

# North Dakota Office of the State Auditor Division of Local Government

## Rolette County

Audit Report for the Year Ended December 31, 2018  
Client Code PS4000



North Dakota State Auditor  
Joshua C. Gallion

# ROLETTE COUNTY

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For the Year Ended December 31, 2018

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# **ROLETTE COUNTY**

County Officials and Audit Personnel  
December 31, 2018

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## **COUNTY OFFICIALS**

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

Chairman  
Vice-Chairman  
Commissioner  
Commissioner  
Commissioner

Valerie McCloud  
Kandace Desjarlais  
Gerald Medrud  
Sarah Bruce  
Ryan Thompson

Auditor  
Treasurer  
Sheriff  
Recorder  
State's Attorney

## **AUDIT PERSONNEL**

Craig Hashbarger, CPA, CIA, CFE  
Jonathan Worrall, CPA

Audit Manager  
Audit In-Charge

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

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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, the discretely presented component units, and each major fund of Rolette County, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Rolette County’s basic financial statements as listed in the table of contents.

***Management’s Responsibility for the Financial Statements***

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

***Auditor’s Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, and each major fund of Rolette County, North Dakota, as of December 31, 2018, 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.

**ROLETTE COUNTY**

Independent Auditor's Report - Continued

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**Other Matters**

*Required Supplementary Information*

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

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rolette County's basic financial statements. The *schedule of fund activity - cash basis* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2019 on our consideration of Rolette County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rolette County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
September 12, 2019

**ROLETTE COUNTY**

Statement of Net Position

December 31, 2018

	Governmental Activities	Component Units	
		Water Resource District	Health District
<b>ASSETS</b>			
Cash and Investments	\$ 1,132,359	\$ 19,989	\$ 224,507
Intergovernmental Receivable	459,496	-	66,042
Accounts Receivable	11,737	-	-
Taxes Receivable	95,643	847	4,490
Road Receivables	23,932	-	-
Capital Assets			
Nondepreciable	134,500	-	-
Depreciable, Net	17,583,518	-	63,000
Total Assets	<u>\$ 19,441,185</u>	<u>\$ 20,836</u>	<u>\$ 358,039</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions & OPEB	<u>\$ 1,803,067</u>	<u>\$ -</u>	<u>\$ 372,941</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 14,701	\$ -	\$ 38
Salaries Payable	13,658	-	-
Interest Payable	79,677	-	-
Retainage Payable	13,200	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	311,693	-	-
Compensated Absences Payable	18,808	-	2,854
Due After One Year			
Long-Term Debt	9,655,711	-	-
Compensated Absences Payable	169,269	-	25,689
Net Pension & OPEB Liability	3,823,007	-	745,808
Total Liabilities	<u>\$ 14,099,724</u>	<u>\$ -</u>	<u>\$ 774,389</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions & OPEB	<u>\$ 319,010</u>	<u>\$ -</u>	<u>\$ 39,483</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 7,657,737	\$ -	\$ 63,000
Restricted for			
Highways & Bridges	438,755	-	-
Emergencies	161,164	-	-
Conservation of Natural Resources	49,359	20,836	-
Capital Projects	17,520	-	-
Debt Service	168,959	-	-
Unrestricted	<u>(1,667,976)</u>	<u>-</u>	<u>(145,892)</u>
Total Net Position	<u>\$ 6,825,518</u>	<u>\$ 20,836</u>	<u>\$ (82,892)</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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Health District
<b>Primary Government</b>							
Governmental Activities							
General Government	\$ 1,493,836	\$ 47,830	\$ -	\$ -	\$ (1,446,006)		
Public Safety	2,100,294	495,298	82,186	-	(1,522,810)		
Highways & Public Improvement	1,562,635	91,949	1,285,282	1,100,383	914,979		
Health and Welfare	2,127,516	-	1,950,650	-	(176,866)		
Conserv. of Natural Resources	106,550	-	17,207	-	(89,343)		
Interest on Long-Term Debt	362,101	-	-	-	(362,101)		
<b>Total Primary Government</b>	<b>\$ 7,752,932</b>	<b>\$ 635,077</b>	<b>\$ 3,551,082</b>	<b>\$ 1,100,383</b>	<b>\$ (2,466,390)</b>		
<b>Component Units</b>							
Water Resource Board	\$ 13,469	\$ -	\$ -	\$ -	\$ (13,469)	\$ -	
Health District	1,088,486	352,513	523,744	-	-	(212,229)	
<b>Total Component Units</b>	<b>\$ 1,101,955</b>	<b>\$ 352,513</b>	<b>\$ 523,744</b>	<b>\$ -</b>	<b>\$ (13,469)</b>	<b>\$ (212,229)</b>	
<b>General Revenues</b>							
Property Taxes					\$ 1,889,792	\$ 17,628	\$ 93,393
Non Restricted Grants and Contributions					1,248,275	-	-
Unrestricted Investment Earnings					8,535	123	-
Net Gain on Sale of Capital Assets					76,665	-	-
Miscellaneous Revenue					309,168	-	45,728
<b>Total General Revenues</b>					<b>\$ 3,532,435</b>	<b>\$ 17,751</b>	<b>\$ 139,121</b>
<b>Change in Net Position</b>					<b>\$ 1,066,045</b>	<b>\$ 4,282</b>	<b>\$ (73,108)</b>
<b>Net Position - January 1</b>					<b>\$ 5,759,473</b>	<b>\$ 16,554</b>	<b>\$ (9,784)</b>
<b>Net Position - December 31</b>					<b>\$ 6,825,518</b>	<b>\$ 20,836</b>	<b>\$ (82,892)</b>

