Net Investment in Capital Assets	\$ 218,982,655	\$ 101,621
Restricted		
Public Safety	157,328	-
Highways	131,042,071	-
Flood Repair	38,886	-
Health and Welfare	531,755	-
Culture and Recreation	403,067	-
Conservation of Natural Resources	855,441	213,392
Emergencies	1,138,359	-
Unrestricted	<u>57,396,160</u>	<u>-</u>
Total Net Position	<u>\$ 410,545,722</u>	<u>\$ 315,013</u>

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

MOUNTRAIL COUNTY

Statement of Activities – Modified Cash Basis

For the Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Water Resource District
Primary Government						
General Government	\$ 5,422,367	\$ 3,354,014	\$ 2,700,128	\$ -	\$ 631,775	
Public Safety	4,911,829	337,434	249,471	-	(4,324,924)	
Highways	682,270	706,361	7,677,121	2,572,022	10,273,234	
Economic Development	181,155	-	-	-	(181,155)	
Health and Welfare	3,151,636	-	2,975,215	-	(176,421)	
Culture and Recreation	409,163	369,038	458	-	(39,667)	
Conser. of Natural Resources	658,082	60,564	-	-	(597,518)	
Flood Repair	41,624	-	-	-	(41,624)	
Total Primary Government	<u>\$ 15,458,126</u>	<u>\$ 4,827,411</u>	<u>\$ 13,602,393</u>	<u>\$ 2,572,022</u>	<u>\$ 5,543,700</u>	
Component Unit						
Water Resource District	<u>\$ 74,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (74,814)</u>
General Revenues						
Property Taxes					\$ 4,899,571	\$ 68,639
Grants and Contributions Not Restricted to Specific Programs					22,625,422	-
Loss on Disposal of Assets					(201,981)	-
Interest Revenue					1,700,064	129
Miscellaneous Revenue					901,341	-
Total General Revenues					<u>\$ 29,924,417</u>	<u>\$ 68,768</u>
Change in Net Position					<u>\$ 35,468,117</u>	<u>\$ (6,046)</u>
Net Position - January 1					<u>\$ 375,077,605</u>	<u>\$ 321,059</u>
Net Position - December 31					<u>\$ 410,545,722</u>	<u>\$ 315,013</u>

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

MOUNTRAIL COUNTY

Balance Sheet – Governmental Funds – Modified Cash Basis

December 31, 2020

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 57,396,160	\$ 134,166,907	\$ 191,563,067
Total Assets	<u>\$ 57,396,160</u>	<u>\$ 134,166,907</u>	<u>\$ 191,563,067</u>
FUND BALANCES			
Restricted			
Public Safety	\$ -	\$ 157,328	\$ 157,328
Highways	-	131,042,071	131,042,071
Flood Repair	-	38,886	38,886
Health and Welfare	-	531,755	531,755
Culture and Recreation	-	403,067	403,067
Conservation of Natural Resources	-	855,441	855,441
Emergency	-	1,138,359	1,138,359
Unassigned	<u>57,396,160</u>	<u>-</u>	<u>57,396,160</u>
Total Fund Balances	<u>\$ 57,396,160</u>	<u>\$ 134,166,907</u>	<u>\$ 191,563,067</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 57,396,160</u>	<u>\$ 134,166,907</u>	<u>\$ 191,563,067</u>

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

MOUNTRAIL COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – Modified Cash Basis
December 31, 2020

Total <i>Fund Balances</i> for Governmental Funds	\$ 191,563,067
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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.	<u>218,982,655</u>
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Total <i>Net Position</i> of Governmental Activities	<u><u>\$ 410,545,722</u></u>
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The notes to the financial statements are an integral part of this statement.

MOUNTRAIL COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds – Modified Cash Basis
For the Year Ended December 31, 2020

	General	Special Revenue	Total Governmental Funds
REVENUES			
Taxes	\$ 2,333,045	\$ 2,566,526	\$ 4,899,571
Intergovernmental	25,529,861	11,138,391	36,668,252
Charges for Services	569,038	1,246,880	1,815,918
Licenses, Permits and Fees	3,011,493	-	3,011,493
Interest Income	1,487,050	213,014	1,700,064
Miscellaneous	217,076	684,265	901,341
Total Revenues	\$ 33,147,563	\$ 15,849,076	\$ 48,996,639
EXPENDITURES			
Current			
General Government	\$ 5,095,800	\$ -	\$ 5,095,800
Public Safety	4,547,038	290,831	4,837,869
Highways	-	10,126,102	10,126,102
Economic Development	180,588	-	180,588
Health and Welfare	196,238	3,031,283	3,227,521
Culture and Recreation	-	371,369	371,369
Conser. of Natural Resources	154,039	463,258	617,297
Flood Repair	-	41,624	41,624
Capital Outlay	-	10,511,272	10,511,272
Total Expenditures	\$ 10,173,703	\$ 24,835,739	\$ 35,009,442
Excess (Deficiency) of Revenues Over Expenditures	\$ 22,973,860	\$ (8,986,663)	\$ 13,987,197
OTHER FINANCING SOURCES (USES)			
Sale of Capital Asset	\$ -	\$ 695,000	\$ 695,000
Transfers In	134,185	18,305,599	18,439,784
Transfers Out	(18,305,608)	(134,176)	(18,439,784)
Total Other Financing Sources and Uses	\$ (18,171,423)	\$ 18,866,423	\$ 695,000
Net Change in Fund Balances	\$ 4,802,437	\$ 9,879,760	\$ 14,682,197
Fund Balance - January 1	\$ 52,593,723	\$ 124,287,147	\$ 176,880,870
Fund Balance - December 31	\$ 57,396,160	\$ 134,166,907	\$ 191,563,067

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

MOUNTRAIL COUNTY

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

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 14,682,197
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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	\$ 29,976,513	
Current Year Capital Contribution	2,131,585	
Current Year Depreciation	<u>(10,425,197)</u>	<u>21,682,901</u>

Change in <i>Net Position</i> of Governmental Activities	<u>\$ 35,468,117</u>
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The notes to the financial statements are an integral part of this statement.

