



Stutsman County

Jamestown, North Dakota

Audit Report

For the Year Ended December 31, 2018

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

STUTSMAN COUNTY

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STUTSMAN COUNTY

County Officials and Audit Personnel
December 31, 2018

COUNTY OFFICIALS

Mark T. Klose
Dennis Ova
David Schwartz
Steve Cichos
Ramone Gumke

Commissioner – Chairman
Commissioner – Vice Chairman
Commissioner
Commissioner
Commissioner

Nicole Meland
Jessica Moser
Chad Kaiser
Jessica Alonge
Fritz Fremgen
Barb Hill
Mickey Nenow

Auditor
Treasurer
Sheriff
Recorder
State's Attorney
Clerk of Court
Road Superintendent

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE
Heath Erickson, CPA

Audit Manager
Audit In-Charge

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



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

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
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FARGO, NORTH DAKOTA 58103

INDEPENDENT AUDITOR’S REPORT

Board of County Commissioners
Stutsman County
Jamestown, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Stutsman County, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Stutsman 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 did not audit the financial statements of the James River Valley Library System, which represent 94 percent, 92 percent, and 99 percent, respectively, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the James River Valley Library System, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

STUTSMAN COUNTY

Independent Auditor's Report - Continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Stutsman County, North Dakota, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 on our consideration of Stutsman 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 Stutsman County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
December 18, 2019

STUTSMAN COUNTY

Statement of Net Position

December 31, 2018

	Primary	Component Units	
	Government	Water	James River
	Governmental	Resource	Valley Library
	Activities	District	System
ASSETS			
Cash and Investments	\$ 21,324,341	\$ 127,249	\$ 99,898
Intergovernmental Receivables	741,588	-	663,528
Accounts Receivable	338,555	-	-
Taxes Receivable	139,371	-	-
Road Receivables	588,357	-	-
Loans Receivable - Other	16,000	-	-
Job Development Loans Receivable	752,660	-	-
Prepaid Expenses	-	-	11,133
Restricted Assets			
Hodge Fund	-	-	85,391
Capital Campaign	-	-	31,249
Centennial Initiative	-	-	1,036
Capital Assets			
Nondepreciable	1,641,529	-	6,000
Depreciable, Net	54,018,423	-	1,034,912
Total Assets	<u>\$ 79,560,824</u>	<u>\$ 127,249</u>	<u>\$ 1,933,147</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions & OPEB	<u>\$ 4,354,063</u>	<u>\$ -</u>	<u>\$ 232,541</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 137,796	\$ -	\$ 21,413
Salaries Payable	64,387	-	-
Interest Payable	27,558	-	-
Retainages Payable	17,495	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	217,104	-	-
Compensated Absences	266,188	-	-
Due After One Year			
Long-Term Debt	6,317,588	-	-
Compensated Absences	399,281	-	9,764
Net Pension and OPEB Liability	11,153,816	-	539,757
Total Liabilities	<u>\$ 18,601,213</u>	<u>\$ -</u>	<u>\$ 570,934</u>
DEFERRED INFLOWS OF RESOURCES			
Derived from Pensions & OPEB	<u>\$ 661,981</u>	<u>\$ -</u>	<u>\$ 41,317</u>
NET POSITION			
Net Investment in Capital Assets	\$ 49,147,457	\$ -	\$ 1,040,912
Restricted For			
Capital Projects	1,674,622	-	-
Highways and Bridges	7,736,684	-	-
Flood Repair	1,843	-	-
Emergencies	1,170,236	-	-
Conservation of Natural Resources	314,039	-	-
Culture and Recreation	84,577	-	-
Economic Development	1,651,738	-	-
Hodge Fund	-	-	85,391
Capital Campaign	-	-	31,249
Centennial Initiative	-	-	1,036
Unrestricted	<u>2,842,997</u>	<u>127,249</u>	<u>394,849</u>
Total Net Position	<u>\$ 64,651,693</u>	<u>\$ 127,249</u>	<u>\$ 1,553,437</u>

