



Rolette County

Rolla, North Dakota

Audit Report

For the Year Ended December 31, 2015

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

ROLETTE COUNTY
Rolla, North Dakota

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ROLETTE COUNTY
Rolla, North Dakota

COUNTY OFFICIALS

At December 31, 2015

Eldon Moors, Sr.
Merle Boucher
Bob Leonard, Sr.
Joe Baker
Alex Albert

Valerie McCloud
Kandace Desjarlais
Gerald Medrud
Sarah Bruce
Ryan Thompson

Commissioner - Chairman
Commissioner - Vice-Chairman
Commissioner
Commissioner
Commissioner

Auditor
Treasurer
Sheriff
Recorder
State's Attorney

STATE AUDITOR

JOSHUA C. GALLION
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rolette County, Rolla, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rolette County, Rolla, North Dakota, as of December 31, 2015, and the respective changes in financial position 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

Emphasis of a Matter

As discussed in Note 23 to the financial statements, Rolette County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and the notes to the required supplementary information* on pages 28-35 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.

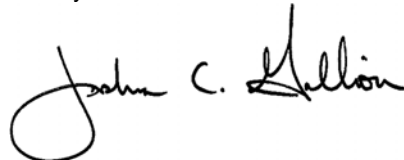
Other Information

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 arising from cash transactions* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2017 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.



Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 11, 2017

ROLETTE COUNTY
Rolla, North Dakota
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Health District
ASSETS:			
Cash and Investments	\$ 1,745,201	\$ 15,581	\$ 226,286
Taxes Receivable	106,453	1,235	5,934
Accounts Receivable	20,066	-	-
Road Receivables	13,522	-	-
Intergovernmental Receivable	1,024,351	-	57,951
Interest Receivable	2,581	-	-
Capital Assets (not being depreciated):			
Land	38,000	-	-
Construction in Progress	1,438,562	-	-
Capital Assets (net of accumulated depreciation):			
Buildings	535,125	-	68,400
Building Improvements	173,369	-	-
Equipment	1,990,917	-	-
Vehicles	173,162	-	-
Infrastructure	3,842,403	-	-
Total Capital Assets	<u>\$ 8,191,538</u>	<u>\$ -</u>	<u>\$ 68,400</u>
Total Assets	<u>\$ 11,103,712</u>	<u>\$ 16,816</u>	<u>\$ 358,571</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Items	<u>\$ 293,743</u>	<u>\$ -</u>	<u>\$ 34,306</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 11,397,455</u>	<u>\$ 16,816</u>	<u>\$ 392,877</u>
LIABILITIES:			
Accounts Payable	\$ 62,492	\$ -	\$ 38
Salaries Payable	8,042	-	4
Interest Payable	3,481	-	-
Retainage Payable	26,242	-	-
Long-Term Liabilities:			
Due Within One Year:			
Capital Lease Payable	226,888	-	-
Loan Payable	19,496	-	-
Special Assessments Payable	486	-	-
Compensated Absences Payable	18,863	-	2,824
Due After One Year:			
Capital Lease Payable	386,392	-	-
Loan Payable	60,895	-	-
Special Assessments Payable	1,458	-	-
Compensated Absences Payable	169,764	-	25,420
Net Pension Liability	1,438,258	-	235,594
Total Liabilities	<u>\$ 2,422,757</u>	<u>\$ -</u>	<u>\$ 263,880</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Items	<u>\$ 209,138</u>	<u>\$ -</u>	<u>\$ 27,617</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 2,631,895</u>	<u>\$ -</u>	<u>\$ 291,497</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 7,494,386	\$ -	\$ 68,400
Restricted for:			
Highways & Public Improvement	573,348	-	-
Emergencies	149,032	-	-
Health and Welfare	116,967	-	32,980
Culture and Recreation	1,108	-	-
Conservation of Natural Resources	105,991	16,816	-
Unrestricted	324,728	-	-
Total Net Position	<u>\$ 8,765,560</u>	<u>\$ 16,816</u>	<u>\$ 101,380</u>

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

ROLETTE COUNTY
Rolla, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Governmental Activities	Water Resource District	Health District
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	\$ 1,561,028	\$ 36,783	\$ 123,932	\$ -	\$ (1,400,313)		
Public Safety	1,503,940	391,156	-	-	(1,112,784)		
Highways & Public Improvement	3,632,952	113,171	2,605,708	968,193	54,120		
Flood Repair	5,639	-	-	-	(5,639)		
Health and Welfare	1,774,972	-	1,689,379	-	(85,593)		
Culture and Recreation	8,279	-	-	-	(8,279)		
Conserv. of Natural Resources	134,325	-	3,930	-	(130,395)		
Emergency	-	-	6,969	-	6,969		
Interest on Long-Term Debt	19,011	-	-	-	(19,011)		
Total Primary Government	\$ 8,640,146	\$ 541,110	\$ 4,429,918	\$ 968,193	\$ (2,700,925)		
<u>Component Units:</u>							
Water Resource Board	\$ 18,058	\$ -	\$ -	\$ -		\$ (18,058)	\$ -
Health District	752,672	214,597	415,964	-		-	(122,111)
Total Component Units	\$ 770,730	\$ 214,597	\$ 415,964	\$ -		\$ (18,058)	\$ (122,111)
<u>General Revenues:</u>							
Taxes:							
Property taxes; levied for general purposes					\$ 98,574	\$ -	\$ -
Property taxes; levied for special purposes					1,069,715	18,036	83,391
State aid & grants not restricted to specific programs:							
State Aid Distribution and Grants					1,401,397	-	22,567
Other State Shared Revenues					263,434	-	-
Gain on Sale of Capital Assets					110,000	-	-
Interest Revenue					14,867	-	-
Miscellaneous Revenue					250,252	-	33,311
Total General Revenues					\$ 3,208,239	\$ 18,036	\$ 139,269
Change in Net Position					\$ 507,314	\$ (22)	\$ 17,158
Net Position - January 1					\$ 9,681,082	\$ 16,838	\$ 311,747
Prior Period Adjustment					(1,422,836)	-	(227,525)
Net Position - January 1 as restated					\$ 8,258,246	\$ 16,838	\$ 84,222
Net Position - December 31					\$ 8,765,560	\$ 16,816	\$ 101,380