MOUNTRAIL COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds - Modified Cash Basis

December 31, 2020

	Private-Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and cash equivalents	<u>\$ 264,300</u>	<u>\$ 2,460,978</u>
NET POSITION		
Restricted		
Funds held in trust	\$ 264,300	\$ -
Funds held for Other Governments	<u>-</u>	<u>2,460,978</u>
Total Net Position	<u>\$ 264,300</u>	<u>\$ 2,460,978</u>

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

MOUNTRAIL COUNTY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds - Modified Cash Basis
December 31, 2020

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS		
Tax Collections for Other Governments	\$ -	\$ 20,052,058
Grant Collections for Other Governments	-	15,263,047
Miscellaneous Collections	<u>20,384</u>	<u>2,550</u>
Total Additions	<u>\$ 20,384</u>	<u>\$ 35,317,655</u>
DEDUCTIONS		
Tax Disbursements to Other Governments	\$ -	\$ 20,730,318
Grant Disbursements to Other Governments	-	15,263,047
Miscellaneous Disbursements	<u>-</u>	<u>1,805</u>
Total Deductions	<u>\$ -</u>	<u>\$ 35,995,170</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ 20,384</u>	<u>\$ (677,515)</u>
Net Position - Beginning	<u>\$ -</u>	<u>\$ -</u>
Prior Period Adjustment	<u>\$ 243,916</u>	<u>\$ 3,138,493</u>
Net Position - Beginning Restated	<u>\$ 243,916</u>	<u>\$ 3,138,493</u>
Net Position - Ending	<u>\$ 264,300</u>	<u>\$ 2,460,978</u>

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

MOUNTRAIL COUNTY

Notes to the Financial Statements
For the Years Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mountrail County ("County") have been prepared in conformity with the modified cash basis of accounting 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 County'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 the County is financially accountable and other organizations for which the nature and significance of their relationships with the County such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

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

Component Unit

In conformity with a modified cash basis, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit.

Discretely Presented Component Unit. The component unit column in the basic financial statements includes the financial data of the County's component units. These units are reported in separate columns to emphasize that it is legally separate from the County.

Mountrail County Water Resource District. The Mountrail County Water Resource District ("Water Resource District") governing board is appointed by the County's governing body. The County's governing body has the authority to disapprove, amend, or approve the Water Resource District budget.

Basis of Presentation

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

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

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

MOUNTRAIL 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.

Additionally, the County reports the following fiduciary fund types:

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.

Private-Purpose Trust Funds. These funds account for assets held by the County in a trust on behalf of the other entities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets and long-term debt are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Cash and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts, and certificate of deposits with a maturity date of 90 days or less.

The investments of the County consist of certificates of deposit stated at cost with maturities in excess of 90 days, stated at fair value.

Capital Assets

Primary Government

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

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

Assets	Years
Buildings	5-75
Machinery & Equipment	3-30
Infrastructure	25-50

MOUNTRAIL COUNTY

Notes to the Financial Statements – Continued

Long-Term Liabilities

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

When applicable, 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, and discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) 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. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension note disclosure. Note 7, is shown as additional information to the users of the financial statements.

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, 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. The net OPEB liability is not reported under the modified cash basis of accounting, but the information disclosed in the OPEB note disclosure. Note 8, is shown as additional information to the users of the financial statements.

Fund Balance

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 County to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

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

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

Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance 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 state and federal grants/reimbursements.

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

MOUNTRAIL COUNTY

Notes to the Financial Statements – Continued

Interfund Transactions

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

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

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

NOTE 2: PRIOR PERIOD ADJUSTMENTS

Fiduciary Funds

Net position of the Mountrail County fiduciary funds as of January 1, 2020 has been restated due to the implementation of GASB 84 in fiscal year 2020.

Beginning Net Position, as previously reported	\$ -
Adjustment to restate the January 1, 2020 Net Position	
Private-Purpose Trust Funds	243,916
Custodial Funds	3,138,493
Fiduciary Funds Net Position January 1, as restated	<u>\$ 3,382,409</u>

NOTE 3: DEPOSITS

Custodial Credit Risk

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

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

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

At year ended December 31, 2020, the County's carrying amount of deposits totaled \$194,284,075, and the bank balances totaled \$194,943,704. Of the bank balances, \$1,500,000 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, 2020, the Water Resource District's carrying amount of deposits totaled \$213,392, and the bank balances totaled \$214,667, all of which were covered by Federal Depository Insurance.

MOUNTRAIL COUNTY

Notes to the Financial Statements – Continued

NOTE 4: PROPERTY TAXES

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

NOTE 5: CAPITAL ASSETS**Primary Government**

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

Primary Government	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 1,812,254	\$ -	\$ (72,000)	\$ -	\$ 1,740,254
Construction in Progress	18,123,830	15,571,040	-	(7,818,006)	25,876,864
Total capital assets not being depreciated	\$ 19,936,084	\$ 15,571,040	\$ (72,000)	\$ (7,818,006)	\$ 27,617,118
<i>Capital assets, being depreciated</i>					
Infrastructure	\$ 161,651,106	\$ 15,739,970	\$ -	\$ 7,818,006	\$ 185,209,082
Buildings	37,627,689	-	(259,830)	-	37,367,859
Machinery, Vehicles, & Equipment	14,881,793	971,587	(1,647,641)	-	14,205,739
Total capital assets, being depreciated	\$ 214,160,588	\$ 16,711,557	\$ (1,907,471)	\$ 7,818,006	\$ 236,782,680
<i>Less accumulated depreciation for</i>					
Infrastructure	\$ 27,361,542	\$ 8,340,683	\$ -	\$ -	\$ 35,702,225
Buildings	2,535,387	534,381	(40,600)	-	3,029,168
Machinery, Vehicles, & Equipment	6,003,008	1,550,132	(867,390)	-	6,685,750
Total accumulated depreciation	\$ 35,899,937	\$ 10,425,196	\$ (907,990)	\$ -	\$ 45,417,143
Total capital assets being depreciated, net	\$ 178,260,651	\$ 6,286,361	\$ (999,481)	\$ 7,818,006	\$ 191,365,537
Total capital assets, net	\$ 198,196,735	\$ 21,857,401	\$ (1,071,481)	\$ -	\$ 218,982,655

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

Primary Government	2020
General Government	\$ 441,154
Public Safety	148,428
Highways	9,724,176
Health and Welfare	32,292
Culture and Recreation	40,785
Conservation of Natural Resources	37,794
Economic Development	567
Total Depreciation Expense	\$ 10,425,196

