



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Rolette County

Rolla, North Dakota

Audit Report for the Year Ended December 31, 2020

*Client Code: PS40000*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

# ROLETTE COUNTY

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For the Year Ended December 31, 2020

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## **ROLETTE COUNTY**

County Officials and Audit Personnel  
December 31, 2020

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### **COUNTY OFFICIALS**

Eldon Moors, Sr.	Chairman
Henry LaRocque	Vice-Chairman
Craig Poitra	Commissioner
Allen Schlenvogt	Commissioner
Archie Metcalfe	Commissioner
Valerie McCloud	Auditor
Kandace Desjarlais	Treasurer
Nathan Gustafson	Sheriff
Sarah Bruce	Recorder
Brian Grosinger	State's Attorney

### **AUDIT PERSONNEL**

Heath Erickson, CPA	Audit Manager
Brian Hermanson	Audit In-Charge

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Rolette County  
Rolla, North Dakota

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rolette County, North Dakota, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, Rolette County adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

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

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

*Other Information*

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

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

**ROLETTE COUNTY**Independent Auditor's Report - Continued

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021 on our consideration of the Rolette County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rolette County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 3, 2021

**ROLETTE COUNTY**

Statement of Net Position

December 31, 2020

		Component Units	
		Water	Health
	Governmental	Resource	District
	Activities	District	District
<b>ASSETS</b>			
Cash and Investments	\$ 957,789	\$ 43,705	\$ 583,299
Intergovernmental Receivable	427,507	-	150,196
Accounts Receivable	38,982	-	-
Taxes Receivable	132,294	1,057	5,515
Road Receivables	11,487	-	-
Capital Assets			
Nondepreciable	134,500	-	-
Depreciable, Net	16,658,464	-	362,455
Total Assets	<u>\$ 18,361,023</u>	<u>\$ 44,762</u>	<u>\$ 1,101,465</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions & OPEB	<u>\$ 2,517,081</u>	<u>\$ -</u>	<u>\$ 878,561</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 35,945	\$ -	\$ -
Salaries Payable	12,303	-	21,064
Interest Payable	146,848	-	-
Retainage Payable	1,991	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	394,762	-	-
Compensated Absences Payable	11,441	-	5,042
Due After One Year			
Long-Term Debt	9,221,417	-	-
Compensated Absences Payable	102,969	-	45,374
Net Pension & OPEB Liability	2,548,687	-	1,443,788
Total Liabilities	<u>\$ 12,476,363</u>	<u>\$ -</u>	<u>\$ 1,515,268</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions & OPEB	<u>\$ 1,722,821</u>	<u>\$ -</u>	<u>\$ 197,028</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 7,027,946	\$ -	\$ 362,455
Restricted for			
Highways & Bridges	62,422	-	-
Emergencies	99,023	-	-
Health and Welfare	7,894	-	-
Conservation of Natural Resources	58,664	44,762	-
Debt Service	179,591	-	-
Unrestricted	<u>(756,620)</u>	<u>-</u>	<u>(94,725)</u>
Total Net Position	<u>\$ 6,678,920</u>	<u>\$ 44,762</u>	<u>\$ 267,730</u>

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

# ROLETTE COUNTY

## Statement of Activities

For the Year Ended December 31, 2020

					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues			Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	Health District
<b>Primary Government</b>							
Governmental Activities							
General Government	\$ 1,417,986	\$ 41,636	\$ -	\$ 58,695	\$ (1,317,655)		
Public Safety	1,841,469	466,904	146,985	-	(1,227,580)		
Highways & Public Improvement	1,945,450	133,229	993,176	-	(819,045)		
Health and Welfare	142,381	1,298	25,693	-	(115,390)		
Conserv. of Natural Resources	117,271	-	-	-	(117,271)		
Emergency	-	-	25,746	-	25,746		
Interest on Long-Term Debt	358,146	-	-	-	(358,146)		
Total Primary Government	\$ 5,822,703	\$ 643,067	\$ 1,191,600	\$ 58,695	\$ (3,929,341)		
<b>Component Units</b>							
Water Resource Board	\$ 6,060	\$ -	\$ -	\$ -		\$ (6,060)	\$ -
Health District	1,522,589	245,096	1,161,806	336,728		-	221,041
Total Component Units	\$ 1,528,649	\$ 245,096	\$ 1,161,806	\$ 336,728		\$ (6,060)	\$ 221,041
<b>General Revenues</b>							
Property Taxes					\$ 2,326,783	\$ 17,452	\$ 93,723
Non Restricted Grants and Contributions					1,644,066	-	-
Unrestricted Investment Earnings					11,772	153	-
Net Loss on Sale of Capital Assets					(79)	-	-
Miscellaneous Revenue					344,568	48	12,186
Total General Revenues					\$ 4,327,110	\$ 17,653	\$ 105,909
Change in Net Position					\$ 397,769	\$ 11,593	\$ 326,950
Net Position - January 1					\$ 6,266,533	\$ 33,169	\$ (61,814)
Prior Period Adjustment					\$ 14,618	\$ -	\$ 2,594
Net Position - January 1 as restated					\$ 6,281,151	\$ 33,169	\$ (59,220)
Net Position - December 31					\$ 6,678,920	\$ 44,762	\$ 267,730