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

ROLETTE COUNTY
Rolla, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2015

	General	Unorganized District Road	Highway Tax Distribution	Social Services	FEMA	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 669,226	\$ 375,260	\$ -	\$ 137,007	\$ -	\$ 563,708	\$ 1,745,201
Intergovernmental Receivable	272,346	33,049	109,571	588,511	-	20,874	1,024,351
Accounts Receivable	-	-	-	-	-	20,066	20,066
Due From Other Funds	88,278	-	-	-	-	-	88,278
Taxes Receivable	11,977	6,632	-	27,233	-	60,611	106,453
Road Receivables	-	13,522	-	-	-	-	13,522
Interest Receivable	2,581	-	-	-	-	-	2,581
Total Assets	\$1,044,408	\$ 428,463	\$ 109,571	\$ 752,751	\$ -	\$ 665,259	\$ 3,000,452
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
<u>Liabilities:</u>							
Accounts Payable	\$ 34,965	\$ 15,364	\$ -	\$ 783	\$ -	\$ 11,380	\$ 62,492
Salary and Benefits Payable	8,042	-	-	-	-	-	8,042
Due to Other Funds	-	-	-	-	88,278	-	88,278
Total Liabilities	\$ 43,007	\$ 15,364	\$ -	\$ 783	\$ 88,278	\$ 11,380	\$ 158,812
<u>Deferred Inflows of Resources:</u>							
Taxes Receivable	\$ 11,977	\$ 6,632	\$ -	\$ 27,233	\$ -	\$ 60,611	\$ 106,453
Road Receivable	-	13,522	-	-	-	-	13,522
Total Deferred Inflows of Resources	\$ 11,977	\$ 20,154	\$ -	\$ 27,233	\$ -	\$ 60,611	\$ 119,975
Total Liabilities and Deferred Inflows of Resources	\$ 54,984	\$ 35,518	\$ -	\$ 28,016	\$ 88,278	\$ 71,991	\$ 278,787
<u>Fund Balances:</u>							
<u>Restricted for:</u>							
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,112	\$ 22,112
Public Safety	-	-	-	-	-	44,109	44,109
Highways & Public Improvement	-	392,945	109,571	-	-	287,088	789,604
Emergency	-	-	-	-	-	147,670	147,670
Health and Welfare	-	-	-	724,735	-	117	724,852
Conservation of Natural Resources	-	-	-	-	-	99,105	99,105
<u>Unassigned</u>							
General Fund	989,424	-	-	-	-	-	989,424
Negative Fund Balance	-	-	-	-	(88,278)	(6,933)	(95,211)
Total Fund Balances	\$ 989,424	\$ 392,945	\$ 109,571	\$ 724,735	\$ (88,278)	\$ 593,268	\$ 2,721,665
Total Liabilities and Fund Balances	\$1,044,408	\$ 428,463	\$ 109,571	\$ 752,751	\$ -	\$ 665,259	\$ 3,000,452

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

ROLETTE COUNTY
Rolla, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2015

Total *Fund Balances* for Governmental Funds \$ 2,721,665

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

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 12,637,483	
Less Accumulated Depreciation	<u>(4,445,945)</u>	8,191,538

Property taxes receivable 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 inflows of resources in the funds. 106,453

Road receivable 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 inflows of resources in the funds. 13,522

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

Deferred Outflows Related to Pensions	\$ 293,743	
Deferred Inflows Related to Pensions	<u>(209,138)</u>	84,605

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2015 are:

Capital Leases Payable	\$ (613,280)	
Loan Payable	(80,391)	
Special Assessments Payable	(1,944)	
Retainage Payable	(26,242)	
Interest Payable	(3,481)	
Compensated Absences	(188,627)	
Net Pension Liability	<u>(1,438,258)</u>	<u>(2,352,223)</u>

Total Net Position of Governmental Activities \$ 8,765,560

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

ROLETTE COUNTY
Rolla, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

	General	Unorganized District Road	Highway Tax Distribution	Social Services	FEMA	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 95,120	\$ 66,831	\$ -	\$ 297,893	\$ -	\$ 659,655	\$ 1,119,499
Intergovernmental	1,410,305	384,750	2,248,328	1,758,173	-	293,195	6,094,751
Licenses, Permits and Fees	4,890	-	-	-	-	-	4,890
Charges for Services	45,692	105,980	-	-	-	377,357	529,029
Interest Income	14,867	-	-	-	-	-	14,867
Miscellaneous	48,482	-	-	1,028	-	200,743	250,253
Total Revenues	\$ 1,619,356	\$ 557,561	\$ 2,248,328	\$ 2,057,094	\$ -	\$ 1,530,950	\$ 8,013,289
Expenditures:							
Current:							
General Government	\$ 931,463	\$ -	\$ -	\$ -	\$ -	\$ 620,882	\$ 1,552,345
Public Safety	408,982	-	-	-	-	1,127,967	1,536,949
Highways & Public Improvement	-	491,251	2,684,357	-	-	461,500	3,637,108
Flood Repair	-	-	-	-	5,639	-	5,639
Health and Welfare	6,998	-	-	1,783,092	-	12,729	1,802,819
Culture and Recreation	-	-	-	-	-	8,279	8,279
Conserv. of Natural Resources	-	-	-	-	-	133,218	133,218
Debt Service:							
Principal	486	-	294,290	-	-	-	294,776
Interest & Service Charges	204	-	20,414	-	-	-	20,618
Total Expenditures	\$ 1,348,133	\$ 491,251	\$ 2,999,061	\$ 1,783,092	\$ 5,639	\$ 2,364,575	\$ 8,991,751
Excess (Deficiency) of Revenues Over Expenditures	\$ 271,223	\$ 66,310	\$ (750,733)	\$ 274,002	\$ (5,639)	\$ (833,625)	\$ (978,462)
Other Financing Sources (Uses):							
Lease Financing	\$ -	\$ -	\$ 226,980	\$ -	\$ -	\$ -	\$ 226,980
Loan Proceeds	-	-	80,391	-	-	-	80,391
Sale of Capital Assets	-	110,000	-	-	-	-	110,000
Transfers In	57,474	-	605,143	141,883	-	942,251	1,746,751
Transfers Out	(483,542)	(605,143)	-	-	-	(658,066)	(1,746,751)
Total Other Financing Sources and Uses	\$ (426,068)	\$ (495,143)	\$ 912,514	\$ 141,883	\$ -	\$ 284,185	\$ 417,371
Net Change in Fund Balances	\$ (154,845)	\$ (428,833)	\$ 161,781	\$ 415,885	\$ (5,639)	\$ (549,440)	\$ (561,091)
Fund Balance - January 1	\$ 1,144,269	\$ 821,778	\$ (52,210)	\$ 308,850	\$ (82,639)	\$ 1,142,708	\$ 3,282,756
Fund Balance - December 31	\$ 989,424	\$ 392,945	\$ 109,571	\$ 724,735	\$ (88,278)	\$ 593,268	\$ 2,721,665

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

ROLETTE COUNTY
Rolla, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Net Change in *Fund Balances* - Total Governmental Funds \$ (561,091)

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. This is the amount by which capital outlays & capital contributions exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 542,708	
Capital Contribution	968,193	
Current Year Depreciation Expense	<u>(561,078)</u>	949,823

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

(5,700)

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. This is the amount by which debt issuances exceeded debt repayments.