MOUNTRAIL COUNTY

Notes to the Financial Statements – Continued

Water Resource District

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

Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 6,648	\$ -	\$ -	\$ -	\$ 6,648
<i>Capital assets, being depreciated</i>					
Buildings	\$ 25,209	\$ -	\$ -	\$ -	\$ 25,209
Machinery, Vehicles, & Equipment	125,295	-	-	-	125,295
Total capital assets, being depreciated	\$ 150,504	\$ -	\$ -	\$ -	\$ 150,504
<i>Less accumulated depreciation for</i>					
Buildings	\$ 2,520	\$ 1,260	\$ -	\$ -	\$ 3,780
Machinery, Vehicles, & Equipment	43,783	7,968	-	-	51,751
Total accumulated depreciation	\$ 46,303	\$ 9,228	\$ -	\$ -	\$ 55,531
Total capital assets being depreciated, net	\$ 104,201	\$ (9,228)	\$ -	\$ -	\$ 94,973
Total capital assets, net	\$ 110,849	\$ (9,228)	\$ -	\$ -	\$ 101,621

Depreciation expense was charged to the Conservation of Natural Resources function.

NOTE 6: 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.

NOTE 7: PENSION PLAN**General Information about the NDPERS Pension Plan****North Dakota Public Employees Retirement System (Main System)**

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

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

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

MOUNTRAIL COUNTY

Notes to the Financial Statements – Continued

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
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

MOUNTRAIL COUNTY

Notes to the Financial Statements – Continued

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

At December 31, 2020, the County's proportionate share of the net pension liability was \$22,074,059. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020, the County's proportion was .701650, which was an increase of .076463 percent. The Employer's share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

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 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.

MOUNTRAIL COUNTY

Notes to the Financial Statements – Continued

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

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

Sensitivity of the Employer's 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:

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Proportionate Share of the Net Pension Liability	\$ 28,639,435	\$ 22,074,059	\$ 16,701,983

Pension Plan Fiduciary Net Position

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

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

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

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

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

MOUNTRAIL COUNTY

Notes to the Financial Statements – Continued

OPEB Benefits

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

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

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

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

At December 31, 2020, the County's proportionate share of the net OPEB liability was \$552,311. The net OPEB liability was measured as of June 30, 2020, 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, the County's proportion was .656577 percent, which was an increase of .073796 percent. The Employer's share of the net OPEB liability is not reported in financial statements shown under the modified cash basis of accounting.

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

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.

MOUNTRAIL COUNTY

Notes to the Financial Statements – Continued

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 Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 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:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Proportionate Share of the OPEB Liability	\$ 724,368	\$ 552,311	\$ 406,814

NOTE 9: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$4,000,000 per occurrence for general liability and for automobile, and \$9,312,380 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 \$1,000,000 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.

MOUNTRAIL COUNTY

Notes to the Financial Statements – Continued

The County has worker's compensation with the North Dakota Workforce Safety and Insurance.

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

NOTE 10: JOINT VENTURE

Mountrail County entered into a joint venture with Williams, Divide, and McKenzie Counties for the operation of the Upper Missouri District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the property valuation of each county.

Audited summary financial information for the year ended December 31, 2019, the most recent year audited, is as follows:

	Upper Missouri District Health Unit
Total Assets & Deferred Outflows	\$ 2,824,267
Total Liabilities & Deferred Inflows	2,976,958
Net Position	\$ (152,691)
Revenues	\$ 3,109,488
Expenses	3,162,796
Change in Net Position	\$ (53,308)

Complete financial information can be obtained from the Upper Missouri District Health Unit; 110 W Broadway Suite 101, Williston, ND 58801-5522.

NOTE 11: COMMITMENTS

Mountrail County had the following open constructions commitments as of December 31, 2020:

Project	Total Contract with Change Orders	Total Completed	Retainage	Remaining Balance includes Retainages	County Portion	Federal/State Portion	% Complete
Proj. 09(04)13 - CR 9 - 101st From US2 South to ND1804 - Construction	\$ 13,362,372	\$ 10,513,205	\$ 553,327	3,402,493	3,402,493	-	78.68%
Proj. 02(65)18 - CR 2 - Tagus to Blaisdell - Construction	4,188,151	3,823,108	201,228	566,270	566,270	-	91.28%
Proj. UO(96)19 - 96th Ave - Construction	2,136,757	1,073,725	53,686	1,116,718	1,116,718	-	50.25%
Proj. 31-113-06.0 - Cottonwood Bridge Replacement - Construction	256,960	256,960	3,928	3,928	749	3,179	100.00%
Proj. RSO-C731(001) - Signal Installation at 83rd Ave in Van Hook Twp	246,842	160,538	6,422	92,726	9,273	83,453	65.04%
Proj. RSO-C731(022) 83rd Ave. Surface Rehab - Construction	95,011	-	-	95,011	9,501	85,510	0.00%
Proj. RSC-3143(001) - Signal Installation at CR1 - Wabek	246,348	144,498	5,780	107,630	10,763	96,867	58.66%
Proj. 03(76)19 - CR 3 - 76th Ave Gravel Reconstruction - Engineering	300,000	113,341	-	186,659	186,659	-	37.78%
Proj. 04(74)19 - CR 4 - 74th St From ND8 to CR7 - Engineering	900,000	179,703	-	720,297	720,297	-	19.97%
Proj. 09(04)13 - CR 9 - 101st From US2 South to ND1804 - Engineering	2,301,649	2,234,396	-	67,253	67,253	-	97.08%
Proj. 10(01)13 - CR 10 - 51st St from CR3 to CR11 - Engineering	913,848	100,451	-	813,397	813,397	-	10.99%
Proj. 11(67)19 - CR 11 - Blaisdell South from US2 to 59th St - Engineering	191,000	138,699	-	52,301	52,301	-	72.62%
Proj. 19(89)19 - CR 19 - 89th Ave from ND23 S to 36th St - Engineering	347,138	333,629	-	13,509	13,509	-	96.11%
Proj. UO(96)19 - 96th Ave - Engineering	241,810	229,872	-	11,938	11,938	-	95.06%
Proj. 09(100)19 - 101st/54th/100th From ND1804 S to White Earth Bay - Eng	829,743	678,504	-	151,239	151,239	-	81.77%
Proj. 11(67)19 - CR 11 - Blaisdell South from US2 to 59th St - Construction	2,581,621	2,472,341	49,466	158,746	30,273	128,473	95.77%
Proj. PM2021 Chip Seal CR5, CR14, CR17 - Engineering	48,000	-	-	48,000	48,000	-	0.00%
Proj. CR3 Culvert Palermo North Culvert Replacement - Engineering	23,539	-	-	23,539	23,539	-	0.00%
Proj. BRO-0031(056) Cottonwood Lake Culvert Replacement - Engineering	70,000	-	-	70,000	70,000	-	0.00%
Proj. HLC-3115(057) - CR21 - High Friction Surface Treatment - Engineering	9,500	5,991	-	3,510	3,510	-	63.06%
Total	\$ 29,290,288	\$ 22,458,959	\$ 873,836	\$ 7,705,165	\$ 7,307,683	\$ 397,483	76.68%