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

STUTSMAN COUNTY

Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	James River Valley Library System
Primary Government							
Governmental Activities							
General Government	\$ 3,456,344	\$ 112,159	\$ 41,552	\$ -	\$ (3,302,633)	\$ -	\$ -
Public Safety	5,724,178	1,792,565	190,074	-	(3,741,539)	-	-
Highways	5,062,068	999,005	2,163,926	776,858	(1,122,279)	-	-
Flood Repair	-	-	45,434	-	45,434	-	-
Health and Welfare	3,073,871	14,104	2,702,888	-	(356,879)	-	-
Culture and Recreation	477,701	55,182	-	-	(422,519)	-	-
Conserv. of Natural Resources	549,771	248,396	15,014	-	(286,361)	-	-
Economic Development	197,626	-	30,584	-	(167,042)	-	-
Interest on Long-Term Debt	228,849	-	-	-	(228,849)	-	-
Total Primary Government	\$ 18,770,408	\$ 3,221,411	\$ 5,189,472	\$ 776,858	\$ (9,582,667)	\$ -	\$ -
Component Units							
Water Resource District	\$ 22,234	\$ -	\$ -	\$ -	\$ (22,234)	\$ -	\$ -
James River Valley Library System	2,009,170	10,436	114,596	25,970	-	-	(1,858,168)
Total Component Units	\$ 2,031,404	\$ 10,436	\$ 114,596	\$ -	\$ (22,234)	\$ (1,858,168)	
General Revenues							
Property Taxes					\$ 7,373,521	\$ 32,276	\$ 888,252
Non Restricted Grants And Contributions					1,593,281	-	-
Restricted Investment Earnings					-	-	355
Earnings on Investments					318,619	12	1,328
Miscellaneous Revenue					406,766	-	-
Special Item - Loss On Disposition Of Assets					-	-	(108)
Total General Revenues					\$ 9,692,187	\$ 32,288	\$ 889,827
Change in Net Position					\$ 109,520	\$ 10,054	\$ (968,341)
Net Position - January 1					\$ 64,561,939	\$ 117,195	\$ 2,521,778
Prior Period Adjustment					(19,766)	-	-
Net Position - January 1, as restated					\$ 64,542,173	\$ 117,195	\$ 2,521,778
Net Position - December 31					\$ 64,651,693	\$ 127,249	\$ 1,553,437