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



**ROLETTE COUNTY**

Balance Sheet – Governmental Funds  
December 31, 2020

	General	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 371,760	\$ 420,128	\$ 165,901	\$ 957,789
Intergovernmental Receivable	309,205	118,302	-	427,507
Accounts Receivable	6,742	32,240	-	38,982
Taxes Receivable	82,142	36,462	13,690	132,294
Road Receivables	-	11,487	-	11,487
Total Assets	<u>\$ 769,849</u>	<u>\$ 618,619</u>	<u>\$ 179,591</u>	<u>\$1,568,059</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 23,829	\$ 12,116	\$ -	\$ 35,945
Salaries Payable	5,646	6,657	-	12,303
Total Liabilities	<u>\$ 29,475</u>	<u>\$ 18,773</u>	<u>\$ -</u>	<u>\$ 48,248</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 82,142	\$ 36,462	\$ 13,690	\$ 132,294
Road Receivable	-	11,487	-	11,487
Total Deferred Inflows of Resources	<u>\$ 82,142</u>	<u>\$ 47,949</u>	<u>\$ 13,690</u>	<u>\$ 143,781</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 111,617</u>	<u>\$ 66,722</u>	<u>\$ 13,690</u>	<u>\$ 192,029</u>
Fund Balances				
Restricted				
General Government	\$ -	\$ 7,507	\$ -	\$ 7,507
Highways and Bridges	-	387,070	-	387,070
Public Safety	-	14,098	-	14,098
Emergency	-	94,379	-	94,379
Health and Welfare	-	11,394	-	11,394
Conservation of Natural Resources	-	51,924	-	51,924
Debt Service	-	-	165,901	165,901
Unassigned				
General Fund	658,232	-	-	658,232
Negative Fund Balance	-	(14,475)	-	(14,475)
Total Fund Balances	<u>\$ 658,232</u>	<u>\$ 551,897</u>	<u>\$ 165,901</u>	<u>\$1,376,030</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 769,849</u>	<u>\$ 618,619</u>	<u>\$ 179,591</u>	<u>\$1,568,059</u>

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

## ROLETTE COUNTY

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

December 31, 2020

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<b>Total Fund Balances of Governmental Funds</b>	<b>\$ 1,376,030</b>
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	16,792,964
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Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.

Road Accounts Receivable	\$ 11,487	
Property Taxes Receivable	<u>132,294</u>	143,781

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

Deferred Outflows Derived From Pensions and OPEB	\$ 2,517,081	
Deferred Inflows Derived From Pensions and OPEB	<u>(1,722,821)</u>	794,260

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

Long-Term Debt	\$ (9,616,179)	
Retainage Payable	(1,991)	
Interest Payable	(146,848)	
Compensated Absences	(114,410)	
Net Pension & OPEB Liability	<u>(2,548,687)</u>	<u>(12,428,115)</u>

<b>Total Net Position of Governmental Activities</b>	<b><u><u>\$ 6,678,920</u></u></b>
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The notes to the financial statements are an integral part of this statement.

**ROLETTE COUNTY**

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

For the Year Ended December 31, 2020

	General	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,393,269	\$ 700,970	\$ 228,029	\$ 2,322,268
Intergovernmental	1,666,988	1,211,047	5,383	2,883,418
Licenses, Permits and Fees	6,540	-	-	6,540
Charges for Services	124,122	510,342	-	634,464
Interest Income	11,772	-	-	11,772
Miscellaneous	216,138	139,371	-	355,509
Total Revenues	<u>\$ 3,418,829</u>	<u>\$ 2,561,730</u>	<u>\$ 233,412</u>	<u>\$ 6,213,971</u>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 1,502,484	\$ 158,844	\$ -	\$ 1,661,328
Public Safety	1,563,908	592,353	-	2,156,261
Highways & Public Improvement	-	1,651,068	-	1,651,068
Health and Welfare	37,092	90,118	-	127,210
Conserv. of Natural Resources	-	116,164	-	116,164
Debt Service				
Principal	339	228,530	205,000	433,869
Interest & Fees	123	18,557	344,050	362,730
Total Expenditures	<u>\$ 3,103,946</u>	<u>\$ 2,855,634</u>	<u>\$ 549,050</u>	<u>\$ 6,508,630</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 314,883</u>	<u>\$ (293,904)</u>	<u>\$ (315,638)</u>	<u>\$ (294,659)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease Financing	\$ -	\$ 72,000	\$ -	\$ 72,000
Sale of Capital Assets	21,139	2,000	-	23,139
Transfers In	129,000	407,901	799,050	1,335,951
Transfers Out	(385,612)	(401,289)	(549,050)	(1,335,951)
Total Other Financing Sources and Uses	<u>\$ (235,473)</u>	<u>\$ 80,612</u>	<u>\$ 250,000</u>	<u>\$ 95,139</u>
Net Change in Fund Balances	<u>\$ 79,410</u>	<u>\$ (213,292)</u>	<u>\$ (65,638)</u>	<u>\$ (199,520)</u>
Fund Balance - January 1	<u>\$ 564,204</u>	<u>\$ 765,189</u>	<u>\$ 231,539</u>	<u>\$ 1,560,932</u>
Prior Period Adjustment	<u>\$ 14,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,618</u>
Fund Balance - January 1 Restated	<u>\$ 578,822</u>	<u>\$ 765,189</u>	<u>\$ 231,539</u>	<u>\$ 1,575,550</u>
Fund Balance - December 31	<u>\$ 658,232</u>	<u>\$ 551,897</u>	<u>\$ 165,901</u>	<u>\$ 1,376,030</u>

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

## ROLETTE COUNTY

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

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**Net Change in Fund Balances - Total Governmental Funds** **\$ (199,520)**

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

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

Capital Outlay	\$ 217,622	
Depreciation Expense	<u>(851,479)</u>	(633,857)

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

Loss on Sale of Capital Assets	\$ (79)	
Sale of Capital Assets	<u>(23,139)</u>	(23,218)

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

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

Debt Issuance	\$ (72,000)	
Repayment of Debt	<u>433,869</u>	361,869

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

1,824

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

Net Change in Compensated Absences	\$ (9,066)	
Net Change in Retainage Payable	(1,991)	
Net Change in Interest Payable	<u>2,760</u>	(8,297)

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

Net Change in Taxes Receivable	\$ 4,514	
Net Change in Road Receivables	<u>2,063</u>	6,577

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

Net Change in Net Pension & OPEB Liability	\$ 51,127	
Net Change in Deferred Outflows of Resources	1,163,446	
Net Change in Deferred Inflows of Resources	<u>(322,182)</u>	892,391

**Change in Net Position of Governmental Activities** **\$ 397,769**

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

**ROLETTE COUNTY**

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

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	Custodial Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 466,952
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	
Liabilities	
Funds Held for Other Governmental Units	\$ 71,222
Funds Held for Other Purposes	67,797
Total Liabilities	\$ 139,019
Deferred Inflows of Resources	
Taxes Received in Advance	\$ 327,933
Total Liabilities and Deferred Inflows of Resources	\$ 466,952