Issuance of Debt - Capital Lease	\$ (226,980)	
Issuance of Debt - Loan Proceeds	(80,391)	
Repayment of Debt - Capital Lease	294,290	
Repayment of Debt - Special Assessments	<u>486</u>	(12,595)

The Net Pension 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 Liability	\$ (62,710)	
Net Change in Deferred Inflows of Resources Related to Pensions	57,985	
Net Change in Deferred Outflows of Resources Related to Pensions	<u>73,908</u>	69,183

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	\$ 6,560	
Net Change in Retainage Payable	3,548	
Net Change in Interest Payable	<u>1,607</u>	11,715

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	\$ 48,790	
Net Change in Road Receivables	<u>7,189</u>	<u>55,979</u>

Change in Net Position of Governmental Activities \$ 507,314

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

ROLETTE COUNTY
Rolla, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
AGENCY FUNDS
December 31, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 829,572</u>
<u>LIABILITIES</u>	
Due to other governments	<u>\$ 829,572</u>

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

ROLETTE COUNTY
Rolla, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Based on these criteria, there are two discretely presented component units to be included within Rolette County as a reporting entity.

COMPONENT UNITS

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

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

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

Rolette County Water Resource District - The County's governing board appoints a voting majority of the members of the Rolette County 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.

Component Unit Financial Statements: The financial statements of the discretely presented component units are presented in the County's basic financial statements. Complete financial statements of the component units can be obtained from the Rolette County Auditor Rolette County, 102 NE 2nd Street PO box 939, Rolla ND 58367.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Related Organizations - The County is accountable for the following legally separate entities because it appoints a voting majority to their governing boards. Although, the County is not financially accountable for these entities, as defined by GASB statement 14, the County did provide operating grants to them as follows:

Weed Control	\$ 88,022
County Park	8,279

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's and the component units 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 taxes, interest and non-restricted grants and contributions, are presented as general revenues.

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

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.

Unorganized District Road Fund. This fund accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund.

Highway Tax Distribution Fund. This fund accounts for the Highway Tax Distribution revenue collected during the year for this specific County.

Social Services Fund. This fund accounts for the costs of providing social service benefits and programs to needy residents of the county.

FEMA Fund. This fund accounts for repair and improvement of highways and bridges that are damaged due to natural disasters and paid for primarily by FEMA public assistance monies

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.

C. 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. Nonexchange 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 resources available to finance the program. It is the County's policy to first apply cost-reimbursement restricted grant resources to such programs, and then by general revenues / unrestricted resources.

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets**PRIMARY GOVERNMENT:**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

General infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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

Assets	Years
Buildings	50
Equipment	9-20
Vehicles	5-10
Infrastructure	50
Office Equipment	5-15

F. Compensated Absences

Vacation leave is earned at the rate of 12 to 24 days per year 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 that respective employee would be able to accrue in the year prior to the anniversary date. The maximum for each employee is the total accrued for that year. 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 hourly rate of pay. Upon termination vacation benefits that have accrued through the last day of work will be paid.

Eligible employees (defined as employees who have completed six calendar months of employment) beginning the first year of employment as an eligible employee, will be awarded five (5) working days with pay. After one year of employment, the employee will be awarded sick leave at the rate of ten (10) working days per year, with pay. Unused sick leave benefits will be allowed to accumulate without limit. If an employee leaves employment with the County after ten continuous years of County employment, the employee will be paid for 10 percent of their accumulated unused sick leave up to a maximum of 1,000 hours.

G. 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. When applicable, bond premiums and discounts are amortized over the life of the bond, whereas issuance costs are recognized in the current period.

H. Fund Balances / Net Position

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of Rolette 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.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (unorganized district road, highway tax distribution, social services, and FEMA) are disclosed in more detail in Note 1B.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

The County only has restricted and unassigned fund balances at December 31, 2015.

Restricted Fund Balances – consist of the following items at December 31, 2015:

Restricted fund balances are shown by primary function on the balance sheet for general government, public safety, highways & public improvement, flood repair, emergency, health & welfare, culture & recreation, and conservation of resources (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements). Restricted fund balances total \$1,827,452 at December 31, 2015.

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes FEMA funds, other grant funds, and highway tax distribution.

Unassigned Fund Balances:

Unassigned fund balances are shown at each year-end for the positive fund balance of the general fund of \$989,424 at December 31, 2015, and for negative fund balances in FEMA fund and other governmental funds each year consisting of various funds for the year ended December 31, 2015 totaling (\$95,211).

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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, and any related debt used to finance the purchase or construction of those capital assets. These assets are not available for future spending.

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position in the statement of net position is also shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

Unrestricted net position is primarily unrestricted amounts related to the general fund governmental activities, as well as amounts shown for negative funds as applicable. The unrestricted net position is available to meet the district's ongoing obligations.

I. 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.

J. 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

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

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

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

ROLETTE COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2015, the county's carrying amount of deposits was \$2,575,871 and the bank balances totaled \$2,592,736. Of the bank balances, \$1,021,323 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2015, the Rolette County Health District and Water Resource District's carrying amounts of deposits were \$226,286 and \$15,581, respectively, and bank balances totaling \$249,546 and \$16,670, respectively, were entirely covered by Federal Depository Insurance.

Credit Risk:

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

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

As of December 31, 2015, the county had certificates of deposits totaling \$1,610,525, and the Water Resource District had certificates of deposit totaling \$10,110.

Concentration of Credit Risk:

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

NOTE 3: TAXES RECEIVABLE

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

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

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.