NOTE 12: CONTINGENT LIABILITIES

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

MOUNTRAIL COUNTY

Budgetary Comparison Schedule - General Fund
December 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,140,686	\$ 2,140,686	\$ 2,333,045	\$ 192,359
Intergovernmental	29,950,972	29,950,972	25,529,861	(4,421,111)
Charges for Services	667,626	667,626	569,038	(98,588)
Licenses, Permits and Fees	3,356,850	3,356,850	3,011,493	(345,357)
Interest Income	3,500,000	3,500,000	1,487,050	(2,012,950)
Miscellaneous	186,004	186,004	217,076	31,072
Total Revenues	\$ 39,802,138	\$ 39,802,138	\$ 33,147,563	\$ (6,654,575)
EXPENDITURES				
Current				
General Government	\$ 7,396,098	\$ 7,396,098	\$ 5,095,800	\$ 2,300,298
Public Safety	5,478,009	5,478,009	4,547,038	930,971
Economic Development	213,074	213,074	180,588	32,486
Health & Welfare	139,715	139,715	196,238	(56,523)
Conservation of Natural Resources	161,808	161,808	154,039	7,769
Total Expenditures	\$ 13,388,704	\$ 13,388,704	\$ 10,173,703	\$ 3,215,001
Excess (Deficiency) of Revenues Over Expenditures	\$ 26,413,434	\$ 26,413,434	\$ 22,973,860	\$ (3,439,574)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 103,000	\$ 103,000	\$ 134,185	\$ 31,185
Transfers Out	(22,358,574)	(22,358,574)	(18,305,608)	4,052,966
Total Other Financing Sources and Uses	\$ (22,255,574)	\$ (22,255,574)	\$ (18,171,423)	\$ 4,084,151
Net Change in Fund Balance	\$ 4,157,860	\$ 4,157,860	\$ 4,802,437	\$ 644,577
Fund Balance - January 1	\$ 52,593,723	\$ 52,593,723	\$ 52,593,723	\$ -
Fund Balance - December 31	\$ 56,751,583	\$ 56,751,583	\$ 57,396,160	\$ 644,577

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

MOUNTRAIL COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
December 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,029,322	\$ 2,029,322	\$ 2,566,526	\$ 537,204
Intergovernmental	3,774,848	3,774,848	11,138,391	7,363,543
Charges for Services	817,510	817,510	1,246,880	429,370
Interest Income	50,000	50,000	213,014	163,014
Miscellaneous	336,650	336,650	684,265	347,615
Total Revenues	<u>\$ 7,008,330</u>	<u>\$ 7,008,330</u>	<u>\$ 15,849,076</u>	<u>\$ 8,840,746</u>
EXPENDITURES				
Current				
Public Safety	\$ 443,856	\$ 443,856	\$ 290,831	\$ 153,025
Highways	20,876,436	20,876,436	10,126,102	10,750,334
Flood Repair	133,257	174,881	41,624	133,257
Health and Welfare	4,437,890	4,438,914	3,031,283	1,407,631
Culture and Recreation	462,399	462,399	371,369	91,030
Conser. of Natural Resources	507,429	507,429	463,258	44,171
Emergency	1,438,043	1,438,043	-	1,438,043
Capital Outlay	51,468,121	51,468,121	10,511,272	40,956,849
Total Expenditures	<u>\$ 79,767,431</u>	<u>\$ 79,810,079</u>	<u>\$ 24,835,739</u>	<u>\$ 54,974,340</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (72,759,101)</u>	<u>\$ (72,801,749)</u>	<u>\$ (8,986,663)</u>	<u>\$ 63,815,086</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ -	\$ -	\$ 695,000	\$ 695,000
Transfers In	\$ 19,343,600	\$ 19,343,600	\$ 18,305,599	\$ (1,038,001)
Transfers Out	(153,775)	(153,775)	(134,176)	19,599
Total Other Financing Sources and Uses	<u>\$ 19,189,825</u>	<u>\$ 19,189,825</u>	<u>\$ 18,866,423</u>	<u>\$ (323,402)</u>
Net Change in Fund Balances	<u>\$ (53,569,276)</u>	<u>\$ (53,611,924)</u>	<u>\$ 9,879,760</u>	<u>\$ 63,491,684</u>
Fund Balance - January 1	<u>\$ 124,287,147</u>	<u>\$ 124,287,147</u>	<u>\$ 124,287,147</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 70,717,871</u>	<u>\$ 70,675,223</u>	<u>\$ 134,166,907</u>	<u>\$ 63,491,684</u>

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

MOUNTRAIL COUNTY

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

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

	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	0.701650%	\$ 22,074,059	\$ 7,740,050	285.19%	48.91%
2019	0.625187%	7,327,644	6,503,005	112.68%	71.66%
2018	0.633723%	10,694,767	6,510,346	164.27%	62.80%
2017	0.628578%	10,103,331	6,416,796	157.45%	61.98%
2016	0.592772%	5,777,141	5,973,748	96.71%	70.46%
2015	0.540752%	3,677,021	4,817,448	76.33%	77.15%
2014	0.480448%	3,527,033	4,047,196	87.15%	77.70%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2020	\$ 548,063	\$ 530,111	\$ 17,952	\$ 7,740,050	6.85%
2019	473,456	476,906	(3,450)	6,503,005	7.33%
2018	479,515	464,168	15,347	6,510,346	7.13%
2017	465,296	445,016	20,280	6,416,796	6.94%
2016	432,489	421,492	10,997	5,973,748	7.06%
2015	365,923	367,420	(1,497)	4,817,448	7.63%
2014	288,160	288,160	-	4,047,196	7.12%

The notes to the required supplementary information are an integral part of this statement.