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

**ROLETTE COUNTY**Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
December 31, 2020

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Tax Collections for Other Governments	\$ 4,035,427
Grant Collections for Other Governments	100,934
Miscellaneous Collections	<u>98,719</u>
 Total Additions	 <u><u>\$ 4,235,080</u></u>
 <b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	\$ 4,035,427
Grant Disbursements to Other Governments	100,934
Miscellaneous Disbursements	<u>98,719</u>
 Total Deductions	 <u><u>\$ 4,235,080</u></u>
 Net Increase (Decrease) in Fiduciary Net Position	 <u>\$ -</u>
 Net Position - Beginning	 <u>\$ -</u>
 Net Position - Ending	 <u><u>\$ -</u></u>

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

## ROLETTE COUNTY

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

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Reporting Entity

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

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

#### Component Units

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

Discretely Presented Component Units: The component unit columns in the government wide financial statements include the financial data of the County's two component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

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

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

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

#### Basis of Presentation

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

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

## ROLETTE COUNTY

### Notes to the Financial Statements – Continued

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

The County reports the following major governmental funds:

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

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

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

Additionally, the County reports the following fund type:

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

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

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

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

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

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

### **Cash, Cash Equivalents, and Investments**

Cash includes amounts in demand deposits and money market accounts.

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



## ROLETTE COUNTY

### Notes to the Financial Statements – Continued

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#### Capital Assets

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

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

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

#### Compensated Absences

Vacation leave is earned at the rate of one to two days per month depending on years of service. Annually on an employee's anniversary date, an employee will be allowed to carry over a maximum of the total number of vacation hours accrued during the year prior to the anniversary date. On the employee's anniversary date, if an employee has hours earned over the carry over maximum, those hours will be paid out at a rate of ½ the employee's rate of pay. Upon termination vacation benefits that have accrued through the last day of work will be paid. Sick leave benefits are earned at the rate of five to ten days per year depending on years of service. An unlimited number of sick leave hours may be carried over and employees, with ten years of service, are paid for 10% of their accumulated sick, to a maximum of 1,000 hours of leave, upon termination. A liability for the vested or accumulated vacation leave is reported in government-wide statement of net position.

#### Long-Term Obligations

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

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

#### Pension

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

#### Other Post-Employment Benefits (OPEB)

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

## **ROLETTE COUNTY**

### **Notes to the Financial Statements – Continued**

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#### **Fund Balances**

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

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

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

#### **Net Position**

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

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

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

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

#### **Interfund Transactions**

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

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

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

**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 2 PRIOR PERIOD ADJUSTMENTS****Change in Prior Year Audited Statement amounts**

Net position as of January 1, 2020 has been restated due to errors found in prior audited amounts. The adjustments to beginning net position are below:

**Prior Period Errors**

Adjustments to beginning net position/fund balance are as follows:

<b>Governmental Activities</b>	<b>Amounts</b>
Beginning Net Position, as Previously Reported	\$ 6,266,533
<b>Adjustment to restate the January 1, 2020 Net Position</b>	
Governmental Fund Balance	14,618
Net Position January 1, Restated	\$ 6,281,151

<b>General Fund</b>	
Beginning Fund Balance, as previously reported	\$ 564,204
<b>Adjustment to restate the January 1, 2020 Fund Balance</b>	
Fund Balance Classification Change	14,618
Fund Balance January 1, as restated	\$ 578,822

**Component Unit**

<b>Health District</b>	<b>Amounts</b>
Beginning Net Position, as Previously Reported	\$ (61,814)
<b>Adjustment to restate the January 1, 2020 Net Position</b>	
Fund Balance	2,594
Net Position January 1, Restated	\$ (59,220)

**NOTE 3 DEPOSITS****Custodial Credit Risk**

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

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

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

**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

At year ended December 31, 2020, the County's carrying amount of deposits totaled \$1,424,540, and the bank balances totaled \$2,247,080. Of the bank balances, \$526,566 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 Rolette County Water Resource District's carrying amount of deposits totaled \$43,705, and the bank balances totaled \$45,155, all of which was covered by Federal Depository Insurance.

At year ended December 31, 2020, the Rolette County Public Health District's carrying amount of deposits totaled \$583,299, and the bank balances totaled \$890,148. Of the bank balances, \$250,000 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

**NOTE 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 year ended December 31, 2020:

<b>Primary Government</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated					
Land	\$ 134,500	\$ -	\$ -	\$ -	\$ 134,500
Construction Progress	35,000	60,502	-	(95,502)	-
Total Capital Assets, Not Being Depreciated	\$ 169,500	\$ 60,502	\$ -	\$ (95,502)	\$ 134,500
Capital Assets Being Depreciated					
Buildings	\$ 11,284,260	\$ -	\$ -	\$ -	\$ 11,284,260
Building Improvements	202,330	-	-	95,502	297,832
Equipment	4,350,246	119,015	23,592	-	4,445,669
Vehicles	627,946	38,105	29,022	-	637,029
Infrastructure	7,174,287	-	-	-	7,174,287
Total Capital Assets, Being Depreciated	\$ 23,639,069	\$ 157,120	\$ 52,614	\$ 95,502	\$ 23,839,077
Less Accumulated Depreciation					
Buildings	\$ 1,814,284	\$ 214,216	\$ -	\$ -	\$ 2,028,500
Building Improvements	54,418	11,139	-	-	65,557
Equipment	2,550,817	296,241	23,592	-	2,823,466
Vehicles	363,693	76,474	5,804	-	434,363
Infrastructure	1,575,316	253,411	-	-	1,828,727
Total Accumulated Depreciation	\$ 6,358,528	\$ 851,481	\$ 29,396	\$ -	\$ 7,180,613
Total Capital Assets Being Depreciated, Net	\$ 17,280,541	\$ (694,361)	\$ 23,218	\$ 95,502	\$ 16,658,464
Governmental Activities Capital Assets, Net	\$ 17,450,041	\$ (633,859)	\$ 23,218	\$ -	\$ 16,792,964

**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

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

<b>Primary Government</b>	<b>Amount</b>
General Government	\$ 35,732
Public Safety	254,332
Health & Welfare	545,139
Conservation of Natural Resources	1,107
Highways & Bridges	15,171
Total Depreciation Expense	\$ 851,481