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

STUTSMAN COUNTY

Balance Sheet – Governmental Funds
December 31, 2018

	General	County Road & Bridge	Social Services	Highway Tax	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 7,229,460	\$ 2,451,429	\$ 579,443	\$ 5,676,744	\$ 5,387,265	\$ 21,324,341
Intergovernmental Receivables	470,195	-	-	190,235	81,158	741,588
Accounts Receivable	237,553	-	-	-	101,002	338,555
Taxes Receivable	92,813	21,571	6,757	-	18,230	139,371
Road Receivable	-	588,357	-	-	-	588,357
Due from Other Funds	-	-	-	-	-	-
Loans Receivable - Other	16,000	-	-	-	-	16,000
JSDC Loans Receivable	-	-	-	-	752,660	752,660
Total Assets	\$ 8,046,021	\$ 3,061,357	\$ 586,200	\$ 5,866,979	\$ 6,340,315	\$ 23,900,872
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 56,747	\$ 25,958	\$ 14,704	\$ -	\$ 40,387	\$ 137,796
Salaries Payable	25,684	36,696	1,053	-	954	64,387
Total Liabilities	\$ 82,431	\$ 62,654	\$ 15,757	\$ -	\$ 41,341	\$ 202,183
Deferred Inflows of Resources:						
Taxes Receivable	\$ 92,813	\$ 21,571	\$ 6,757	\$ -	\$ 18,230	\$ 139,371
Road Receivables	-	588,357	-	-	-	588,357
Total Deferred Inflows of Resources	\$ 92,813	\$ 609,928	\$ 6,757	\$ -	\$ 18,230	\$ 727,728
Total Liabilities and Deferred Inflows of Resources	\$ 175,244	\$ 672,582	\$ 22,514	\$ -	\$ 59,571	\$ 929,911
Fund Balances						
Non-Spendable						
Loans Receivable	\$ 16,000	\$ -	\$ -	\$ -	\$ 752,660	\$ 768,660
Restricted						
Debt Service	-	-	-	-	27,500	27,500
Capital Project Funds	-	-	-	-	1,674,622	1,674,622
General Government	-	-	-	-	45,076	45,076
Public Safety	-	-	-	-	679,213	679,213
Highways and Bridges	-	2,388,775	-	5,866,979	162,778	8,418,532
Health and Welfare	-	-	563,686	-	155,424	719,110
Flood Repair	-	-	-	-	1,843	1,843
Emergencies	-	-	-	-	1,164,500	1,164,500
Conservation of Natural Resources	-	-	-	-	423,250	423,250
Culture and Recreation	-	-	-	-	294,800	294,800
Economic Development	-	-	-	-	899,078	899,078
Assigned						
General Government	2,320,691	-	-	-	-	2,320,691
Unassigned						
General Fund	5,534,086	-	-	-	-	5,534,086
Negative Fund Balances	-	-	-	-	-	-
Total Fund Balances	\$ 7,870,777	\$ 2,388,775	\$ 563,686	\$ 5,866,979	\$ 6,280,744	\$ 22,970,961
Total Liabilities and Fund Balances	\$ 8,046,021	\$ 3,061,357	\$ 586,200	\$ 5,866,979	\$ 6,340,315	\$ 23,900,872

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

STUTSMAN COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position December 31, 2018

Total Fund Balances for Governmental Funds		\$ 22,970,961
<p>Total <i>net position</i> reported for government activities in the statement of net position is different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		55,659,952
Certain receivables will be collected after year-end, but are not available soon enough to		
Taxes Receivable	\$ 139,371	
Road Receivables	<u>588,357</u>	727,728
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions and OPEB	\$ 4,354,063	
Deferred Inflows Related to Pensions and OPEB	<u>(661,981)</u>	3,692,082
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.		
Long Term Debt	\$ (6,534,692)	
Interest Payable	(27,558)	
Retainages Payable	(17,495)	
Net Pension and OPEB Liability	(11,153,816)	
Compensated Absences	<u>(665,469)</u>	<u>(18,399,030)</u>
Total Net Position of Governmental Activities		<u>\$ 64,651,693</u>

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

STUTSMAN COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended December 31, 2018