MOUNTRAIL COUNTY

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

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

	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-	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.656577%	\$ 552,311	\$ 7,484,782	7.38%	63.38%
2019	0.582781%	468,082	6,503,005	7.20%	63.13%
2018	0.594978%	468,586	6,510,346	7.20%	61.89%
2017	0.593137%	469,178	6,416,796	7.31%	59.78%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2020	\$ 87,931	\$ 83,824	\$ 4,107	\$ 7,484,782	1.12%
2019	75,630	76,358	(728)	6,503,005	1.17%
2018	76,363	74,318	2,045	6,510,346	1.14%
2017	74,591	71,251	3,340	6,416,796	1.11%

The notes to the required supplementary information are an integral part of this statement.

MOUNTRAIL COUNTY

Notes to the Supplementary Information
For the Years Ended December 31, 2020

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2: 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, 2019.

MOUNTRAIL COUNTYNotes to the Supplementary Information - Continued

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

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

Pension

- The investment return assumption was lowered from 7.5% to 7.0%
- 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 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 County budget for 2020 as follows:

	Original Budget	Amendment	Amended Budget
EXPENDITURES/TRANSFERS OUT			
Special Revenue Fund	\$ 79,921,206	\$ 42,648	\$ 79,963,854

MOUNTRAIL COUNTY

Schedule of Expenditures of Federal Awards – Modified Cash Basis
For the Years Ended December 31, 2020

Assistance Listing Number	Program Title	Pass-Through Grantor's Number	Expenditures
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.228	Passed Through Assistant Secretary for Community Planning and Development Community Development Block Grants	4472-CD1218-H	\$ 25,000
US DEPARTMENT OF THE INTERIOR			
15.227	Passed Through State Department of the Treasurer Taylor Grazing	N/A	\$ 59
15.433	Flood Control Act Lands	N/A	19,685,774
15.437	Mineral Leasing Act	N/A	2,285,196
	Total Passed Through State Department of the Treasurer		\$ 21,971,029
15.605	Passed Through State Department of Game and Fish Sport Fish Restoration Program	N/A	\$ 458
	Total Department of the Interior		\$ 21,971,487
US DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.044	Passed Through State Department of Human Services Special Programs for the Aging	S091	\$ 98,130
US DEPARTMENT OF THE TREASURY			
21.019	Passed through State Department of the Treasurer Coronavirus Relief Fund	N/A	\$ 883,759
US DEPARTMENT OF HOMELAND SECURITY:			
97.042	Passed through the State Department Emergency Management: Emergency Management Performance Grants	EMPG2019	\$ 22,847
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4509, DR4475	36,727
	Total U.S. Department of Homeland Security		\$ 59,574
	Total Expenditures of Federal Awards		\$ 23,037,950
See notes to the Schedule of Expenditures of Federal Awards			

MOUNTRAIL COUNTY

Notes to the Schedule of Federal Awards
For the Years Ended December 31, 2020

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on the modified cash basis of accounting. For certain programs shown on the schedule of expenditures of federal awards, federal reimbursements are not based upon specific expenditures, the amounts reported here represent cash received rather than federal expenditures. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget Uniform Guidance. The County received federal awards both directly and indirectly through pass-through entities. The County has not provided any deferral financial assistance to subrecipients.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Governmental fund types account for the County's federal grant activity. The County's summary of significant accounting policies is presented in Note 1 in the County's basic financial statements.

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 does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

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

Independent Auditor's Report

Board of County Commissioners
Mountrail County
Stanley, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mountrail County as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Mountrail County's basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings and questioned costs* as items 2020-001, 2020-002, and 2020-005 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of audit findings and questioned costs* as item 2020-003, 2020-004, and 2020-006 to be a significant deficiency.

MOUNTRAIL 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 Mountrail 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying *schedule of audit findings and questioned costs* as items 2020-002 and 2020-005.

Mountrail County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 1, 2021



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of County Commissioners
Mountrail County
Stanley, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Mountrail County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mountrail County's major federal programs for the year ended December 31, 2020. Mountrail County's major federal programs are 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 the compliance for each of Mountrail County's major federal programs 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 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 Mountrail 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 each major federal program. However, our audit does not provide a legal determination of Mountrail County's compliance.

Opinion on Each Major Federal Program

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

MOUNTRAIL COUNTY

Report on Compliance for Each Major Federal Programs; And Report on Internal Control Over Compliance Required by the Uniform Guidance - Continued

Report on Internal Control over Compliance

Management of Mountrail County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mountrail County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 the Mountrail 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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. 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
December 1, 2021

MOUNTRAIL COUNTY

Summary of Auditor's Results
For the Years Ended December 31, 2020

Financial Statements

Type of Report Issued:

Governmental Activities	Unmodified
Discretely Presented Component Unit	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> X </u> Yes	<u> </u> None Noted
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </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?	<u> </u> Yes	<u> X </u> None noted

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
15.433	Flood Control Act
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

MOUNTRAIL COUNTY

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

2020-001 – LACK OF SUPPORTING DOCUMENTATION FOR BUDGETED ESTIMATED CASH - MATERIAL WEAKNESS

Condition

Mountrail County's estimated cash amount for the 2020 General Fund budget did not agree to the supporting documentation for the estimate. See schedule below showing the difference:

Fund	Amounts		Difference	
	Preliminary Budget Estimated Cash	Supporting Schedule	Amount	Percentage
General Fund	\$ 22,652,599	\$ 52,124,806	\$ (29,472,207)	-57%

Criteria

N.D.C.C. §57-15-31(1) states, "The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- The available surplus consisting of the free and unencumbered cash balance;
- Estimated revenues from sources other than direct property taxes;
- The total estimated collections from tax levies for previous years;
- Expenditures that must be made from bond sources;
- The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03."

Cause

Mountrail County may not have confirmed the estimated cash supporting documentation with the preliminary and final budget calculations.