**Discretely Presented Component Unit**

The following is a summary of changes in capital assets for the year ended December 31, 2020 for the Public Health District:

<b>Public Health</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Being Depreciated					
Buildings	\$ 89,999	\$ -	\$ -	\$ -	\$ 89,999
Vehicles	-	336,728	-	-	336,728
Total Capital Assets, Being Depreciated	\$ 89,999	\$ 336,728	\$ -	\$ -	\$ 426,727
Less Accumulated Depreciation					
Buildings	\$ 28,800	\$ 1,800	\$ -	\$ -	\$ 30,600
Vehicles	-	33,672	-	-	33,672
Total Accumulated Depreciation	\$ 28,800	\$ 35,472	\$ -	\$ -	\$ 64,272
Governmental Activities Capital Assets, Net	\$ 61,199	\$ 301,256	\$ -	\$ -	\$ 362,455

Depreciation expense was charged to the health and welfare function.

**NOTE 6 LONG-TERM LIABILITIES****Primary Government**

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

<b>Primary Government</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long Term Debt					
Bonds Payable	\$ 9,225,000	\$ -	\$ 205,000	\$ 9,020,000	\$ 210,000
Bond Premium	47,436	-	1,824	45,612	1,825
Leases Payable	702,727	72,000	228,530	546,197	182,589
Special Assessments Payable	4,709	-	339	4,370	348
Total Long-Term Debt	\$ 9,979,872	\$ 72,000	\$ 435,693	\$ 9,616,179	\$ 394,762
Compensated Absences *	\$ 105,344	\$ 9,066	\$ -	\$ 114,410	\$ 11,441
Net Pension and OPEB Liability	2,599,814	-	51,127	2,548,687	-
Total Governmental Activities	\$ 12,685,030	\$ 81,066	\$ 486,820	\$ 12,279,276	\$ 406,203

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

**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

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

Year Ending Dec 31	Bonds Payable		Bond Premium	Capital Leases		Special Assessments	
	Principal	Interest		Principal	Interest	Principal	Interest
2021	\$ 210,000	\$ 337,900	\$ 1,825	\$ 182,589	\$ 15,078	\$ 348	\$ 114
2022	220,000	329,500	1,825	139,796	10,381	357	105
2023	230,000	320,700	1,825	143,499	6,678	367	96
2024	240,000	311,500	1,825	67,690	2,851	376	86
2025	250,000	301,900	1,825	12,623	447	385	76
2026-2030	1,395,000	1,359,800	9,122	-	-	2,086	225
2031-2035	1,650,000	1,101,775	9,122	-	-	451	12
2036-2040	1,940,000	803,800	9,122	-	-	-	-
2041-2045	2,355,000	396,200	9,121	-	-	-	-
2046-2050	530,000	21,200	-	-	-	-	-
Totals	\$ 9,020,000	\$ 5,284,275	\$ 45,612	\$ 546,197	\$ 35,435	\$ 4,370	\$ 714

**Discretely Presented Component Unit**

During the year ended December 31, 2020, the following changes occurred in governmental long-term liabilities of the Public Health District:

Health District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 42,052	\$ 8,364	\$ -	\$ 50,416	\$ 5,042
Net Pension and OPEB Liability	542,146	901,642	-	1,443,788	-
Total Governmental Activities	\$ 584,198	\$ 910,006	\$ -	\$ 1,494,204	\$ 5,042

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

**NOTE 7 OPERATING LEASES**

The County is engaged in various operating leases. Total lease payments made during 2020 totaled \$7,781. Future lease payments are as follows:

	Operating Lease
2021	2,438
2022	1,828

The Public Health District is engaged in various operating leases. Total lease payments made during 2020 totaled \$11,670. Future lease payments are as follows:

	Operating Lease
2021	8,630
2022	1,275

**NOTE 8 PENSION PLAN****General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

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

***Pension Benefits***

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

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

***Law Enforcement System (With prior main system service)***

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

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

***Death and Disability Benefits (Main and Law Enforcement Systems)***

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the

## ROLETTE COUNTY

### Notes to the Financial Statements – Continued

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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**

##### ***Main System***

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

##### ***Law Enforcement System***

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

#### **Member and Employer Contributions**

##### ***Main System***

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

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

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25



**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

**Law Enforcement System**

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

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

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

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 25 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

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

At December 31, 2020, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	<b>Net Pension Liability</b>
Main System	\$ 2,941,530
Law Enforcement System	(532,135)
Health District	1,407,373

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 proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) In Proportion from June 30, 2019 Measurement</b>	<b>Pension Expense</b>
Main System	0.093500%	-0.113259%	\$ 218,415
Law Enforcement System	8.334694%	-0.517815%	182,018
Health District	0.044735%	0.001257%	267,502

**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

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

<b>Main System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 11,447	\$ 149,050
Changes of Assumptions	1,576,846	260,692
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	94,938	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	14,786	1,161,802
Employer Contributions Subsequent to the Measurement Date	66,365	-
<b>Total</b>	<b>\$ 1,764,382</b>	<b>\$ 1,571,544</b>

<b>Law Enforcement System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 20,070	\$ 35,868
Changes of Assumptions	545,823	51,923
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	34,024	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	42,935	3,860
Employer Contributions Subsequent to the Measurement Date	62,364	-
<b>Total</b>	<b>\$ 705,216</b>	<b>\$ 91,651</b>

<b>Health District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 5,476	\$ 71,313
Changes of Assumptions	754,441	124,728
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	45,423	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	34,619	-
Employer Contributions Subsequent to the Measurement Date	25,691	-
<b>Total</b>	<b>\$ 865,650</b>	<b>\$ 196,041</b>

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

Main System	\$ 66,365
Law Enforcement System	62,364
Health District	25,691

**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

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

	<b>Main System</b>	<b>Law Enforcement System</b>	<b>Health District</b>
2021	\$ 78,995	\$ 157,027	\$ 196,457
2022	36,883	108,679	167,190
2023	(27,165)	106,440	133,557
2024	37,759	110,039	146,714
2025	-	69,016	-