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

**ROLETTE COUNTY**

Balance Sheet – Governmental Funds  
December 31, 2018

	General	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 130,563	\$ 825,868	\$ 17,520	\$ 158,408	\$ 1,132,359
Intergovernmental Receivable	326,757	132,739	-	-	459,496
Accounts Receivable	3,041	8,696	-	-	11,737
Taxes Receivable	60,420	24,672	-	10,551	95,643
Road Receivables	-	23,932	-	-	23,932
<b>Total Assets</b>	<b>\$ 520,781</b>	<b>\$ 1,015,907</b>	<b>\$ 17,520</b>	<b>\$ 168,959</b>	<b>\$ 1,723,167</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 13,124	\$ 1,577	\$ -	\$ -	\$ 14,701
Salaries Payable	10,280	3,378	-	-	13,658
<b>Total Liabilities</b>	<b>\$ 23,404</b>	<b>\$ 4,955</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,359</b>
<b>Deferred Inflows of Resources</b>					
Taxes Receivable	\$ 60,420	\$ 24,672	\$ -	\$ 10,551	\$ 95,643
Road Receivable	-	23,932	-	-	23,932
<b>Total Deferred Inflows of Resources</b>	<b>\$ 60,420</b>	<b>\$ 48,604</b>	<b>\$ -</b>	<b>\$ 10,551</b>	<b>\$ 119,575</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 83,824</b>	<b>\$ 53,559</b>	<b>\$ -</b>	<b>\$ 10,551</b>	<b>\$ 147,934</b>
<b>Fund Balances</b>					
<b>Restricted</b>					
General Government	\$ -	\$ 7,749	\$ -	\$ -	\$ 7,749
Public Safety	-	20,717	-	-	20,717
Highways and Bridges	-	724,421	-	-	724,421
Emergency	-	161,164	-	-	161,164
Health and Welfare	-	60,453	-	-	60,453
Conservation of Natural Resources	-	45,378	-	-	45,378
Capital Projects	-	-	17,520	-	17,520
Debt Service	-	-	-	158,408	158,408
<b>Unassigned</b>					
General Fund	436,957	-	-	-	436,957
Negative Fund Balance	-	(57,534)	-	-	(57,534)
<b>Total Fund Balances</b>	<b>\$ 436,957</b>	<b>\$ 962,348</b>	<b>\$ 17,520</b>	<b>\$ 158,408</b>	<b>\$ 1,575,233</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 520,781</b>	<b>\$ 1,015,907</b>	<b>\$ 17,520</b>	<b>\$ 168,959</b>	<b>\$ 1,723,167</b>

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, 2018

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**Total Fund Balances of Governmental Funds** \$ 1,575,233

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 17,718,018

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	\$ 23,932	
Property Taxes Receivable	95,643	119,575

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

Deferred Outflows Derived From Pensions and OPEB	\$ 1,803,067	
Deferred Inflows Derived From Pensions and OPEB	(319,010)	1,484,057

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	\$ (9,967,404)	
Retainage Payable	(13,200)	
Interest Payable	(79,677)	
Compensated Absences	(188,077)	
Net Pension & OPEB Liability	(3,823,007)	(14,071,365)

**Total Net Position of Governmental Activities** \$ 6,825,518

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, 2018

	General	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,271,461	\$ 394,943	\$ -	\$ 207,639	\$ 1,874,043
Intergovernmental	1,229,062	4,098,002	-	3,994	5,331,058
Licenses, Permits and Fees	3,840	-	-	-	3,840
Charges for Services	258,530	356,568	-	-	615,098
Interest Income	8,535	-	-	-	8,535
Miscellaneous	195,020	114,147	-	-	309,167
<b>Total Revenues</b>	<b>\$ 2,966,448</b>	<b>\$ 4,963,660</b>	<b>\$ -</b>	<b>\$ 211,633</b>	<b>\$ 8,141,741</b>
<b>EXPENDITURES</b>					
Current					
General Government	\$ 1,361,976	\$ 19,196	\$ -	\$ -	\$ 1,381,172
Public Safety	1,321,262	481,063	-	-	1,802,325
Highways & Public Improvement	-	2,051,484	-	-	2,051,484
Health and Welfare	6,360	1,898,570	-	-	1,904,930
Conserv. of Natural Resources	-	105,443	-	-	105,443
Capital Outlay	-	-	543,703	-	543,703
Debt Service					
Principal	322	108,848	-	195,000	304,170
Interest & Fees	140	9,192	-	356,875	366,207
<b>Total Expenditures</b>	<b>\$ 2,690,060</b>	<b>\$ 4,673,796</b>	<b>\$ 543,703</b>	<b>\$ 551,875</b>	<b>\$ 8,459,434</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 276,388	\$ 289,864	\$ (543,703)	\$ (340,242)	\$ (317,693)
<b>OTHER FINANCING SOURCES (USES)</b>					
Lease Financing	\$ -	\$ 236,797	\$ -	\$ -	\$ 236,797
Transfers In	127,981	303,043	-	826,875	1,257,899
Transfers Out	(281,904)	(424,120)	-	(551,875)	(1,257,899)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (153,923)</b>	<b>\$ 115,720</b>	<b>\$ -</b>	<b>\$ 275,000</b>	<b>\$ 236,797</b>
<b>Net Change in Fund Balances</b>	<b>\$ 122,465</b>	<b>\$ 405,584</b>	<b>\$ (543,703)</b>	<b>\$ (65,242)</b>	<b>\$ (80,896)</b>
Fund Balance - January 1	\$ 314,492	\$ 556,764	\$ 561,223	\$ 223,650	\$ 1,656,129
Fund Balance - December 31	\$ 436,957	\$ 962,348	\$ 17,520	\$ 158,408	\$ 1,575,233