	General	County Road & Bridge	Social Services	Highway Tax	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and Special Assessments	\$ 4,558,194	\$ 1,074,321	\$ 16,040	\$ -	\$ 1,680,545	\$ 7,329,100
Intergovernmental	1,694,242	283,371	2,672,465	1,789,335	343,344	6,782,757
Charges for Services	1,652,121	967,756	224	-	560,465	3,180,566
Licenses, Permits and Fees	5,525	3,615	1,380	-	-	10,520
Fines and Forfeitures	-	-	2,689	-	-	2,689
Interest Income	108,467	33,260	16,552	70,633	89,707	318,619
Miscellaneous	157,707	7,628	8,063	-	233,367	406,765
Total Revenues	\$ 8,176,256	\$ 2,369,951	\$ 2,717,413	\$ 1,859,968	\$ 2,907,428	\$ 18,031,016
EXPENDITURES						
Current						
General Government	\$ 2,474,486	\$ -	\$ -	\$ -	\$ 597,340	\$ 3,071,826
Public Safety	4,725,304	-	-	-	278,319	5,003,623
Highways and Bridges	-	3,249,094	-	-	444,637	3,693,731
Health and Welfare	81,413	-	2,666,413	-	2,062	2,749,888
Culture and Recreation	-	-	-	-	415,307	415,307
Conserv. of Natural Resources	-	-	-	-	514,611	514,611
Economic Development	-	-	-	-	197,626	197,626
Debt Service						
Principal	7,104	-	-	-	205,000	212,104
Interest and Fees	1,248	-	-	-	228,113	229,361
Total Expenditures	\$ 7,289,555	\$ 3,249,094	\$ 2,666,413	\$ -	\$ 2,883,015	\$ 16,088,077
Excess (Deficiency) of Revenues Over Expenditures	\$ 886,701	\$ (879,143)	\$ 51,000	\$ 1,859,968	\$ 24,413	\$ 1,942,939
OTHER FINANCING SOURCES (USES)						
Transfers In	\$ 1,513,708	\$ 1,400,000	\$ (1,379,108)	\$ -	\$ 1,144,540	\$ 2,679,140
Transfers Out	(615,752)	(518,788)	-	(1,400,000)	(144,600)	(2,679,140)
Total Other Financing Sources and Uses	\$ 897,956	\$ 881,212	\$ (1,379,108)	\$ (1,400,000)	\$ 999,940	\$ -
Net Changes in Fund Balance	\$ 1,784,657	\$ 2,069	\$ (1,328,108)	\$ 459,968	\$ 1,024,353	\$ 1,942,939
Fund Balance - January 1	\$ 6,086,120	\$ 2,386,706	\$ 1,891,794	\$ 5,407,011	\$ 5,276,157	\$ 21,047,788
Prior Period Adjustments	\$ -	\$ -	\$ -	\$ -	\$ (19,766)	\$ (19,766)
Fund Balance - Jan. 1, as restated	\$ 6,086,120	\$ 2,386,706	\$ 1,891,794	\$ 5,407,011	\$ 5,256,391	\$ 21,028,022
Fund Balance - December 31	\$ 7,870,777	\$ 2,388,775	\$ 563,686	\$ 5,866,979	\$ 6,280,744	\$ 22,970,961

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

STUTSMAN COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities For the Year Ended December 31, 2018

Net Change in *Fund Balances* - Total Governmental Funds \$ 1,942,939

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 asset transfers and depreciation exceeded capital outlay and capital contribution in the current period.

Current Year Capital Outlay	\$ 1,761,097	
Current Year Depreciation Expense	<u>(2,400,972)</u>	(639,875)

In the statement of activities, only the loss on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.		(118,382)
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The proceeds of debt issuances are reporting as other 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.

Repayment of Debt		212,104
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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.

Increase in Net Pension Liability and OPEB	\$ (592,361)	
Increase in Deferred Outflows of Resources Related to Pensions and OPEB	(457,592)	
Decrease in Deferred Intflows of Resources Related to Pensions and OPEB	<u>(258,172)</u>	(1,308,125)

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.

Increase in Compensated Absences Liability	\$ (38,982)	
Increase in Retainage Payable	(12,725)	
Decrease in Interest Payable	<u>511</u>	(51,196)

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.

Increase in Taxes Receivable	\$ 44,421	
Increase in Road Receivable	<u>27,634</u>	<u>72,055</u>

Change in Net Position of Governmental Activities \$ 109,520

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

STUTSMAN COUNTY

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

	<u>Agency Funds</u>
ASSETS	
Cash and Investments	<u>\$ 9,081,070</u>
LIABILITIES	
Due to Other Governments	<u>\$ 9,081,070</u>

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

STUTSMAN COUNTY

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

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

James River Valley Library System - The County's governing board appoints a voting majority of the members of the James River Valley Library System's governing board. Although the County does not have the authority to approve or modify the library board operational and capital budgets, the tax levy established by the library board must be approved by the County's governing board.

Complete financial statements of James River Valley Library System are included in these financial statements. Additional information may be obtained from the County Auditor; 511 2nd Avenue SE; Jamestown, ND 58401-4298.

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

Basis of Presentation

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

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

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

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.