**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:

**Main and Law Enforcement System**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 (Main and Law Enforcement Systems)**

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

## ROLETTE 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 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:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (3.64%)</b>	<b>Current Discount Rate (4.64%)</b>	<b>1% Increase (5.64%)</b>
Main System	\$ 3,816,414	\$ 2,941,530	\$ 2,225,661
Law Enforcement System	850,107	532,135	283,514
Health District	1,825,960	1,407,373	1,064,866

#### **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 9 OPEB PLAN**

##### **General Information about the OPEB Plan**

##### ***North Dakota Public Employees Retirement System***

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

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

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

#### **OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the

**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

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

	<b>Net OPEB Liability</b>
Primary Government	\$ 139,292
Health District	36,415

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

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2019 Measurement</b>	<b>OPEB Expense</b>
Primary Government	0.165588%	-0.104812%	\$ 8,318
Health District	0.043289%	0.002760%	5,691

**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

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

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 3,093	\$ 3,340
Changes of Assumptions	18,676	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	4,790	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	312	56,286
Employer Contributions Subsequent to the Measurement Date	20,611	-
<b>Total</b>	<b>\$ 47,482</b>	<b>\$ 59,626</b>

<b>Health District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 809	\$ 873
Changes of Assumptions	4,882	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	1,252	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,854	114
Employer Contributions Subsequent to the Measurement Date	4,114	-
<b>Total</b>	<b>\$ 12,911</b>	<b>\$ 987</b>

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

Primary Government	\$ 20,611
Health District	4,114

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

	<b>Primary Government</b>	<b>Health District</b>
2021	\$ (7,249)	\$ 1,620
2022	(6,010)	1,944
2023	(6,238)	1,884
2024	(7,612)	1,537
2025	(5,842)	757
2026	196	68
Thereafter	-	-

**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

**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

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

**Discount Rate**

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

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

<b>Proportionate Share of the OPEB Liability</b>	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Primary Government	\$ 182,685	\$ 139,292	\$ 102,598
Health District	47,759	36,415	26,822

**NOTE 10 TRANSFERS**

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

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Funds</b>		
General Fund	\$ 129,000	\$ 385,612
Special Revenue Fund	407,901	401,289
Debt Service Fund	799,050	549,050
<b>Total Transfers</b>	<b>\$ 1,335,951</b>	<b>\$ 1,335,951</b>

**ROLETTE COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 11 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$2,919,301 for public assets/mobile equipment and portable property.

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

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

**NOTE 12 JOINT VENTURES**

Under authorization of state statutes, the Rolette County Water Resource District joined the water resource districts of Cavalier County, Nelson County, Pierce County, Ramsey County, Benson County, Towner County and Walsh County to establish and operate a joint exercise of powers agreement for water management districts located within the Devils Lake basin. The joint agreement created Devils Lake Basin Joint Water Resource Board. The agreement was established for the mutual advantage of the governments. Each government appoints one member of the directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined due to the lack of provisions being made for this in the joint power's agreement.

Summary financial information (the latest information available) as of and for the year ended December 31, 2012 is as follows:

	<b>Devils Lake Basin Joint WRD</b>
Total Assets & Def. Outflows	\$ 203,175
Total Liabilities & Def. Inflows	-
Total Net Position	\$ 203,175
Total Revenues	\$ 133,439
Total Expenses	169,563
Change in Net Position	\$ (36,124)

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

**NOTE 13 SUBSEQUENT EVENTS**

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



**ROLETTE COUNTY**

Budgetary Comparison Schedule – General Fund  
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,454,870	\$ 1,454,870	\$ 1,393,269	\$ (61,601)
Intergovernmental	1,373,796	1,373,796	1,666,988	293,192
Licenses, Permits and Fees	4,960	4,960	6,540	1,580
Charges for Services	410,000	410,000	124,122	(285,878)
Interest Income	8,000	8,000	11,772	3,772
Miscellaneous	41,440	41,440	216,138	174,698
<b>Total Revenues</b>	<b>\$ 3,293,066</b>	<b>\$ 3,293,066</b>	<b>\$ 3,418,829</b>	<b>\$ 125,763</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 1,393,097	\$ 4,472,097	\$ 1,502,484	\$ 2,969,613
Public Safety	1,443,187	1,443,187	1,563,908	(120,721)
Health & Welfare	95,000	95,000	37,092	57,908
Debt Service				
Principal	-	-	339	(339)
Interest	-	-	123	(123)
<b>Total Expenditures</b>	<b>\$ 2,931,284</b>	<b>\$ 6,010,284</b>	<b>\$ 3,103,946</b>	<b>\$ 2,906,338</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 361,782	\$(2,717,218)	\$ 314,883	\$ 3,032,101
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 129,000	\$ 129,000
Transfers Out	493,031	493,031	(385,612)	(878,643)
Sale of Assets	-	-	21,139	21,139
<b>Total Other Financing Sources and Uses</b>	<b>\$ 493,031</b>	<b>\$ 493,031</b>	<b>\$ (235,473)</b>	<b>\$ (728,504)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 854,813</b>	<b>\$(2,224,187)</b>	<b>\$ 79,410</b>	<b>\$ 2,303,597</b>
Fund Balance - January 1	\$ 564,204	\$ 564,204	\$ 564,204	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ 14,618	\$ (14,618)
Fund Balance - January 1 Restated	\$ 578,822	\$ 578,822	\$ 578,822	\$ -
Fund Balance - December 31	\$ 1,433,635	\$(1,645,365)	\$ 658,232	\$ 2,303,597