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, 2018

**Net Change in Fund Balances - Total Governmental Funds** \$ (80,896)

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	\$ 2,093,879	
Depreciation Expense	<u>(851,870)</u>	1,242,009

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. 76,665

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	\$ (236,797)	
Repayment of Debt	<u>304,170</u>	67,373

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	\$ 10,585	
Net Change in Retainage Payable	270,162	
Net Change in Interest Payable	<u>(3,081)</u>	277,666

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	\$ 15,749	
Net Change in Road Receivables	<u>16,139</u>	31,888

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	\$ (139,233)	
Net Change in Deferred Outflows of Resources	(295,660)	
Net Change in Deferred Inflows of Resources	<u>(115,591)</u>	<u>(550,484)</u>

**Change in Net Position of Governmental Activities** \$ 1,066,045

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

**ROLETTE COUNTY**

Statement of Fiduciary Assets and Liabilities – Agency Funds  
December 31, 2018

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**ASSETS**

Cash and Investments \$ 593,535

**LIABILITIES**

Due to Other Governments \$ 593,535

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

# ROLETTE COUNTY

Notes to the Financial Statements  
For the Year Ended December 31, 2018

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## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **Reporting Entity**

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the County 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, there are two component units to be included within the County as a reporting entity.

### **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 units' column in the basic financial statements includes the financial data of the County's two component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

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

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

Component Unit Financial Statements. The financial statements of each of the discretely presented component units are presented in the basic financial statements. Complete financial statements of the individual component units can be obtained from the County Auditor at 102 NE 2<sup>nd</sup> 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 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.

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

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

Additionally, the County reports the following fund type:

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

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

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

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

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

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

### **Cash 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 for the primary government and discretely presented component units are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. 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 (amounts in years):

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

**Compensated Absences**

Vacation leave is earned at the rate of one to two days per month depending on years of service. Annually on an employee’s anniversary date, an employee will be allowed to carry over a maximum of the total number of vacation hours accrued during the year prior to the anniversary date. On the employee’s anniversary date, if an employee has hours earned over the carry over maximum, those hours will be paid out at a rate of 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, 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.

#### **NOTE 2: DEPOSITS**

##### **Custodial Credit Risk**

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

**ROLETTE COUNTY**

Notes to the Financial Statements – Continued

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

At December 31, 2018, the County's carrying amount of deposits was \$1,725,694 and the bank balances were \$1,951,110. Of the bank balances, \$496,920 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.

At December 31, 2018, the Water Resource District's carrying amount of deposits was \$19,989 and the bank balance was \$23,693, all of which was covered by Federal Depository Insurance.

At December 31, 2018, the Health District's carrying amount of deposits was \$224,507 and the bank balance was \$254,416. Of the bank balances, \$250,000 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

**NOTE 3: PROPERTY TAXES**

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

**NOTE 4: CAPITAL ASSETS**

**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2018:

<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	8,770,975	649,465	-	(9,420,440)	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 8,905,475</b>	<b>\$ 649,465</b>	<b>\$ -</b>	<b>\$ (9,420,440)</b>	<b>\$ 134,500</b>
Capital Assets Being Depreciated					
Buildings	\$ 1,863,822	\$ -	\$ -	\$ 9,420,440	\$ 11,284,262
Building Improvements	202,330	-	-	-	202,330
Equipment	4,242,221	311,797	252,651	-	4,301,367
Vehicles	566,034	29,127	96,391	-	498,770
Infrastructure	5,988,972	1,185,315	-	-	7,174,287
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 12,863,379</b>	<b>\$ 1,526,239</b>	<b>\$ 349,042</b>	<b>\$ 9,420,440</b>	<b>\$ 23,461,016</b>
Less Accumulated Depreciation					
Buildings	\$ 1,385,852	\$ 214,216	\$ -	\$ -	\$ 1,600,068
Building Improvements	41,690	6,364	-	-	48,054
Equipment	2,496,927	318,038	252,651	-	2,562,314
Vehicles	376,547	59,841	91,231	-	345,157
Infrastructure	1,068,494	253,411	-	-	1,321,905
<b>Total Accumulated Depreciation</b>	<b>\$ 5,369,510</b>	<b>\$ 851,870</b>	<b>\$ 343,882</b>	<b>\$ -</b>	<b>\$ 5,877,498</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 7,493,869</b>	<b>\$ 674,369</b>	<b>\$ 5,160</b>	<b>\$ 9,420,440</b>	<b>\$ 17,583,518</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 16,399,344</b>	<b>\$ 1,323,834</b>	<b>\$ 5,160</b>	<b>\$ -</b>	<b>\$ 17,718,018</b>