County Road and Bridge Fund - This is the County's primary road maintenance fund. It accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Social Services Fund. This is the County's primary health and welfare fund. It accounts for all financial resources related to health and welfare, except those required to be accounted for in another fund. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Highway Tax Fund. This is the County's clearing account for State Highway Tax revenue. It accounts for State Highway Tax distribution. These funds are transferred to the Road and Bridge Fund. The major sources of revenues are restricted State/Federal grants/reimbursements.

Additionally, the County reports the following fund type:

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at cost as well as investments in government obligation bonds, mortgage backed securities, and municipal bonds stated at cost.

Capital Assets

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

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

Assets	Years
Land	Indefinite
Buildings	15-50 Years
Machinery & Equipment	8-10 Years
Infrastructure	50 Years
Vehicles	7-10 Years
Office Equipment	5-20 Years

The Library has established a capitalization threshold of \$100. Capital assets of the James River Valley Library System are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings & Improve.	25 Years
Bookmobile	20 Years
Books, Periodicals, AV	10 Years
Equipment & Furniture	5-10 Years

Long-Term Obligations

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

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

Pension

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

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Other Post-Employment Benefits (OPEB)

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

Fund Balances

Minimum Fund Balance Policy. The County established a 15% - 20% general fund carryover balance target to help with financial stability. The 15% - 20% fund balance range is a part of the county's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the county.

Replenishing deficiencies – when fund balance falls below the minimum 15% range, the County will replenish shortages/deficiencies using the budget strategies and time frames described below.

The following budgetary strategies shall be utilized by the County to replenish funding fund balance deficiencies:

- The County will reduce recurring expenditures to eliminate any structural deficit or;
- The County will increase revenues or pursue other funding sources, or;
- Some combination of the two options above

Minimum fund balance deficiencies shall be replenished within the following time frames:

- Deficiency resulting in a minimum fund balance between 12.5 percent and 15 percent shall be replenished over a period not to exceed one year
- Deficiency resulting in a minimum fund balance between 10 percent and 12.5 percent shall be replenished over a period not to exceed three years
- Deficiency resulting in a minimum fund balance of less than 10 percent shall be replenished over a period not to exceed five years

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

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

Assigned Fund Balances. Amounts reported as assigned fund balance in the general fund are for general government purposes based on a management determined formula as a percentage of cash flows (20% of total expenditures and transfers out), and compensated absences and accounts payable.

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

Net Position

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

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

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

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

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Interfund Transactions

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

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

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

NOTE 2 DEPOSITS

Custodial Credit Risk

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

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

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

At December 31, 2018, the County's carrying amount of deposits was \$29,542,975, and the bank balances were \$29,631,591. Of the bank balances, \$1,700,700 was covered by Federal Depository Insurance. Additionally, the County is currently holding \$15,578,222 of short term, high-credit-quality, money market instruments through Wells Fargo Investments, which are guaranteed by the full faith of the United States Government. The remaining balances were collateralized with securities held by the pledging institution's agent in the government's name.

At December 31, 2018, the Stutsman County Water Resource District had a carrying amount of deposits of \$127,250 and the bank balances were \$128,974, all of which was covered by Federal Depository Insurance.

At December 31, 2018, the James River Valley Library System had a carrying amount of deposits of \$185,939 and the bank balances were \$200,630, all of which was covered by Federal Depository Insurance.