Effect

The estimates for year-end cash are key components in the tax levy calculation in any budget year. Thus, Mountrail County may have improperly calculated the tax levies for the funds listed in the above schedule.

Repeat Finding

Yes.

Recommendation

We recommend that Mountrail County ensure its compliance with all aspects of N.D.C.C. §57-15-31(1) and resolve any current circumstances if deemed appropriate by management. We further recommend that Mountrail County review budgeted cash estimates carefully to ensure proper documentation exists to support the estimated cash used in the preliminary and final budgets prior to approval.

Mountrail County's Response

See Corrective Action Plan starting at page 43

MOUNTRAIL COUNTY

Schedule of Audit Findings and Questioned Costs - Continued

2020-002 – INTERIM FUND – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE**Condition**

Mountrail County's interim fund for the 2020 General Fund and 2020 Road & Bridge Fund budgets were in excess of the 75% maximum allowed by N.D.C.C. §57-15-27 by \$4,388,693 and \$2,965,392, respectively. See schedule below for amounts above the maximum amount:

	Amounts		75% Max		Amount Above 75% Max	
	Current Year Appropriation	Upcoming Budgeted Interim Fund	Amount	Percentage	Amount	Percentage
General fund \$	29,895,688	\$ 26,810,459	\$ 22,421,766	75%	\$ 4,388,693	15%
Road and Bridge Fund	65,774,551	52,296,305	49,330,913	75%	2,965,392	5%

Criteria

N.D.C.C. §57-15-27 states, "The governing body of any county, city, park district, or municipality, other than a school district, which is authorized to levy taxes may include in its budget an item to be known as the "interim fund" which must be carried over to the next ensuing fiscal year to meet the cash requirements of all funds or purposes to which the credit of the municipality may be legally extended, for that portion of such fiscal year prior to the receipt of taxes therein. In no case may the interim fund be in excess of the amount reasonably required to finance the municipality for the first nine months of the next ensuing fiscal year. The interim fund may not be in excess of three-fourths of the current annual appropriation for all purposes other than debt retirement purposes and appropriations financed from bond sources."

Cause

Mountrail County used the upcoming budgeted annual appropriations for its interim fund calculations instead of using the current annual appropriations.

Effect

Mountrail County may be in noncompliance with N.D.C.C. §57-15-27. Furthermore, the interim funds are key components in the tax levy calculation in any budget year. Thus, Mountrail County may have improperly calculated the tax levies for the funds listed in the above schedule.

Repeat Finding

Yes.

Recommendation

We recommend that Mountrail County ensure its compliance with all aspects of N.D.C.C. §57-15-27 and resolve any current circumstances if deemed appropriate by management. We further recommend that Mountrail County review its interim fund calculation for all budgets to ensure it is appropriate prior to approval.

Mountrail County's Response

See Corrective Action Plan starting at page 43

MOUNTRAIL COUNTYSchedule of Audit Findings and Questioned Costs - Continued

2020-003 – ADJUSTING JOURNAL ENTRIES – REVENUE MISCLASSIFICATION - SIGNIFICANT DEFICIENCY**Condition**

Material auditor-identified adjusting entries for the reclassification of miscellaneous revenue totaling \$408,488 for 2020, was proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting. The financial statements reflect the adjustments and were approved by management.

Criteria

Mountrail County is responsible for ensuring its annual financial statements, including revenues and other financing sources, are reliable, accurate, free of material misstatement, and in accordance with modified cash basis of accounting.

Cause

Mountrail County, at times, records various transactions as miscellaneous revenue instead of the appropriate categories in accordance with the modified cash basis of accounting.

Effect

The financial statements may have been materially misstated if the reclassifications had not been adjusted during the audit.

Repeat Finding

Yes.

Recommendation

We recommend that Mountrail County review all revenue transactions carefully to ensure the appropriate classification and presentation in the financial statements, in accordance with modified cash basis of accounting.

Mountrail County's Response

See Corrective Action Plan starting at page 43

MOUNTRAIL COUNTYSchedule of Audit Findings and Questioned Costs - Continued

2020-004 – IMPROPER BANK RECONCILIATION – SIGNIFICANT DEFICIENCY**Condition**

Mountrail County failed to perform a proper bank reconciliation for the payroll checking account as of December 31, 2020. The bank reconciliation was then performed by the ND State Auditor's Office and was reviewed during the audit.

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 adequate internal controls surrounding the review process.

Cause

The current County Treasurer continued the same improper bank reconciliation process as the prior County Treasurer for the payroll checking account.

Effect

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

Repeat Finding

Yes.

Recommendation

We recommend Mountrail County review its bank reconciliation procedures and update if necessary, to ensure that all bank reconciliations are completed in a timely manner and are accurate on a monthly basis.

Mountrail County's Response

See Corrective Action Plan starting at page 43

MOUNTRAIL COUNTY

Schedule of Audit Findings and Questioned Costs - Continued

2020-005 – COUNTY BUDGET - MATERIAL WEAKNESS - MATERIAL NONCOMPLIANCE

Condition

Each of Mountrail County's approved 2020 preliminary and final budget files did not include all the required elements of N.D.C.C. §11-23-02.

Criteria

N.D.C.C. §11-23-02 states, " The county auditor shall prepare an annual budget for the general fund, each special revenue fund, and each debt service fund of the county in the form prescribed by the state auditor. The budget must set forth specifically:

1. The detailed breakdown of the estimated revenues and appropriations requested for each fund for the ensuing year.
2. The detailed breakdown of the revenues and expenditures for each fund for the preceding year.
3. The detailed breakdown of estimated revenues and expenditures for each fund for the current year.
4. The transfers in or out for each fund for the preceding year and the estimated transfers in or out for the current year and the ensuing year.
5. The beginning and ending balance of each fund or estimates of the balances for the preceding year, current year, and ensuing year.
6. The tax levy request for any funds levying taxes for the ensuing year.
7. The certificate of levy showing the amount levied for each fund and the total amount levied.
8. The budget must be prepared on the same basis of accounting used by the county for its annual financial reports.
9. The amount of cash reserve for the general fund and each special revenue fund, not to exceed seventy-five percent of the appropriation for the fund.

Cause

Mountrail County may not have been aware of the requirements of N.D.C.C. §11-23-02.