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

**ROLETTE COUNTY**

Budgetary Comparison Schedule – Special Revenue Fund  
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 726,799	\$ 726,799	\$ 700,970	\$ (25,829)
Intergovernmental	1,054,421	1,054,421	1,211,047	156,626
Charges for Services	384,355	384,355	510,342	125,987
Miscellaneous	15,400	15,400	139,371	123,971
<b>Total Revenues</b>	<b>\$ 2,180,975</b>	<b>\$ 2,180,975</b>	<b>\$ 2,561,730</b>	<b>\$ 380,755</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 5,000	\$ 159,000	\$ 158,844	\$ 156
Public Safety	490,039	640,539	592,353	48,186
Highways and Bridges	1,534,820	1,928,500	1,579,068	349,432
Health & Welfare	23,351	23,351	90,118	(66,767)
Conservation of Natural Resources	127,777	127,777	116,164	11,613
Emergency	180,000	180,000	-	180,000
Debt Service				
Principal	-	-	228,530	(228,530)
Interest	-	-	18,557	(18,557)
<b>Total Expenditures</b>	<b>\$ 2,360,987</b>	<b>\$ 3,059,167</b>	<b>\$ 2,783,634</b>	<b>\$ 275,533</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ (180,012)</b>	<b>\$ (878,192)</b>	<b>\$ (221,904)</b>	<b>\$ 656,288</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 161,911	\$ 161,911	\$ 407,901	\$ 245,990
Transfers Out	303,000	303,000	(401,289)	(704,289)
Sale of Assets	-	-	2,000	2,000
<b>Total Other Financing Sources and Uses</b>	<b>\$ 464,911</b>	<b>\$ 464,911</b>	<b>\$ 8,612</b>	<b>\$ (456,299)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 284,899</b>	<b>\$ (413,281)</b>	<b>\$ (213,292)</b>	<b>\$ 199,989</b>
<b>Fund Balance - January 1</b>	<b>\$ 765,189</b>	<b>\$ 765,189</b>	<b>\$ 765,189</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,050,088</b>	<b>\$ 351,908</b>	<b>\$ 551,897</b>	<b>\$ 199,989</b>

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

**ROLETTE COUNTY**

## Schedule of Employer's Share of Net Pension Liability and Employer Contributions

For the Year Ended December 31, 2020

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

<b>Main System</b>	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	0.093500%	\$ 2,941,530	\$ 1,031,418	285.19%	48.91%
2019	0.206759%	2,423,365	2,150,645	112.68%	71.66%
2018	0.206316%	2,423,365	2,150,645	112.68%	62.80%
2017	0.207947%	3,342,391	2,122,812	157.45%	61.98%
2016	0.201208%	1,960,968	2,027,704	96.71%	70.46%
2015	0.214508%	1,458,618	1,911,009	76.33%	77.15%
2014	0.217098%	1,377,967	1,828,794	75.35%	77.70%

<b>Law Enforcement System</b>	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	8.334694%	\$ (532,135)	\$ 902,207	-58.98%	65.83%
2019	8.852509%	(40,733)	866,635	-4.70%	104.84%
2018	13.378037%	129,805	817,511	15.88%	89.76%
2017	13.203484%	129,242	778,580	16.60%	87.23%
2016	17.636926%	11,297	815,090	1.39%	98.17%
2015	17.396229%	(20,360)	656,982	-3.10%	104.37%
2014	18.130002%	(2,419)	495,374	-0.49%	100.61%

<b>Health District</b>	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	0.044735%	\$ 1,407,373	\$ 493,485	285.19%	48.91%
2019	0.043478%	509,594	452,245	112.68%	71.66%
2018	0.042338%	714,500	434,941	164.28%	62.80%
2017	0.041181%	661,914	420,392	157.45%	61.98%
2016	0.036650%	357,190	369,342	96.71%	70.46%
2015	0.034647%	235,594	308,664	76.33%	77.15%
2014	0.033079%	209,959	278,658	75.35%	77.70%

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

**ROLETTE COUNTY**

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

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

<b>Main System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 73,033	\$ 115,466	\$ (42,433)	\$ 897,608	12.86%
2019	156,579	152,479	4,100	2,150,645	7.09%
2018	156,112	153,279	2,833	2,150,645	7.13%
2017	153,930	152,127	1,803	2,122,812	7.17%
2016	146,802	148,594	(1,792)	2,027,704	7.33%
2015	145,156	146,566	(1,410)	1,911,009	7.67%
2014	130,210	130,210	-	1,828,794	7.12%

<b>Law Enforcement System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 81,489	\$ 75,534	\$ 5,955	\$ 1,219,990	6.19%
2019	59,339	67,162	(7,823)	866,635	7.75%
2018	63,091	60,403	2,688	817,511	7.39%
2017	65,668	63,543	2,125	778,580	8.16%
2016	65,550	62,032	3,518	815,090	7.61%
2015	53,827	55,411	(1,584)	656,982	8.43%
2014	39,283	39,283	-	495,374	7.93%

<b>Health District</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 34,943	\$ 31,923	\$ 3,020	\$ 571,908	5.58%
2019	32,926	33,302	(376)	452,245	7.36%
2018	32,036	31,194	842	434,941	7.17%
2017	30,484	28,987	1,497	420,392	6.90%
2016	26,740	22,506	4,234	369,342	6.09%
2015	23,445	21,460	1,985	308,664	6.95%
2014	19,840	19,840	-	278,658	7.12%

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

**ROLETTE COUNTY**

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

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

<b>County</b>	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.165588%	\$ 139,292	\$ 1,887,650	7.38%	63.38%
2019	0.270400%	217,182	3,017,280	7.20%	63.13%
2018	0.270400%	217,182	3,017,280	7.20%	61.89%
2017	0.268190%	212,141	2,901,392	7.31%	59.78%

<b>Health District</b>	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.043289%	\$ 36,415	\$ 493,485	7.38%	63.38%
2019	0.040529%	32,552	452,245	7.20%	63.13%
2018	0.040529%	32,552	452,245	7.20%	61.89%
2017	0.038859%	30,738	420,392	7.31%	59.78%

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

<b>County</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 22,176	\$ 29,279	\$ (7,103)	\$ 2,117,598	1.38%
2019	35,091	34,068	1,023	3,017,280	1.13%
2018	34,450	33,225	1,225	3,017,280	1.10%
2017	33,727	33,492	235	2,901,392	1.15%

<b>Health District</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 5,797	\$ 5,111	\$ 686	\$ 571,908	0.89%
2019	5,260	5,332	(72)	452,245	1.18%
2018	5,102	4,995	107	452,245	1.10%
2017	4,887	4,641	246	420,392	1.10%

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

## ROLETTE COUNTY

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

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### NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

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

### NOTE 2 LEGAL COMPLIANCE – BUDGETS

#### Budget Amendments

The board of County commissioners amended the County’s expenditure budgets for various funds as follows:

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
General Fund	\$ 2,931,284	\$ 3,079,000	\$ 6,010,284
Special Revenue Fund	2,360,987	698,180	3,059,167

### NOTE 3 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

### NOTE 4 CHANGES OF BENEFIT TERMS – PENSION & OPEB

#### Pension

The interest rate earned on member contributions will decrease from 7.00 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.