**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	\$ 25,950
Public Safety	235,807
Health & Welfare	15,171
Conservation of Natural Resources	1,107
Highways & Bridges	573,835
<b>Total Depreciation Expense</b>	<b>\$ 851,870</b>

**Discretely Presented Component Units**

The following is a summary of changes in capital assets for the year ended December 31, 2018 for the 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	\$ 90,000	\$ -	\$ -	\$ -	\$ 90,000
Less Accumulated Depreciation					
Buildings	\$ 25,200	\$ 1,800	\$ -	\$ -	\$ 27,000
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 64,800</b>	<b>\$ (1,800)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,000</b>

Depreciation expense was charged to the health and welfare function.

**NOTE 5: LONG-TERM LIABILITIES**

**Primary Government**

During the year ended December 31, 2018, 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	\$ 9,620,000	\$ -	\$ 195,000	\$ 9,425,000	\$ 200,000
Bond Premium	51,085	-	1,824	49,261	1,824
Leases Payable	319,150	236,797	88,553	467,394	88,830
Loans Payable	41,004	-	20,296	20,708	20,708
Special Assessments Payable	5,363	-	322	5,041	331
<b>Total Long-Term Debt</b>	<b>\$ 10,036,602</b>	<b>\$ 236,797</b>	<b>\$ 305,995</b>	<b>\$ 9,967,404</b>	<b>\$ 311,693</b>
Compensated Absences *	\$ 198,662	\$ -	\$ 10,585	\$ 188,077	\$ 18,808
Net Pension and OPEB Liability	3,683,774	139,233	-	3,823,007	-
<b>Total Governmental Activities</b>	<b>\$ 13,919,038</b>	<b>\$ 376,030</b>	<b>\$ 316,580</b>	<b>\$ 13,978,488</b>	<b>\$ 330,501</b>

\* 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		Loans		Special Assessments	
	Principal	Interest		Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 200,000	\$ 350,050	\$ 1,824	\$ 88,830	\$ 10,365	\$ 20,708	\$ 421	\$ 331	\$ 132
2020	205,000	344,050	1,824	137,904	10,712	-	-	339	123
2021	210,000	337,900	1,824	141,723	6,894	-	-	348	114
2022	220,000	329,500	1,824	48,738	2,968	-	-	357	105
2023	230,000	320,700	1,824	50,199	1,506	-	-	367	96
2024-2028	1,300,000	1,458,850	9,122	-	-	-	-	1,982	330
2029-2033	1,545,000	1,207,575	9,122	-	-	-	-	1,317	69
2034-2038	1,815,000	932,350	9,122	-	-	-	-	-	-
2039-2043	2,170,000	573,400	9,122	-	-	-	-	-	-
2044-2048	1,530,000	124,000	3,653	-	-	-	-	-	-
Totals	\$ 9,425,000	\$ 5,978,375	\$ 49,261	\$ 467,394	\$ 32,445	\$ 20,708	\$ 421	\$ 5,041	\$ 969

**Discretely Presented Component Units**

During the year ended 31, 2018, the following changes occurred in governmental long-term liabilities of the Health District:

Health District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 33,134	\$ -	\$ 4,591	\$ 28,543	\$ 2,854
Net Pension and OPEB Liability	692,652	53,156	-	745,808	-
Total Governmental Activities	\$ 725,786	\$ 53,156	\$ 4,591	\$ 774,351	\$ 2,854

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

**NOTE 6: OPERATING LEASES**

**Primary Government**

The County is engaged in various operating leases. Total lease payments made during 2018 totaled \$11,523. Future lease payments are as follows:

Year Ending Dec 31	Auditor Copier	States Attorney Copier	Recorder Copier	Sheriff Copier	Total
2019	\$ 3,035	\$ 2,438	\$ 2,870	\$ 3,180	\$ 11,523
2020	3,035	2,438	717	1,590	7,781
2021	-	2,438	-	-	2,438
2022	-	1,828	-	-	1,828
Totals	\$ 6,071	\$ 9,142	\$ 3,587	\$ 4,770	\$ 23,570

**ROLETTE COUNTY**

Notes to the Financial Statements – Continued

**Discretely Presented Component Units**

The Health District is engaged in various operating leases. Total lease payments made during 2018 totaled \$5,575. Future lease payments are as follows:

<b>Year Ending Dec 31</b>	<b>Savin Copier</b>	<b>Starion Building</b>	<b>Total</b>
2019	2,550	9120	11,670
2020	2,550	9120	11,670
2021	2,550	6080	8,630
2022	1,275	-	1,275
<b>Totals</b>	<b>\$ 8,927</b>	<b>\$ 24,320</b>	<b>\$ 33,247</b>

**NOTE 7: PENSION PLAN**

**General Information about the NDPERS Pension Plan**

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

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.