Most property owners choose to pay property taxes on or before February 15 and receive the 5% discount on the property taxes.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due for contract policing, and for emergency 911 fees owed to the county prior to year-end, but not received until after year-end.

NOTE 5: DUE TO / FROM OTHER FUNDS

The composition of due to and due from other funds as of December 31, 2015 are as follows:

Due From Fund	Due To Fund	Amount
General Fund	FEMA Fund	\$88,278

The composition of due to and due from other funds is related to negative cash fund balances in various major funds for governmental and business type activities.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

NOTE 6: ROAD ACCOUNTS RECEIVABLE

Road accounts receivable consist of amounts due for road work for townships, cities and private citizens.

NOTE 7: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of amounts due from the state for the state and federal share of various social service programs, highway tax distribution, state aid and other state and federal grants.

NOTE 8: INTEREST RECEIVABLE

Interest receivable consists of amounts due from banks for accrued interest on bank accounts at year- end not yet received as of year-end.

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2015:

Primary Government:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 38,000	\$ -	\$ -	\$ -	\$ 38,000
Construction Progress	2,008,702	962,670	-	(1,532,810)	1,438,562
Total Capital Assets, not being depreciated	\$ 2,046,702	\$ 962,670	\$ -	\$ (1,532,810)	\$ 1,476,562
<i>Capital assets being depreciated:</i>					
Buildings	\$ 1,863,822	\$ -	\$ -	\$ -	\$ 1,863,822
Building Improvements	202,330	-	-	-	202,330
Equipment	3,936,771	439,918	194,902	-	4,181,787
Vehicles	394,903	108,313	47,100	-	456,116
Infrastructure	2,924,056	-	-	1,532,810	4,456,866
Total Capital Assets, Being Depreciated	\$ 9,321,882	\$ 548,231	\$ 242,002	\$ 1,532,810	\$ 11,160,921
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,296,550	\$ 32,147	\$ -	\$ -	\$ 1,328,697
Building Improvements	22,597	6,364	-	-	28,961
Equipment	2,079,890	305,882	194,902	-	2,190,870
Vehicles	259,424	64,930	41,400	-	282,954
Infrastructure	462,708	151,755	-	-	614,463
Total Accumulated Depreciation	\$ 4,121,169	\$ 561,078	\$ 236,302	\$ -	\$ 4,445,945
Total Capital Assets Being Depreciated, Net	\$ 5,200,713	\$ (12,847)	\$ 5,700	\$ 1,532,810	\$ 6,714,976
Governmental Activities- Capital Assets, Net	\$ 7,247,415	\$ 949,823	\$ 5,700	\$ -	\$ 8,191,538

Depreciation expense was charged to functions/programs of the county as follows for the years ended December 31, 2015:

Governmental Activities:	Amount
General Government	\$ 31,856
Public Safety	65,265
Health & Welfare	4,000
Conservation of Natural Resources	1,107
Highways & Bridges	458,850
Total Depreciation Expense-Governmental Activities	\$ 561,078

ROLETTE COUNTY

Notes to the Financial Statements – Continued

The following is a summary of changes in capital assets for Rolette County Health District for the year ended December 31, 2015:

Rolette County Health:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
Governmental Activities:					
<i>Capital assets being depreciated:</i>					
Buildings	\$ 90,000	\$ -	\$ -	\$ -	\$ 90,000
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 19,800	\$ 1,800	\$ -	\$ -	\$ 21,600
Total Capital Assets Being Depreciated, Net	\$ 70,200	\$ (1,800)	\$ -	\$ -	\$ 68,400
<i>Governmental Activities- Capital Assets, Net</i>	\$ 70,200	\$ (1,800)	\$ -	\$ -	\$ 68,400

Depreciation expense totaling \$1,800 for 2015 was charged to the Health and Welfare function.

NOTE 10: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions as outlined in more detail in Note 18.

NOTE 11: ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31 of each year-end.

NOTE 12: SALARIES PAYABLE

Salaries payable consists of a liability account reflecting amounts owed to employee salaries at December 31, 2015 in the general fund, and at the government-wide level.

NOTE 13: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, such amounts include the amount for pensions. See more detail in Note 18 about deferred inflows of resources.

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the road accounts receivable in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes and road accounts receivable are measurable but not available.

NOTE 14: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (leases and loans payable) outstanding at each year-end.

NOTE 15: RETAINAGES PAYABLE

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts as outlined above at December 31, 2015 for two county road projects.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

NOTE 16: LONG-TERM LIABILITIES

Primary Government:

Changes in Long-Term Liabilities - During the years ended December 31, 2015, the following changes occurred in governmental activities long-term liabilities for the primary government:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Leases Payable	\$ 680,590	\$ 226,980	\$ 294,290	\$ 613,280	\$ 226,888
Loans Payable	-	80,391	-	80,391	19,496
Special Assmts. Payable	2,430	-	486	1,944	486
Compensated Absences *	195,187	-	6,560	188,627	18,863
Net Pension Liability *	1,375,548	62,710	-	1,438,258	-
Total Governmental Activities	\$ 2,253,755	\$ 370,081	\$ 301,336	\$ 2,322,500	\$ 265,733

* The change in compensated absences and net pension liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding governmental activities debt of the primary government at December 31, 2015 is comprised of the following individual issues:

Leases Payable:

\$88,500 Lease from Caterpillar for a 2008 John Deere 700J Dozer. Principal payments will range from \$17,629 to \$19,018 until 2017 with an interest rate of 3.80%.	\$ 37,329
\$143,550 Lease from Titan Machinery for a 2013 John Deere Wheel Loader. Principal payments will range from \$28,219 to \$30,445 through 2017 with an interest rate of 3.80%.	59,755
\$267,707 Lease from Caterpillar for a 140M 2AWD Motor Grader. Principal payments will range from \$52,070 to \$54,933 through 2017 with an interest rate of 2.75%.	108,476
\$267,707 Lease from Caterpillar for a 140M 2AWD Motor Grader. Principal payments will range from \$52,070 to \$54,933 through 2017 with an interest rate of 2.75%.	108,476
\$226,980 Lease from Butler CAT for a 140M3 AWD Motor Grader. Principal payments will range from \$42,838 to \$48,030 until 2021 with an interest rate of 2.90%.	226,980
\$122,045 Lease from John Financial for a 2011 JD544K 4WD Loader. Principal payments will be \$28,050 until 2014 with an interest rate of 4.05%.	21,841
\$241,150 Lease from John Deer Financial for a 2012 JD 772G Motor Grader. Principal payments will be \$52,107 until 2015 with an interest rate of 3.95%.	<u>50,423</u>
Total Leases Payable	<u>\$613,280</u>