**ROLETTE COUNTY**Notes to the Required Supplementary Information - Continued

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**OPEB**

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

**NOTE 5 CHANGES OF ASSUMPTIONS – PENSION & OPEB****Pension**

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

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

**OPEB**

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

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

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

**NOTE 6 BUDGET TO ACTUAL RECONCILIATION**

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

	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual Statement</b>
<b>Special Revenue Fund</b>			
Expenditures	\$ 2,855,634	\$ (72,000)	\$ 2,783,634
Lease Proceeds	72,000	(72,000)	-

**ROLETTE COUNTY**Schedule of Expenditures of Federal Awards – Primary Government  
For the Year Ended December 31, 2020

Assistance Listing Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
Passed Through the State Department of Human Services:			
93.778	Medical Assistance Program	N/A	\$ 1,537
Total U.S. Department of Health and Human Services			\$ 1,537
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through State Department of Emergency Services			
97.042	Emergency Management Performance Grants	EMPG2019 & EMPG2020	\$ 25,746
97.067	Homeland Security Grant	HLS2018 & HLS2019	173,459
Total U.S. Department of Homeland Security			\$ 199,205
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</b>			
Passed Through State Department of Commerce			
14.228	Community Development Block Grants	N/A	\$ 100,000
Total U.S. Department of Housing and Urban Development			\$ 100,000
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
Passed Through the State Treasurer Department			
21.019	Coronavirus Relief Fund	N/A	\$ 524,793
Total U.S. Dept. of the Treasury			\$ 524,793
Total Expenditures of Federal Awards			\$ 825,535
See notes to the Schedule of Expenditures of Federal Awards			



**ROLETTE COUNTY**Schedule of Expenditures of Federal Awards – Health District  
For the Year Ended December 31, 2020

Assistance Listing Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
Passed Through the State Department of Health:			
93.069	Public Health Emergency Preparedness	N/A	\$ 11,631
93.268	Immunization Cooperative Agreements	N/A	4,911
93.247	Advanced Nursing Education Workforce Grant	N/A	15,829
	Improving the Health of Americans through Prevention and Mangement of Diabetes and		
93.426	Heart Disease and Stroke	N/A	2,580
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	N/A	10,000
Passed Through the State Department of Human Services:			
93.778	Medical Assistance Program	N/A	32,344
Total U.S. Department of Health and Human Services			<u>\$ 77,295</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Passed Through the State Department of Health			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	N/A	<u>\$ 286,214</u>
Total U.S. Department of Agriculture			<u>\$ 286,214</u>
<b>U.S. DEPARTMENT OF TREASURY:</b>			
Passed through the State Department of Health			
21.019	Coronavirus Relief Fund	N/A	<u>\$ 619,696</u>
Total U.S. Department of Treasury			<u>\$ 619,696</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>\$ 983,205</b></u>

See notes to the Schedule of Expenditures of Federal Awards

## **ROLETTE COUNTY**

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

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### **NOTE 1 BASIS OF PRESENTATION / ACCOUNTING**

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

### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **NOTE 3 PASS-THROUGH GRANT NUMBER**

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

### **NOTE 4 INDIRECT COST RATE**

The County and Health District have not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

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701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

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

[ndsao@nd.gov](mailto:ndsao@nd.gov)

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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*

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### Independent Auditor's Report

Board of County Commissioners  
Rolette County  
Rolla, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Rolette County, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Rolette County's basic financial statements, and have issued our report thereon dated December 3, 2021.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of audit 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 item 2020-001 and 2020-002 to be material weaknesses.

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

## **ROLETTE COUNTY**

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

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### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 3, 2021



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

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### Independent Auditor's Report

Board of County Commissioners  
Rolette County  
Rolla, North Dakota

#### **Report on Compliance for Each Major Federal Program**

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

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

#### **Opinion on Each Major Federal Program**

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

## **ROLETTE COUNTY**

### **Report on Compliance for Each Major Federal Programs; and Report on Internal Control Over Compliance - Continued**

#### **Report on Internal Control Over Compliance**

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

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

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

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 3, 2021

## ROLETTE COUNTY

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

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### Financial Statements

Type of Report Issued?	Unmodified
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

### Internal control over financial reporting

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

### Federal Awards (Primary Government and Health District)

#### 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 (Primary Government and Health District)

CFDA 21.019

Coronavirus Relief Fund

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Dollar threshold used to distinguish between Type A and B programs:	<u>      \$ 750,000      </u>
Auditee qualified as low-risk auditee?	<u>      </u> Yes <u>  X  </u> No

## **ROLETTE COUNTY**

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

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### **2020-001 – AUDIT ADJUSTMENTS – INTERGOVERNMENTAL RECEIVABLES – MATERIAL WEAKNESS**

#### **Condition**

Rolette County did not include material intergovernmental receivables totaling \$284,432 in their listing of receivables to be included in the financial statements. Additionally, Rolette County accounted for COVID reimbursements received in FY2020, totaling \$478,281, in miscellaneous revenue rather than intergovernmental revenue.

#### **Effect**

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

#### **Cause**

Rolette County does not currently have someone, other than the preparer, review the receivable listing to ensure compliance with GAAP. Furthermore, management may not have known how to classify the COVID reimbursements.

#### **Criteria**

Rolette County is responsible for ensuring its annual financial statements, including revenues and other financing sources, are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

#### **Repeat Finding**

No.

#### **Recommendation**

We recommend that Rolette County carefully prepare and review Intergovernmental Receivable schedules to ensure they are free of material misstatements. Furthermore, we recommend Rolette County review all revenue entries to ensure accurate classification and reporting of revenues.