NDPES 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**

***Main System***

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 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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 (Without 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

**ROLETTE COUNTY**

Notes to the Financial Statements – Continued

normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

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

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

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

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 set by statute and are established as a percent of salaries and wages. Member contribution rates are 5.5% and employer contribution rates are 7.93% of covered compensation.

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

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

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

At December 31, 2018, the following net pension liabilities were reported:

	<b>Net Pension Liability</b>
Main System	\$ 3,481,808
Law Enforcement System	129,805
Health District	714,500

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) In Proportion from June 30, 2017 Measurement</b>	<b>Pension Expense</b>
Main System	0.206316%	-0.001631%	\$ 560,556
Law Enforcement System	13.378037%	0.174553%	132,130
Health District	0.042338%	0.001157%	129,315

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

<b>Main System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 9,217	\$ 118,458
Changes of Assumptions	1,256,860	49,696
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	16,939
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	32,837	67,772
Employer Contributions Subsequent to the Measurement Date	75,892	-
<b>Total</b>	<b>\$ 1,374,806</b>	<b>\$ 252,865</b>

**ROLETTE COUNTY**

Notes to the Financial Statements – Continued

<b>Law Enforcement System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 19,152	\$ 25,464
Changes of Assumptions	329,602	11,424
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	12,839
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	7,454	6,421
Employer Contributions Subsequent to the Measurement Date	31,226	-
<b>Total</b>	<b>\$ 387,434</b>	<b>\$ 56,148</b>

<b>Health District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,892	\$ 24,309
Changes of Assumptions	257,920	10,198
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	3,476
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	38,569	-
Employer Contributions Subsequent to the Measurement Date	22,032	-
<b>Total</b>	<b>\$ 320,413</b>	<b>\$ 37,983</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, 2019.

Main System	\$ 75,892
Law Enforcement System	31,226
Health District	22,032

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>
2018	\$ 344,521	\$ 108,986	\$ 84,984
2019	298,203	106,057	75,437
2020	250,008	80,877	62,643
2021	145,660	4,140	34,698
2022	7,657	-	2,636

**Actuarial Assumptions**

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**ROLETTE COUNTY**

Notes to the Financial Statements – Continued

**Main System**

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30 – 39	7.50%
	40 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

**Law Enforcement System**

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	20.00%
	1	20.00%
	2	10.00%
	Age*	
	Under 30	7.25%
	30 – 39	6.50%
	40 – 49	6.25%
	50 – 59	5.75%
	60+	5.00%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

**Main and Law Enforcement System**

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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:

**ROLETTE COUNTY**

Notes to the Financial Statements – Continued

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

**Discount rate (Main and Law Enforcement Systems)**

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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

The following presents the entities proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.32%)</b>	<b>Current Discount Rate (6.32%)</b>	<b>1% Increase (7.32%)</b>
Main System	\$ 4,731,129	\$ 3,481,808	\$ 2,439,289
Law Enforcement System	336,054	129,805	(35,320)
Health District	970,873	714,500	500,565

**Pension Plan Fiduciary Net Position**

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

**ROLETTE COUNTY**

Notes to the Financial Statements – Continued

**NOTE 8: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

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

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

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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. 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, 2018, the following net OPEB liabilities were reported:

	<b>Net OPEB Liability</b>
Primary Government	\$ 211,394
Health District	31,305

**ROLETTE COUNTY**

Notes to the Financial Statements – Continued

The net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2017 Measurement</b>	<b>OPEB Expense</b>
Primary Government	0.268190%	0.000224%	\$ 25,948
Health District	0.039749%	0.000890%	3,914

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 6,331	\$ 4,368
Changes of Assumptions	17,345	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	4,548
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	1,081
Employer Contributions Subsequent to the Measurement Date	17,151	-
<b>Total</b>	<b>\$ 40,827</b>	<b>\$ 9,997</b>

<b>Health District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 937	\$ 647
Changes of Assumptions	2,569	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	673
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	494	180
Employer Contributions Subsequent to the Measurement Date	3,528	-
<b>Total</b>	<b>\$ 7,528</b>	<b>\$ 1,500</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, 2019.

Primary Government	\$ 17,151
Health District	3,528

**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>Primary Government</b>	<b>Health District</b>
2019	\$ 1,599	\$ 309
2020	1,599	309
2021	1,599	309
2022	3,606	606
2023	3,238	552
2024	1,785	351
Thereafter	253	64

**Actuarial assumptions**

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, net of investment expenses
Cost of living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2018 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	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	.10%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**ROLETTE COUNTY**

Notes to the Financial Statements – Continued

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

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

<b>Proportionate Share of the OPEB Liability</b>	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Primary Government	\$ 267,464	\$ 211,394	\$ 163,328
Health District	39,608	31,305	24,187

**NOTE 9: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$4,588,429 for mobile equipment and portable property (public assets).