Special Assessments Payable:

County Property Sewer #27	<u>\$ 1,944</u>
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Loan Payable:

Case Tractor Loan – payments of \$21,128 through 2019, interest at 2.03%	<u>\$ 80,391</u>
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ROLETTE COUNTY

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding debt, excluding compensated absences are as follows:

Year Ending 12-31-15	Leases		Loans		Spec. Assmts.	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 226,888	\$ 10,334	\$ 19,496	\$ 1,632	\$ 486	\$ 194
2017	202,249	10,151	19,892	1,236	486	184
2018	44,082	5,340	20,296	832	972	1,601
2019	45,359	4,062	20,707	421	-	-
2020	46,674	2,746	-	-	-	-
2021-2025	48,028	1,394	-	-	-	-
Totals	\$ 613,280	\$ 34,027	\$ 80,391	\$ 4,121	\$ 1,944	\$ 1,979

Changes in Long-Term Liabilities - During the years ended December 31, 2015, the following changes occurred in governmental activities long-term liabilities for the Health District component unit:

Health District:

Health District	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences *	\$ 27,252	\$ 992	\$ -	\$ 28,244	\$ 2,824
Net Pension Liability *	209,959	25,635	-	235,594	-
Total Governmental Activities	\$ 237,211	\$ 26,627	\$ -	\$ 263,838	\$ 2,824

* The change in compensated absences and net pension liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

NOTE 17: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements of the governmental activities for the years ended December 31, 2015:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 57,474	\$ 483,542
Road & Bridge Unorganized	-	605,143
Highway Tax Distribution	605,143	-
Social Services	141,883	-
Special Revenue Funds:		
County Road & Bridge	273,239	-
Farm to Market Road	-	458,709
Farm to Market Maintenance	185,470	-
Emergency Poor	-	141,883
OASIS/Social Security	-	48,114
Veteran's Service Officer	3,258	-
Insurance Reserve	6,624	-
Revenue Sharing	1,603	-
Advertising Fund	-	282
Jail Maintenance	300,750	-
Dunseith Contract Policing	82,369	-
Rolette Contract Policing	39,961	-
St. John Contract Policing	48,977	-
County Park	-	9,078
Total Transfers	\$ 1,746,751	\$ 1,746,751

NOTE 18: PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years 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 annual 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.

Death and Disability Benefits

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

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

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. 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

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

At December 31, 2015, Rolette County reported a liability of \$1,438,258 for its proportionate share of net pension liability of the main system and the law enforcement system combined. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was .214508 percent, which was a decrease of .002590 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Employer recognized pension expense of \$180,220. At December 31, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 96,235	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,828	(15,919)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	5,119	(30,791)
Changes of Assumptions	-	(162,428)
District Contributions Subsequent to the Measurement Date	188,561	-
Total	\$ 293,743	\$ (209,138)

\$188,561 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, 2015.

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.

2016	\$ (35,257)
2017	(35,257)
2018	(35,257)
2019	31,742
2020	(17,835)

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	4.50% per annum
Investment Rate of Return	8.00%, 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 actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's Proportionate Share of the Net Pension Liability	\$ 2,287,136	\$ 1,438,258	\$ 750,162

Pension Plan Fiduciary Net Position

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

Other Retirement Plans

Other contributions include the Great West Retirement System 457 Deferred Compensation plan and the North Dakota Teachers Retirement Fund. Rolette County's contributions to these retirement programs for the fiscal years ended December 31, 2015, 2014, and 2013 were \$3,600, \$3,669, and \$4,434, respectively.

NOTE 19: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Rolette County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$3,960,148 for public assets (mobile equipment and portable property).

Rolette County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Rolette 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

ROLETTE COUNTY

Notes to the Financial Statements – Continued

one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Rolette County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 20: DEFICIT CASH FUND BALANCES

At December 31, 2015 the following funds had deficit fund balances.

Special Revenue Funds:	Amount
FEMA	\$ (88,278)
911 Fund	(7,361)

NOTE 21: CONSTRUCTION COMMITMENTSCommitments:

At December 31, 2015, Rolette County had commitments for remaining project costs related to highway projects. As of December 31, 2015, the remaining construction commitments are as follows:

Project	Original Contract	Change Orders	Total Contract	Total Completed	Retainage	Remaining Balance
CNOA-4023(052)	\$ 458,559	\$ 23,948	\$ 482,507	\$ 486,110	\$ 9,722	\$ 6,119
CNOB-CNOA-4024(053)	833,247	11,770	845,017	825,989	16,520	35,548
Totals	\$ 1,291,806	\$ 35,718	\$ 1,327,524	\$ 1,312,099	\$ 26,242	\$ 41,667

NOTE 22: OPERATING LEASES

In 2013, the County entered into operating leases for two digital imaging copiers. The lease term is for 48 months for each copier. Monthly lease payments are \$232 through September 2017 for the Sharp copier lease. Monthly lease payments are \$155 per month through September 2017 for the HP copier lease. Total operating lease payments made in 2015 for both copiers totaled \$4,638. Future annual lease payments are as follows:

Fiscal Year	Amounts
2016	\$ 4,638
2017	3,479
Total	\$ 8,117

The Health District leases a Savin copier under an operating lease agreement. Lease payments in 2015 totaled \$1,890. Future annual lease payments are as follows:

Fiscal Year	Amounts
2016	\$ 2,520
2017	2,520
2018	2,520
2019	630
Total	\$ 8,190

ROLETTE COUNTY

Notes to the Financial Statements – Continued

NOTE 23: PRIOR PERIOD ADJUSTMENTS**Change in Accounting Principle – GASB 68 & 71 - Pensions:**

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The result of implementing GASB 68 reduced beginning net position by a total of (\$1,422,836) for the County and by (\$227,525) for the Public Health District, which consists of the net pension liability related to the North Dakota Public Employees Retirement System (NDPERS) and related deferred inflow and deferred outflows of resources.