#### **Rolette County's Response**

See Corrective Action Plan



**2020-002 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS**

**Condition**

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

**Effect**

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

**Cause**

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

**Criteria**

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

**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.

**Rolette County's and Rolette County Public Health District's Response**

See Corrective Action Plans

**ROLETTE COUNTY**Schedule of Audit Findings and Questioned Costs – Continued

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**2020-003 – FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY****Condition**

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

**Effect**

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

**Cause**

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

**Criteria**

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

**Repeat Finding**

Yes.

**Recommendation**

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

**Rolette County's Response**

See Corrective Action Plan

**SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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No matters were reported.

**ROLETTE COUNTY**

Management's Corrective Action Plan – Primary Government  
For the Year Ended December 31, 2020

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**Rolette County Auditor/Superintendent of Schools Designee****Valerie McCloud**

701-477-5665/ 701-477-6339 Fax

102 2<sup>nd</sup> St NE, P.O. Box 939

Rolla, ND 58367-0939

**Date:** December 2, 2021  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Valerie McCloud, Rolette County Auditor  
**RE:** Rolette County – 2021 Corrective Action Plan

**Contact Person Responsible for Corrective Action Plan: Valerie McCloud, County Auditor**

**Section 1 – Financial Statement Findings:**

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**2021-001     AUDIT ADJUSTMENTS – INTERGOVERNMENTAL RECEIVABLES – MATERIAL WEAKNESS****Condition:**

Rolette County did not include material intergovernmental receivables totaling \$284,432 in their listing of receivables to be included in the financial statements. Additionally, Rolette County accounted for COVID reimbursements received in FY2020 totaling \$478,281. in miscellaneous revenue rather than intergovernmental revenue.

**Corrective Action Plan:**

Agree. We will carefully prepare and review intergovernmental receivable schedules to ensure they are free of material misstatements. Furthermore, we will review all revenue entries to ensure accurate classification and reporting of revenues.

**Anticipated Completion Date:**

12/31/21

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**2020-002     LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS****Condition:**

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

**Corrective Action Plan:**

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

**Anticipated Completion Date:**

12/31/21

**ROLETTE COUNTY**Governance Communication – Continued

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**2020-003      FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY****Condition:**

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

**Corrective Action Plan:**

Agree. We will conduct a fraud risk assessment at an upcoming county commission meeting.

**Anticipated Completion Date:**

12/31/21

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## ROLETTE COUNTY

Management's Corrective Action Plan – Rolette County Public Health District  
For the Year Ended December 31, 2020

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**Date:** December 1, 2021  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Barbara Frydenlund, Rolette County Public Health District Administrator  
**RE:** Rolette County Public Health District – 2021 Corrective Action Plan

**Contact Person Responsible for Corrective Action Plan: Barbara Frydenlund, Rolette County Public Health District Administrator**

**Section 1 – Financial Statement Findings:**

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**2020-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS**

**Condition:**

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

**Corrective Action Plan:**

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

**Anticipated Completion Date:**

12/31/21

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**ROLETTE COUNTY**

Status of Prior Year Recommendations – Primary Government  
For the Year Ended December 31, 2020

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**Rolette County Auditor/Superintendent of Schools Designee****Valerie McCloud**

701-477-5665/701-477-6339 Fax

102 2<sup>nd</sup> St NE, P.O. Box 939

Rolla, ND 58367-0939

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**2019-001 – IMPROPER BIDDING OF ROAD EQUIPMENT – MATERIAL NON-COMPLIANCE - MATERIAL WEAKNESS****Condition:**

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

**Recommendation:**

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

**Current Status of Recommendation:**

The county no longer makes purchases through Sourcewell. If state bids are not used for purchases, the county advertises in the county newspaper for bids.

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**2019-002 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS****Condition:**

Rolette County currently does not prepare the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

**Recommendation:**

We recommend Rolette County consider the additional risk of having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

**Current Status of Recommendation:**

We have not implemented. We prefer the State Auditor's prepare for us.

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**2019-003 LACK OF SEGREGATION OF DUTIES – SIGNIFICANT DEFICIENCY****Condition:**

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

**ROLETTE COUNTY****Status of Prior Year Recommendations – Continued**

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**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 of Recommendation:**

We have not implemented. We will segregate duties as it becomes feasible.

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**2019-004 FRUAD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY****Condition:**

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

**Recommendation:**

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

**Current Status of Recommendation:**

We have not implemented. We will conduct a risk assessment as time allows.

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Respectfully,

  
Valerie McCloud  
Rolette County Auditor

## ROLETTE COUNTY

Status of Prior Year Recommendations – Rolette Public Health District  
For the Year Ended December 31, 2020

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### 2019-003 LACK OF SEGREGATION OF DUTIES – SIGNIFICANT DEFICIENCY

#### Condition:

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

#### 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 of Recommendation:

We have not implemented. We will segregate duties as it becomes feasible.

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## GOVERNANCE COMMUNICATION

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Board of County Commissioners  
Rolette County  
Rolla, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Rolette County, North Dakota, and the respective changes in financial position for the years ended December 31, 2020 which collectively comprise Rolette County's basic financial statements and have issued our report thereon dated December 3, 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 October 5, 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 Rolette 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 Rolette County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Rolette County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal programs for the purpose of expressing an opinion on the Rolette County's compliance with those requirements over the major federal programs. While our audit provides a reasonable basis for our opinion over compliance for the major federal programs, it does not provide a legal determination on the Rolette County's compliance with those requirements.

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Rolette County are described in Note 1 to the financial statements. Application of existing policies was not changed during the years 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.

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.

	<u>Debit</u>	<u>Credit</u>
<b>PRIMARY GOVERNMENT</b>		
<i>To Record Intergovernmental Receivables</i>		
Intergovernmental Receivable	286,432	-
Revenue	-	286,432
<i>To Reclassify COVID Reimbursements</i>		
Miscellaneous Revenue	478,281	-
Intergovernmental Revenue	-	478,281

### **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 3, 2021.

### **Management Consultations with Other Independent Accountants**

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

### **Difficulties Encountered in Performing the Audit**

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

### **Other Audit Findings or Issues**

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

**ROLETTE COUNTY**Governance Communications – Continued

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This information is intended solely for the use of the Board of County Commissioners and management of Rolette 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 Rolette County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Rolette County.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 3, 2021



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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