Effect

The elements identified in N.D.C.C. §11-23-02 are key components in the tax levy calculation in any budget year. Thus, Mountrail County may have improperly calculated the tax levies for its 2020 preliminary and final budgets.

Repeat Finding

No.

Recommendation

We recommend that Mountrail County ensure its compliance with all aspects of N.D.C.C. §11-23-02 and resolve any current circumstances if deemed appropriate by management.

Mountrail County's Response

See Corrective Action Plan starting at page 43

MOUNTRAIL COUNTY

Schedule of Audit Findings and Questioned Costs - Continued

2020-006 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNIT – SIGNIFICANT DEFICIENCY

Condition

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

Criteria

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

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Mountrail County Water Resource District.

Cause

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

Repeat Finding

Yes.

Recommendation

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

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

Mountrail County's Response

See Corrective Action Plan starting at page 43

**Office of the Mountrail County Auditor
State of North Dakota**

Stephanie A. Pappa - County Auditor
Mountrail County Courthouse
101 North Main Street - Box 69
Stanley, North Dakota 58784-0069
Tel. (701) 628-2145 Fax (701) 628-2276

Date: November 16, 2021
To: Joshua C. Gallion, ND State Auditor
FROM: Steph Pappa, County Auditor
RE: Mountrail County 2020 - Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Steph Pappa, County Auditor

Financial Statement Findings:

2020-001 – LACK OF SUPPORTING DOCUMENTATION FOR BUDGETED ESTIMATED CASH - MATERIAL WEAKNESS

Condition:

Mountrail County's estimated cash amount for the 2020 General Fund budget did not agree to the supporting documentation for the estimate. See schedule below showing the difference:

Fund	Amounts		Difference	
	Preliminary Budget Estimated Cash	Supporting Schedule	Amount	Percentage
General Fund \$	22,652,599	\$ 52,124,806	\$ (29,472,207)	-57%

Corrective Action Plan:

We Agree: The Auditors office conducts a preliminary cash estimate closer to the October Final Budget approval for a more accurate estimate and the change went into effect for the 2022 budget year.

Anticipated Completion Date:

Fiscal Year 2022 (due to budgets being finalized for the 2021 year)

2020-002 – INTERIM FUND – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

Condition:

Mountrail County's interim fund for the 2020 General Fund and 2020 Road & Bridge Fund budgets were in excess of the 75% maximum allowed by N.D.C.C. §57-15-27 by \$4,388,693 and \$2,965,392, respectively. See schedule below for amounts above the maximum amount:

	Amounts		75% Max		Amount Above 75% Max	
	Current Year Appropriation	Upcoming Budgeted Interim Fund	Amount	Percentage	Amount	Percentage
General fund \$	29,895,688	\$ 26,810,459	\$ 22,421,766	75%	\$ 4,388,693	15%
Road and Bridge Fund	65,774,551	52,296,305	49,330,913	75%	2,965,392	5%

Corrective Action Plan:

We Agree: The Auditors office will work with the Board to ensure the N.D.C.C §57-15-27 is followed in the 2022 budget. The Commissioners are not in agreement as the wording can be interpreted differently under N.D.C.C §11-23-02(9) and N.D.C.C. §57-15-27 causing statutory uncertainty.

Anticipated Completion Date:

Corrected in 2021 for 2022 Budget year

2020-003 – ADJUSTING JOURNAL ENTRIES – REVENUE MISCLASSIFICATION - SIGNIFICANT DEFICIENCY**Condition:**

Material auditor-identified adjusting entries for the reclassification of miscellaneous revenue totaling \$408,488 for 2020, respectively, were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting. The financial statements reflect the adjustments and were approved by management.

Corrective Action Plan:

We Agree: The Treasurer's Office will work with the Auditors Office to make sure the revenues are properly classified in the future.

Anticipated Completion Date:

Fiscal Year 2021

2020-004 – IMPROPER BANK RECONCILIATION – SIGNIFICANT DEFICIENCY**Condition:**

Mountrail County failed to perform a proper bank reconciliation for the payroll checking account as of December 31, 2020. The bank reconciliation was then performed by the ND State Auditor's Office and was reviewed during the audit.

Corrective Action Plan:

We Agree: The Treasurer will fix the breakdown of all reconciles for 2021.

Anticipated Completion Date:

Fiscal Year 2021

2020-005 – COUNTY BUDGET - MATERIAL WEAKNESS - MATERIAL NONCOMPLIANCE**Condition:**

Each of Mountrail County's approved 2020 preliminary and final budget files did not include all the required elements of N.D.C.C. §11-23-02.

Corrective Action Plan

We Agree: The County will ensure the compliance in N.D.C.C. §11-23-02 for the fiscal year 2022 budget.

Anticipated Completion Date

Corrected in 2021 for 2022 Budget year

2020-006 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNIT – SIGNIFICANT DEFICIENCY

Condition

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

Corrective Action Plan

We Agree: The Water Resource Board will work with the Treasurer to make sure the segregation of duties can be completed in the future. To hire more people is cost prohibitive for the Water Resource District.

Anticipated Completion Date

Fiscal Year 2021

**Office of the Mountrail County Auditor
State of North Dakota**

Stephanie A. Pappa - County Auditor
Mountrail County Courthouse
101 North Main Street - Box 69
Stanley, North Dakota 58784-0069
Tel. (701) 628-2145 Fax (701) 628-2276

Date: October 8, 2021
To: Joshua C. Gallion, ND State Auditor
FROM: Steph Pappa, County Auditor
RE: Mountrail County – 2020 Audit - Status of Prior Recommendations

2019-001 – FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

Mountrail County currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by the modified cash basis of accounting. Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Recommendation

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

Current Status

We are aware of the risk of having the State Auditors doing the financial statement preparation but the Auditor is working with the State Auditors to have them teach how to prepare the financial statements for either Fiscal year 2021 or 2022.