The effect of the prior period adjustments to beginning net position is as follows:

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$ 9,681,082
Adjustments to restate the January 1, 2015 Net Position:	
Net Pension Liability	(1,375,548)
Pension Deferred Inflows of Resources	(283,046)
Pension Deferred Outflows of Resources	235,758
Net Position January 1, as restated	\$ 8,258,246

Governmental Activities (Public Health District):	Amounts
Beginning Net Position, as previously reported	\$ 311,747
Adjustments to restate the January 1, 2015 Net Position:	
Net Pension Liability	(209,959)
Pension Deferred Inflows of Resources	(40,985)
Pension Deferred Outflows of Resources	23,419
Net Position January 1, as restated	\$ 84,222

ROLETTE COUNTY
Rolla, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 112,200	\$ 112,200	\$ 95,120	\$ (17,080)
Intergovernmental	1,563,013	1,563,013	1,410,305	(152,708)
Licenses, Permits and Fees	3,660	3,660	4,890	1,230
Charges for Services	43,750	43,750	45,692	1,942
Interest Income	17,000	17,000	14,867	(2,133)
Miscellaneous	37,000	37,000	48,482	11,482
Total Revenues	\$ 1,776,623	\$ 1,776,623	\$ 1,619,356	\$ (157,267)
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,073,051	\$ 1,073,051	\$ 931,463	\$ 141,588
Public Safety	366,022	366,022	408,982	(42,960)
Health & Welfare	5,000	5,000	6,998	(1,998)
Debt Service:				
Principal	-	-	486	(486)
Interest	-	-	204	(204)
Total Expenditures	\$ 1,444,073	\$ 1,444,073	\$ 1,348,133	\$ 95,940
Excess (Deficiency) of Revenues Over Expenditures	\$ 332,550	\$ 332,550	\$ 271,223	\$ (61,327)
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (483,542)	\$ (483,542)
Net Change in Fund Balance	\$ 332,550	\$ 332,550	\$ (154,845)	\$ (487,395)
Fund Balance - January 1	\$ 1,144,269	\$ 1,144,269	\$ 1,144,269	\$ -
Fund Balance - December 31	\$ 1,476,819	\$ 1,476,819	\$ 989,424	\$ (487,395)

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

ROLETTE COUNTY
Rolla, North Dakota

BUDGETARY COMPARISON SCHEDULE
UNORGANIZED DISTRICT ROAD FUND
For the Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 82,970	\$ 82,970	\$ 66,831	\$ (16,139)
Intergovernmental	113,100	113,100	384,750	271,650
Charges for Services	78,000	78,000	105,980	27,980
Total Revenues	\$ 274,070	\$ 274,070	\$ 557,561	\$ 283,491
<u>Expenditures:</u>				
<u>Current:</u>				
Highways	\$ 1,106,200	\$ 1,106,200	\$ 491,251	\$ 614,949
Excess (Deficiency) of Revenues Over Expenditures	\$ (832,130)	\$ (832,130)	\$ 66,310	\$ 898,440
<u>Other Financing Sources (Uses):</u>				
Sale of Assets	\$ -	\$ -	\$ 110,000	\$ 110,000
Transfers Out	-	-	(605,143)	(605,143)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (495,143)	\$ (495,143)
Net Change in Fund Balance	\$ (832,130)	\$ (832,130)	\$ (428,833)	\$ 403,297
Fund Balance - January 1	\$ 821,778	\$ 821,778	\$ 821,778	\$ -
Fund Balance - December 31	\$ (10,352)	\$ (10,352)	\$ 392,945	\$ 403,297

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

ROLETTE COUNTY
Rolla, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 1,064,623	\$ 1,064,623	\$ 2,248,328	\$ 1,183,705
<u>Expenditures:</u>				
Current:				
Highways	\$ 1,623,105	\$ 2,930,000	\$ 2,376,986	\$ 553,014
Debt Service:				
Principal	-	-	294,290	(294,290)
Interest	-	-	20,414	(20,414)
Total Expenditures	\$ 1,623,105	\$ 2,930,000	\$ 2,691,690	\$ 238,310
Excess (Deficiency) of Revenues Over Expenditures	\$ (558,482)	\$(1,865,377)	\$ (443,362)	\$ 1,422,015
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 605,143	\$ 605,143
Net Change in Fund Balance	\$ (558,482)	\$(1,865,377)	\$ 161,781	\$ 2,027,158
Fund Balance - January 1	\$ (52,210)	\$ (52,210)	\$ (52,210)	\$ -
Fund Balance - December 31	\$ (610,692)	\$(1,917,587)	\$ 109,571	\$ 2,027,158

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

ROLETTE COUNTY
Rolla, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FUND
For the Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 366,660	\$ 366,660	\$ 297,893	\$ (68,767)
Intergovernmental	1,280,313	1,280,313	1,758,173	477,860
Miscellaneous	-	-	1,028	1,028
Total Revenues	\$ 1,646,973	\$ 1,646,973	\$ 2,057,094	\$ 410,121
<u>Expenditures:</u>				
Current:				
Health & Welfare	\$ 2,090,819	\$ 2,090,819	\$ 1,783,092	\$ 307,727
Excess (Deficiency) of Revenues Over Expenditures	\$ (443,846)	\$ (443,846)	\$ 274,002	\$ 717,848
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 141,883	\$ 141,883
Net Change in Fund Balance	\$ (443,846)	\$ (443,846)	\$ 415,885	\$ 859,731
Fund Balance - January 1	\$ 308,850	\$ 308,850	\$ 308,850	\$ -
Fund Balance - December 31	\$ (134,996)	\$ (134,996)	\$ 724,735	\$ 859,731

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

ROLETTE COUNTY
Rolla, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
<u>Expenditures:</u>				
<u>Current:</u>				
Highways	\$ -	\$ 54,000	\$ 5,639	\$ 48,361
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (54,000)	\$ (5,639)	\$ 48,361
Fund Balance - January 1	\$ (82,639)	\$ (82,639)	\$ (82,639)	\$ -
Fund Balance - December 31	\$ (82,639)	\$ (136,639)	\$ (88,278)	\$ 48,361

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

ROLETTE COUNTY
Rolla, North Dakota

PENSION SCHEDULES
For the Year Ended December 31, 2015

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

	2014	2015
District's proportion of the net pension liability (asset)	0.217098%	0.214508%
District's proportionate share of the net pension liability (asset)	\$ 1,375,548	\$ 1,438,258
District's covered-employee payroll	\$ 2,324,168	\$ 2,567,991
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	59.18%	56.01%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

*Complete data for this schedule is not available prior to 2014.