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

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

**NOTE 10: TRANSFERS**

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

**NOTE 11: OPEN CONSTRUCTION PROJECTS**

**Primary Government**

The County had one construction project open at year-end:

<b>Project</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>
Rolette County Jail	\$ 8,212,547	\$ 8,212,547	\$ 13,200	\$ 13,200

**ROLETTE COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 12: JOINT VENTURES**

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

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

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

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

**ROLETTE COUNTY**

Budgetary Comparison Schedule – General Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,349,700	\$ 1,349,700	\$ 1,271,461	\$ (78,239)
Intergovernmental	1,089,524	1,089,524	1,229,062	139,538
Licenses, Permits and Fees	3,660	3,660	3,840	180
Charges for Services	459,000	459,000	258,530	(200,470)
Interest Income	15,000	15,000	8,535	(6,465)
Miscellaneous	142,500	142,500	195,020	52,520
<b>Total Revenues</b>	<b>\$ 3,059,384</b>	<b>\$ 3,059,384</b>	<b>\$ 2,966,448</b>	<b>\$ (92,936)</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 1,353,960	\$ 1,353,960	\$ 1,361,976	\$ (8,016)
Public Safety	1,384,250	1,384,250	1,321,262	62,988
Health & Welfare	5,000	5,000	6,360	(1,360)
Debt Service				
Principal	-	-	322	(322)
Interest	-	-	140	(140)
<b>Total Expenditures</b>	<b>\$ 2,743,210</b>	<b>\$ 2,743,210</b>	<b>\$ 2,690,060</b>	<b>\$ 53,150</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 316,174	\$ 316,174	\$ 276,388	\$ (39,786)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 25,000	\$ 25,000	\$ 127,981	\$ 102,981
Transfers Out	(509,027)	(509,027)	(281,904)	227,123
<b>Total Other Financing Sources and Uses</b>	<b>\$ (484,027)</b>	<b>\$ (484,027)</b>	<b>\$ (153,923)</b>	<b>\$ 330,104</b>
<b>Net Change in Fund Balance</b>	<b>\$ (167,853)</b>	<b>\$ (167,853)</b>	<b>\$ 122,465</b>	<b>\$ 290,318</b>
Fund Balance - January 1	\$ 314,492	\$ 314,492	\$ 314,492	\$ -
Fund Balance - December 31	\$ 146,639	\$ 146,639	\$ 436,957	\$ 290,318

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 411,638	\$ 411,638	\$ 394,943	\$ (16,695)
Intergovernmental	3,585,832	3,585,832	4,098,002	512,170
Charges for Services	424,527	424,527	356,568	(67,959)
Miscellaneous	15,100	15,100	114,147	99,047
Total Revenues	<u>\$ 4,437,097</u>	<u>\$ 4,437,097</u>	<u>\$ 4,963,660</u>	<u>\$ 526,563</u>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 9,000	\$ 19,200	\$ 19,196	\$ 4
Public Safety	510,563	565,763	481,063	84,700
Highways and Bridges	1,901,134	1,978,134	1,814,687	163,447
Health & Welfare	2,101,073	2,102,448	1,898,570	203,878
Conservation of Natural Resources	136,049	136,049	105,443	30,606
Debt Service				
Principal	108,848	108,848	108,848	-
Interest	9,192	9,192	9,192	-
Total Expenditures	<u>\$ 4,775,859</u>	<u>\$ 4,919,634</u>	<u>\$ 4,436,999</u>	<u>\$ 482,635</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (338,762)</u>	<u>\$ (482,537)</u>	<u>\$ 526,661</u>	<u>\$ 1,009,198</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 189,027	\$ 189,027	\$ 303,043	\$ 114,016
Transfers Out	(55,000)	(55,000)	(424,120)	(369,120)
Total Other Financing Sources and Uses	<u>\$ 134,027</u>	<u>\$ 134,027</u>	<u>\$ (121,077)</u>	<u>\$ (255,104)</u>
Net Change in Fund Balance	<u>\$ (204,735)</u>	<u>\$ (348,510)</u>	<u>\$ 405,584</u>	<u>\$ 754,094</u>
Fund Balance - January 1	<u>\$ 556,764</u>	<u>\$ 556,764</u>	<u>\$ 556,764</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 352,029</u></u>	<u><u>\$ 208,254</u></u>	<u><u>\$ 962,348</u></u>	<u><u>\$ 754,094</u></u>

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, 2018

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

<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
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
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, 2018

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

<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
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
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, 2018

**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
2018	0.268414%	\$ 211,394	\$ 2,937,028	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
2018	0.039749%	\$ 31,305	\$ 434,941	7.20%	61.89%
2017	0.038859%	30,738	420,392	7.31%	59.78%

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

<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
2018	\$ 34,450	\$ 33,225	\$ 1,225	\$ 2,937,028	1.13%
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
2018	\$ 5,102	\$ 4,995	\$ 107	\$ 434,941	1.15%
2017	4,887	4,641	246	420,392	1.10%