2019-002 – LACK OF SUPPORTING DOCUMENTATION FOR BUDGETED ESTIMATED CASH - MATERIAL WEAKNESS

Condition

Mountrail County's estimated cash amounts for the 2018 General Fund budget, 2019 General Fund budget, and the 2019 County Road & Bridge Fund budget did not agree to the supporting documentation for the estimates. See schedule below showing the differences:

Year & Fund	Amounts		Difference	
	Preliminary Budget	Supporting	Dollar	Percent
	Estimated Cash	Schedule		
General Fund - 2018	\$ 16,703,224	\$ 34,697,714	\$(17,994,490)	-51.9%
General Fund - 2019	15,202,819	43,748,600	(28,545,781)	-65.2%
Road & Bridge - 2019	70,641,479	81,982,178	(11,340,699)	-13.8%

Recommendation

We recommend that Mountrail County ensure its compliance with all aspects of N.D.C.C. §57-15-31(1) and resolve any current circumstances if deemed appropriate by management. We further recommend that Mountrail County review budgeted cash estimates carefully to ensure proper documentation exists to support the estimated cash used in the preliminary and final budgets prior to approval.

Current Status

Corrected in 2021 for 2022 Budget year

2019-003 – INTERIM FUND – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

Condition

Mountrail County's interim fund for the 2018 Road & Bridge Fund and 2019 General Fund budgets were in excess of the 75% maximum allowed by N.D.C.C. §57-15-27 by \$17,599,599 and \$2,356,128, respectively. See schedule below for amounts above the maximum amount:

	Amounts		75% Max		Amount above 75% Max	
	Current Year Appropriation	Upcoming Budgeted Interim Fund	Dollar	Percent	Dollar	Percent
General Fund						
General Fund - 2019	\$ 27,886,378	\$ 23,270,912	\$ 20,914,784	75.00%	\$ 2,356,129	8.45%
Special Revenue Fund						
Road & Bridge - 2018	26,945,695	37,808,870	20,209,271	75.00%	17,599,599	65.32%

Recommendation:

We recommend that Mountrail County ensure its compliance with all aspects of N.D.C.C. §57-15-27 and resolve any current circumstances if deemed appropriate by management. We further recommend that Mountrail County review its interim fund calculation for all budgets to ensure it is appropriate prior to approval.

Current Status

Completed in Fiscal Year 2022 budget

2019-004 – ADJUSTING JOURNAL ENTRIES – REVENUE MISCLASSIFICATION - MATERIAL WEAKNESS

Condition

Material auditor-identified adjusting entries for the reclassification of miscellaneous revenue totaling \$661,665 and \$372,993 for 2018 and 2019, respectively, were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting. The financial statements reflect the adjustments and were approved by management.

Recommendation

We recommend that Mountrail County review all revenue transactions carefully to ensure the appropriate classification and presentation in the financial statements, in accordance with modified cash basis of accounting.

Current Status:

Completed in Fiscal Year 2021

2019-005 – CAPITAL ASSET MAINTENANCE - MATERIAL WEAKNESS

Condition

Material auditor-identified adjusting entries for 2018 and 2019 capital assets in the net amounts of \$695,923 and \$16,811,441, respectively, were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Recommendation

We recommend that Mountrail County review the capital asset additions and deletions list at the end of the year with the various department heads to ensure that the capital asset listing is accurate and free of material misstatement.

Current Status

Completed in Fiscal Year 2020

2019-006 – UNTIMELY TAX DISBURSEMENTS – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

Condition

Mountrail County did not distribute property taxes of \$1,799,666 and \$1,772,806 that were collected in December of 2017 and 2018, respectively, by the tenth working day of the following month of each year. The disbursements occurred in February of 2018 and 2019.

Recommendation

We recommend Mountrail County distribute taxes by the tenth working day of each calendar month in order to ensure compliance with N.D.C.C. §11-14-10.

Current Status:

Completed in Fiscal Year 2020

2019-007 – GROSS PRODUCTION TAX SUBMISSION – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

Condition

Mountrail County failed to perform the following when submitting the Gross Production Tax (GPT) Expenditure Report to the Office of the State Tax Commissioner for 2018 and 2019:

- Include a statement of revenues and expenditures;
- List the amounts expended from the General Fund from the oil and gas allocations; and
- List the amounts expended from the allocations to townships and the purposes of the expenditures.

Recommendation

We recommend Mountrail County perform the following when submitting the GPT Expenditure Report to the Office of the State Tax Commissioner in order to ensure compliance with N.D.C.C. §57-51-16(6):

- Attach a statement of revenues and expenditures;
- List the amounts expended from the General Fund from the oil and gas allocations; and
- List the amounts expended from the allocations to townships and the purposes of the expenditures.

Current Status

Completed in Fiscal Year 2020

2019-008 – IMPROPER BANK RECONCILIATION – MATERIAL WEAKNESS

Condition

Mountrail County failed to perform a proper bank reconciliation for one of the bank accounts as of December 31, 2019. The bank reconciliation was then performed by the ND State Auditor's Office and was reviewed during the audit.

Recommendation

We recommend Mountrail County review its bank reconciliation procedures and update if necessary, to ensure that all bank reconciliations are completed in a timely manner and are accurate on a monthly basis.

Current Status

Completed in Fiscal Year 2021

2019-009 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNIT – MATERIAL WEAKNESS

Condition

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

Recommendation

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

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

Current Status

The Water District board will work with the Treasurer to make sure the segregation of duties can be completed in the future.

2019-010 - FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY

Condition

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

Recommendation

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

Current Status

Completed in Fiscal Year 2020

STATE AUDITOR
Joshua C. Gallion



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701-328-2241

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STATE CAPITOL
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GOVERNANCE COMMUNICATION

Board of County Commissioners
Mountrail County
Stanley, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Mountrail County, North Dakota, and the respective changes in financial position for the year ended December 31, 2020, which collectively comprise Mountrail County's basic financial statements, and have issued our report thereon dated December 1, 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

As stated in our engagement letter dated August 9, 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. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

As part of obtaining reasonable assurance about whether Mountrail 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 Mountrail County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2020. 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.

MOUNTRAIL COUNTY

Governance Communication – Continued

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

Corrected and Uncorrected Misstatements

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

	Audit Adjustments	
	Debit	Credit
Governmental Activities		
<u>To Reclassify Miscellaneous Revenues</u>		
Miscellaneous Revenue	408,488	-
Intergovernmental Revenue	-	408,488

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 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.

MOUNTRAIL COUNTY

Governance Communication – Continued

Other Audit Findings or Issues

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

This information is intended solely for the use of the Board of County Commissioners and management of Mountrail County, 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 Mountrail 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 Mountrail County.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 1, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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