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

	2014	2015
Statutorily required contribution	\$ 165,481	\$ 182,841
Contributions in relation to the statutorily required contribution	\$ (165,481)	\$ (182,841)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 2,324,168	\$ 2,567,991
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

ROLETTE COUNTY
Rolla, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The county commission adopts an “appropriated budget” on the modified accrual basis of accounting.
- The county auditor prepares an annual budget for the general fund, each special revenue fund, and each debt service 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 expenditures 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 required by section 11-11-05 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. No county expenditure may be made or liability incurred, nor may a bill be paid for any purpose, in excess of the appropriation, except as provided in section 11-23-07. NDCC 11-23-06
- 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: BUDGET TO ACTUAL RECONCILIATION

Leases and Loans issued in 2015 paid by the highway tax distribution fund are not included in the budgetary comparison schedules expenditures, but are included in the combined statement of revenues, expenditures and changes in fund balances for each year under audit. The reconciliations are provided below:

	Combined Statement	Adjustment	Budget to Actual Stmt.
<u>Highway Tax:</u>			
Expenditures	\$ 2,999,061	\$ (307,371)	\$ 2,691,690
Loan Proceeds	80,391	(80,391)	-
Lease Financing	226,980	(226,980)	-

ROLETTE COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 3 BUDGET AMENDMENTS

The board of county commissioners amended the county budget for the year ended December 31, 2015 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Major:			
Highway Tax Distribution	\$ 1,623,105	\$ 1,306,895	\$ 2,930,000
FEMA	-	54,000	54,000
Special Revenue Funds:			
Farm to Market Maintenance	145,000	281,200	426,200
Veteran's Service Officer	9,262	3,538	12,800
Insurance Reserve	76,000	6,500	82,500
Revenue Sharing	120,000	17,300	137,300
Jail Maintenance	484,956	47,244	532,200
Advertising	8,910	4	8,914
Law Enforcement Gaming	15,000	1,800	16,800
Law Enforcement - Grants	50,000	5,300	55,300
Extension Special Fund	12,000	6,131	18,131
Miscellaneous Fund	10,000	10,671	20,671
CDBG Grant	-	144,485	144,485

NOTE 4: PENSIONS - CHANGES OF ASSUMPTIONS

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

ROLETTE COUNTY
Rolla, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-15
Primary Government:							
General Fund	\$ 731,866.66	\$ 1,764,188.75	\$ 57,474.02	\$ -	\$ 483,542.52	\$ 1,312,483.19	\$ 757,503.72
Unorganized District Road Fund	800,651.47	576,501.62	-	110,000.00	605,143.04	506,749.82	375,260.23
Highway Tax Distribution Fund	-	2,244,155.89	605,143.04	80,391.00	-	2,929,689.93	-
Social Services Fund	41,958.24	1,747,084.92	141,883.00	-	-	1,793,919.46	137,006.70
FEMA	(34,459.96)	-	-	-	-	53,818.09	(88,278.05)
Total Major Funds	\$1,540,016.41	\$ 6,331,931.18	\$ 804,500.06	\$ 190,391.00	\$1,088,685.56	\$ 6,596,660.49	\$1,181,492.60
Special Revenue Funds:							
County Road & Bridge	\$ -	\$ 3,248.51	\$ 273,238.79	\$ -	\$ -	\$ -	\$ 276,487.30
Farm to Market Fund	373,853.59	120,216.02	-	-	458,708.57	35,361.04	-
Farm to Market Maintenance Fund	178,598.08	62,071.09	185,469.78	-	-	426,138.95	-
Emergency Poor	-	141,883.00	-	-	141,883.00	-	-
OASIS & Social Security	75,662.65	200,650.47	-	-	48,114.08	228,199.04	-
Veteran's Service Officer Fund	3,053.50	6,417.47	3,258.23	-	-	12,729.20	-
Insurance Reserve Fund	3,176.70	72,690.97	6,624.26	-	-	82,491.93	-
Emergency Fund	129,759.91	17,909.62	-	-	-	-	147,669.53
Revenue Sharing (Capital Fund)	122,716.92	12,924.60	1,602.64	-	-	137,244.16	-
County Agent	15,504.11	39,102.67	-	-	-	45,196.06	9,410.72
Advertising Fund	739.44	8,455.57	-	-	281.51	8,913.50	-
Jail Maintenance Fund	-	231,380.81	300,749.97	-	-	532,130.78	-
911 Emergency Service	4,899.76	138,380.57	-	-	-	150,641.64	(7,361.31)
Dunseith Contract Policing	-	106,329.26	82,368.69	-	-	188,697.95	-
Rolette Contract Policing Fund	-	52,408.16	39,961.24	-	-	92,369.40	-
Law Enforcement - Gaming Fund	5,405.16	18,749.25	-	-	-	16,743.07	7,411.34
Grants Law Enforcement	19,700.95	63,939.40	-	-	-	55,201.41	28,438.94
St. John Contract Policing	-	44,007.76	48,977.49	-	-	92,985.25	-
Weed Board Fund	74,968.55	99,341.75	-	-	-	88,021.84	86,288.46
County Park	966.64	16,390.31	-	-	9,078.43	8,278.52	-
Miscellaneous Fund	8,352.46	27,676.66	-	-	-	20,670.51	15,358.61
Off-Book Activity	83,715.00	60,773.28	-	-	-	144,484.28	4.00
Total Non-Major Special Revenue Funds	\$1,101,073.42	\$ 1,544,947.20	\$ 942,251.09	\$ -	\$ 658,065.59	\$ 2,366,498.53	\$ 563,707.59
Total Governmental Funds	\$2,641,089.83	\$ 7,876,878.38	\$1,746,751.15	\$ 190,391.00	\$1,746,751.15	\$ 8,963,159.02	\$1,745,200.19
Agency Funds:							
Job Development Fund	\$ 481.22	\$ -	\$ -	\$ -	\$ -	\$ 481.22	\$ -
Senior Citizen Fund	2,261.69	32,678.02	-	-	-	32,000.00	2,939.71
State Tax	297.37	18,209.68	-	-	-	17,429.53	1,077.52
State UCC	19,711.82	7,520.25	-	-	-	14,725.23	12,506.84
District Court	(84.00)	-	-	-	-	-	(84.00)
Fish & Wildlife Trust	10,525.00	-	-	-	-	-	10,525.00
Domestic Violence Prevention	-	1,420.00	-	-	-	1,175.00	245.00
Game & Fish	6.72	46,553.16	-	-	-	45,623.00	936.88
Protest Fund	-	5,304.75	-	-	-	5,304.75	-
Supt Special Trust	3,236.11	1,820.00	-	-	-	2,136.30	2,919.81
Public Administrator Special Trust	3,763.05	-	-	-	-	-	3,763.05
NSF Payments	523.03	-	-	-	-	-	523.03
Extension Service Special Trust	5,360.27	7,106.03	-	-	-	18,130.61	(5,664.31)
Promotion Fund	4,402.42	-	-	-	-	391.85	4,010.57
Hazardous Chemical	6,116.82	975.00	-	-	-	-	7,091.82
Sheriff's Special Trust	2,695.94	36,935.89	-	-	-	36,435.89	3,195.94
Municipal Airport	952.96	16,752.24	-	-	-	16,000.00	1,705.20
Ambulance Levy	20,500.02	105,183.85	-	-	-	99,564.00	26,119.87
Water Resource Board	543.27	17,434.36	-	-	-	17,500.00	477.63
Historical Society	619.22	4,768.21	-	-	-	5,350.00	37.43
Soil Conservation	1,808.48	40,948.19	-	-	-	39,688.18	3,068.49
Health District	3,676.59	78,676.16	-	-	-	80,000.00	2,352.75
Current Tax Holding	543,780.40	712,200.68	-	-	-	543,780.40	712,200.68
Payroll Deduction	21,140.95	4,534.33	-	-	-	4,376.94	21,298.34
Total Cities	5,864.03	542,300.04	-	-	-	544,255.70	3,908.37
Total City Park Districts	310.24	56,839.54	-	-	-	56,793.58	356.20
Total School Districts	9,471.39	1,556,920.83	-	-	-	1,553,998.58	12,393.64
Total Townships	97.55	93,574.40	-	-	-	92,927.83	744.12
Total Rural Fire Protection Districts	482.44	88,617.05	-	-	-	88,442.57	656.92
Total Upsilon Rec. District	(1,111.94)	23,406.44	-	-	-	22,028.67	265.83
Total Agency Funds	\$ 667,433.06	\$ 3,500,679.10	\$ -	\$ -	\$ -	\$ 3,338,539.83	\$ 829,572.33
Total Reporting Entity	\$3,308,522.89	\$11,377,557.48	\$1,746,751.15	\$ 190,391.00	\$1,746,751.15	\$12,301,698.85	\$2,574,772.52