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

# ROLETTE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2018

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## **NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

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

## **NOTE 2: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS**

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

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

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

## **NOTE 4: LEGAL COMPLIANCE - BUDGETS**

### **Budget Amendments**

The board of County commissioners amended the budget for 2018 as follows:

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
Special Revenue Fund	\$ 4,775,860	\$ 143,775	\$ 4,919,635

**ROLETTE COUNTY**

Notes to the Required Supplementary Information - Continued

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**NOTE 5: 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	\$ 4,673,796	\$ (236,797)	\$ 4,436,999
Lease Proceeds	236,797	(236,797)	-

**ROLETTE COUNTY**  
 Schedule of Fund Activity – Cash Basis  
 For the Year Ended December 31, 2018

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
<b>Governmental Funds</b>						
General Fund	\$ 79,484.89	\$ 2,912,864.89	\$ 127,981.24	\$ 281,904.68	\$ 2,707,863.82	\$ 130,562.52
Special Revenue Fund						
Unorganized District Road Fund	\$ -	\$ 252,882.10	\$ 162,331.53	\$ 83,807.06	\$ 271,360.29	\$ 60,046.28
Highway Tax Distribution Fund	41,968.78	1,539,143.64	30,000.00	-	1,239,982.80	371,129.62
County Road & Bridge	179,145.15	409,850.01	-	-	418,520.47	170,474.69
FEMA	(44,522.55)	226,028.26	3,807.06	185,312.77	-	-
Social Services Fund	44,528.83	1,987,352.05	-	100,000.00	1,877,213.40	54,667.48
Veteran's Service Officer Fund	-	20,941.14	-	-	21,788.61	(847.47)
Emergency Fund	160,927.04	237.03	-	-	-	161,164.07
County Agent	16,385.00	41,310.71	-	-	37,867.26	19,828.45
911 Emergency Service	(65,525.21)	164,670.86	-	25,000.00	130,577.20	(56,431.55)
Dunseith Contract Policing	-	117,464.91	86,279.85	-	203,744.76	-
Rolette Contract Policing Fund	-	18,224.52	20,624.83	-	38,849.35	-
Law Enforcement - Gaming Fund	(1,322.78)	20,680.41	-	-	12,527.62	6,830.01
Grants Law Enforcement	(49.94)	100,815.77	-	-	95,194.12	5,571.71
Weed Board Fund	43,140.50	80,594.31	-	30,000.00	68,049.06	25,685.75
Miscellaneous Fund	2,008.79	24,923.36	-	-	19,187.42	7,744.73
Off-Book Activity	4.00	8.50	-	-	8.50	4.00
Total Special Revenue Fund	\$ 376,687.61	\$ 5,005,127.58	\$ 303,043.27	\$ 424,119.83	\$ 4,434,870.86	\$ 825,867.77
Capital Project Fund						
Jail Off-Book	\$ 653,784.21	\$ -	\$ -	\$ -	\$ 636,264.64	\$ 17,519.57
Debt Service Fund						
Revenue Sharing	\$ 223,649.63	\$ 211,633.59	\$ 275,000.00	\$ 551,875.00	\$ -	\$ 158,408.22
Jail Off-Book	\$ 0.02	\$ -	\$ 551,875.00	\$ -	\$ 551,875.00	\$ 0.02
Total Debt Service Fund	\$ 223,649.65	\$ 211,633.59	\$ 826,875.00	\$ 551,875.00	\$ 551,875.00	\$ 158,408.24
Total Governmental Funds	\$ 1,333,606.36	\$ 8,129,626.06	\$ 1,257,899.51	\$ 1,257,899.51	\$ 8,330,874.32	\$ 1,132,358.10
<b>Agency Funds</b>						
Senior Citizen Fund	\$ 78.96	\$ 44,410.49	\$ -	\$ -	\$ 43,000.00	\$ 1,489.45
State Tax	1,019.75	21,696.90	-	-	21,529.63	1,187.02
911 State Siren Fees	15,482.28	54,828.22	-	-	50,791.73	19,518.77
State UCC	19,931.97	5,364.00	-	-	4,906.92	20,389.05
District Court	(84.00)	-	-	-	-	(84.00)
Fish & Wildlife Trust	10,525.00	-	-	-	-	10,525.00
Domestic Violence Prevention	315.00	840.00	-	-	770.00	385.00
Game & Fish	(1,834.27)	1,420.75	-	-	1,227.50	(1,641.02)
Protest Fund	(0.01)	67,646.40	-	-	67,646.40	(0.01)
Supt Special Trust	5,811.05	-	-	-	1,442.06	4,368.99
Colt Allery Memorial Fund	13,968.78	100.00	-	-	4,448.80	9,619.98
Public Administrator Special Trust	3,763.05	-	-	-	-	3,763.05
NSF Payments	(56.97)	580.00	-	-	-	523.03
Extension Service Special Trust	4,199.56	17,887.05	-	-	19,035.14	3,051.47
Promotion Fund	411.92	-	-	-	376.29	35.63
Hazardous Chemical	4,791.98	850.00	-	-	692.23	4,949.75
VSO Special Trust	631.32	300.00	-	-	600.00	331.32
Sheriffs Special Trust	4,695.94	79,795.50	-	-	80,040.29	4,451.15
Municipal Airport	3,977.78	18,038.57	-	-	17,000.00	5,016.35
Ambulance Levy	45,846.78	111,278.48	-	-	116,284.00	40,841.26
Water Resource Board	1,470.67	17,689.06	-	-	17,500.00	1,659.73
Historical Society	161.85	5,480.87	-	-	5,500.00	142.72
Soil Conservation	1,210.46	47,014.27	-	-	47,969.63	255.10
Health District	5,818.64	88,895.38	-	-	93,000.00	1,714.02
Current Tax Holding	737,561.16	443,133.37	-	-	737,561.16	443,133.37
Payroll Deduction	20,355.30	-	-	-	1,277.47	19,077.83
Total Cities	9,861.25	682,273.39	-	-	687,446.36	4,688.28
Total City Park Districts	529.09	69,009.79	-	-	69,633.52	(94.64)
Total School Districts	7,747.12	2,306,131.01	-	-	2,319,910.68	(6,032.55)
Total Townships	-	55,182.53	-	-	54,910.95	271.58
Total Rural Fire Protection Districts	311.11	85,640.25	-	-	86,117.91	(166.55)
Total Upsilon Rec. District	-	24,070.34	-	-	23,905.47	164.87
Total Agency Funds	\$ 918,502.52	\$ 4,249,556.62	\$ -	\$ -	\$ 4,574,524.14	\$ 593,535.00
Total Primary Government	\$ 2,252,108.88	\$ 12,379,182.68	\$ 1,257,899.51	\$ 1,257,899.51	\$ 12,905,398.46	\$ 1,725,893.10