STATE AUDITOR

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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

Independent Auditor's Report

Board of County Commissioners
Rolette County
Rolla, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rolette County, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Rolette County's basic financial statements, and have issued our report thereon dated January 11, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

ROLETTE COUNTY

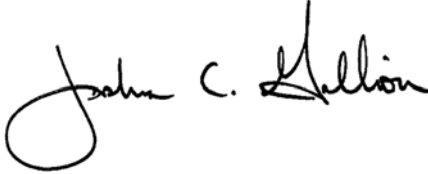
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

Compliance and Other Matters

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, 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*.

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.



Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 11, 2017

ROLETTE COUNTY
 Rolla, North Dakota
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Aggregate discretely presented component units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

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

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

STATE AUDITOR

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Board of County Commissioners
Rolette County
Rolla, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rolette County, Rolla, North Dakota, for the year ended December 31, 2015 which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 11, 2017. 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 AND GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated November 3, 2016, 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, 2015. GASB Statement 68 (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27), and GASB Statement 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68) were adopted during the year ended December 31, 2015. 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. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 January 11, 2017.

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 recommendations:

**LACK OF SUPPORTING DOCUMENTATION –
WATER RESOURCE DISTRICT**

Per testing conducted of Rolette County Water Resource District expenditures, it was noted that 100% of the expenditures tested (3 out of 3 items) in the sample did not have adequate documentation supporting the amount spent and recorded in the check register. Additionally, it was noted that board members did not review and indicate approval of invoices/expenditures. Strong and effective internal control over properly reporting and processing expenditures requires obtaining and maintaining invoices or other appropriate documentation to support expenditures recorded in the accounting records.

We recommend that the Rolette County Water Resource District maintain invoices and other proper documentation supporting the amount reported on the general ledger and in the check register. Supporting documentation should be attached to the voucher or check remittance advice. With proper documentation attached a signature from a board member is needed for the proper approval of the invoice.

**LACK OF PREPARATION OF BANK RECONCILIATION –
WATER RESOURCE DISTRICT**

Per review of bank reconciliations for the Rolette County Water Resource District, it was noted for the year ended 2015, the Rolette County Water Resource District did not prepare monthly bank reconciliations. A proper system of internal controls requires someone to balance their book balance to the bank balance to ensure that the book and bank balances are correct.

We recommend the Rolette County Water Resource District create a monthly bank reconciliation and balance their book balance to the bank balance to ensure that the bank balances are accurate.

DAILY CASH SHEETS & TIMELY DEPOSITS

Per scan of daily cash sheets, the County Treasurer does not prepare cash sheets on a daily basis. The Treasurer waits until a substantial amount of activity has occurred before creating a cash sheet and making a deposit. There is no set time frame when the treasurer will prepare a daily cash sheet.

We recommend that the County Treasurer prepares cash sheets on a daily basis, even on days when there is little or no cash collected. A copy of the daily cash sheet should be given to the County Auditor to compare with general ledger. Deposits should also be done on a more 'timely' basis to help mitigate the potential loss of funds through fraud or error.

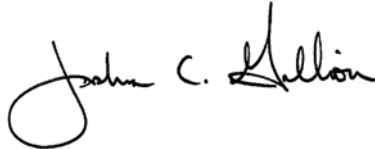
HIGHWAY EQUIPMENT BIDDING

Per Capital Asset testing, A 2014 Case IH Maxxum Tractor D302540 with Loader costing \$95,000 was not bid in accordance with state law outlined in NDCC section 24-05-04 (1). Quotes were received, but Rolette County did not go through the proper bidding process.

We recommend that county road machinery costing over \$50,000 are properly bid in accordance with state law as outlined in North Dakota Century Code section 24-05-04 (1).

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

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



Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 11, 2017

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