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

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

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Independent Auditor's Report

Board of County Commissioners  
Rolette County  
Rolla, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, and each major fund of Rolette County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Rolette County's basic financial statements, and have issued our report thereon dated September 12, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2018-001, 2018-002, and 2018-003 that we consider to be material weaknesses.

## **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*. 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

Fargo, North Dakota  
September 12, 2019

**ROLETTE COUNTY**

Summary of Auditor's Results  
For the Year Ended December 31, 2018

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**Financial Statements**

Type of Report Issued?	
Governmental Activities	Unmodified
Discretely Presented Component Units	Unmodified
Major Funds	Unmodified

**Internal control over financial reporting**

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

**ROLETTE COUNTY**

Schedule of Audit Findings

For the Year Ended December 31, 2018

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**New Findings**

**2018-001 – FINANCIAL STATEMENT PREPARATION**

**Condition**

Rolette County does not have an internal control system over financial reporting designed to provide for the preparation of 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.

**Criteria**

Management of Rolette County is responsible for establishing proper internal control over the preparation of Rolette County's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

**Cause**

Management is not fully knowledgeable of the process of preparing financial statements in compliance with GAAP.

**Effect**

There is an increased risk of material misstatement to the Rolette County's financial statements.

**Recommendation**

We recommend Rolette County design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continue to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

**Rolette County's Response**

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

**2018-002 – ADJUSTING JOURNAL ENTRIES**

**Condition**

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

**Criteria**

Rolette County and Rolette County Public Health District are required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

**Cause**

Management is not fully knowledgeable of identifying necessary adjustments to present the financial statements in compliance with GAAP.

**Effect**

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

**Recommendation**

We recommend that Rolette County and Rolette County Public Health District design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

**Rolette County's Response**

Agree. Rolette County and Rolette County Public Health District does not have adequate resources to obtain proper internal controls and training to make and identify all necessary adjustments. We will continue to try to identify all items in need of adjustment at year end to comply with GAAP.

**2018-003 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS**

**Condition**

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

**Criteria**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

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

**Rolette County's Response**

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Water Resource District and Health District.



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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 discretely presented component units, and each major fund of Rolette County, North Dakota, for the year ended December 31, 2018 which collectively comprise Rolette County's basic financial statements, and have issued our report thereon dated September 12, 2019. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated July 29, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

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

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Rolette County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. 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.

<b>PRIMARY GOVERNMENT</b>			
<b>Client Provided Adjustments</b>			
Intergovernmental Receivable	\$	459,496	
Accounts Receivable		11,737	
Revenue			\$ 471,233
Expenditures		28,358	
Accounts Payable			14,700
Salaries Payable			13,658
<b>Audit Adjustments</b>			
Miscellaneous Revenue		205,155	
Intergovernmental Revenue			205,155
Expenditures		236,797	
Capital Lease Proceeds			236,797
<b>HEALTH DISTRICT</b>			
<b>Audit Adjustments</b>			
Accounts Receivable	\$	66,042	
Revenue			\$ 66,042

**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 September 12, 2019.

**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.

The following presents our informal recommendation:

\* \* \* \* \*

<b>FRAUD RISK ASSESSMENT</b>
------------------------------

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

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the 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 County’s goals in reporting, reliance, and accountability.

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

\* \* \* \* \*

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

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
September 12, 2019

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