Interest Rate Risk

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

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

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

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

Below is a schedule of maturity dates of the County’s investments:

Investment Type	Total Fair Value	Less than 1 year	1-2 years	2-5 years	5-10 years
Government Obligation Bonds	\$ 11,236,172	\$ 10,393,055	\$ 264,658	\$ 548,163	\$ 30,296
Mortgage Backed Securities	135,125	22,687	35,295	73,102	4,040
Municipal Bonds	4,206,925	706,343	1,098,849	2,275,947	125,787
Total Investments	\$ 15,578,222	\$ 11,122,085	\$ 1,398,802	\$ 2,897,212	\$ 160,123

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2018:

Assets	Total	Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Government Obligation Bonds	\$ 11,236,172	\$ 11,236,172	\$ -	\$ -
Mortgage Backed Securities	135,125	-	135,125	-
Municipal Bonds	4,206,925	-	4,206,925	-
Total Investments	\$ 15,578,222	\$ 11,236,172	\$ 4,342,050	\$ -

NOTE 4 PROPERTY TAXES

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

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

NOTE 5 CAPITAL ASSETS

Primary Government

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

Primary Government	Balance Jan 1 Restated	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 596,200	\$ -	\$ -	\$ -	\$ 596,200
Construction in Progress	1,300,755	1,069,304	-	(1,324,730)	1,045,329
Total Capital Assets, Not Being Depreciated	\$ 1,896,955	\$ 1,069,304	\$ -	\$(1,324,730)	\$ 1,641,529
Capital Assets Being Depreciated					
Infrastructure	\$ 69,903,968	\$ 88,511	\$ -	\$ 1,324,730	\$ 71,317,209
Buildings	11,792,197	-	-	-	11,792,197
Equipment	8,542,615	603,282	(391,935)	-	8,753,962
Total Capital Assets, Being Depreciated	\$ 90,238,780	\$ 691,793	\$(391,935)	\$ 1,324,730	\$91,863,368
Less Accumulated Depreciation					
Infrastructure	\$ 25,523,313	\$ 1,486,800	\$ -	\$ -	\$ 27,010,113
Buildings	6,225,373	217,104	-	-	6,442,477
Equipment	3,968,840	697,068	(273,553)	-	4,392,355
Total Accumulated Depreciation	\$ 35,717,526	\$ 2,400,972	\$(273,553)	\$ -	\$37,844,945
Total Capital Assets Being Depreciated, Net	\$ 54,521,254	\$(1,709,179)	\$(118,382)	\$ 1,324,730	\$54,018,423
Governmental Capital Assets, Net	\$ 56,418,209	\$ (639,875)	\$(118,382)	\$ -	\$55,659,952

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

General Government	\$ 211,901
Public Safety	235,073
Highways and Bridges	1,857,264
Health and Welfare	16,764
Conservation of Natural Resources	17,965
Culture and Recreation	62,005
Total Depreciation Expense	\$ 2,400,972

Discretely Presented Component Unit

James River Valley Library System

Library	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Prepaid Building Costs	546,343	76,235	622,596	-
Total Capital Assets, Not Being Depreciated	\$ 552,343	\$ 76,235	\$ 622,596	\$ 6,000
Capital Assets Being Depreciated				
Buildings	\$ 519,656	\$ -	\$ -	\$ 519,656
BookMobile	239,502	-	-	239,502
Equipment	178,032	99,523	44,404	233,151
Books, Periodicals	1,485,658	87,962	145,240	1,428,380
Total Capital Assets, Being Depreciated	\$ 2,422,848	\$ 187,485	\$ 189,644	\$ 2,420,689
Less Accumulated Depreciation				
Buildings	\$ 289,316	\$ 11,450	\$ -	\$ 300,766
BookMobile	11,975	11,975	-	23,950
Equipment	157,013	27,858	44,296	140,575
Books, Periodicals	928,252	137,474	145,240	920,486
Total Accumulated Depreciation	\$ 1,386,556	\$ 188,757	\$ 189,536	\$ 1,385,777
Total Capital Assets Being Depreciated, Net	\$ 1,036,292	\$ (1,272)	\$ 108	\$ 1,034,912
Governmental Capital Assets, Net	\$ 1,588,635	\$ 74,963	\$ 622,704	\$ 1,040,912

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Depreciation expense was charged to the culture and recreation function.

NOTE 6 LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2018, the following changes occurred in governmental activities long-term liabilities:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
GO Bonds	\$ 6,700,000	\$ -	\$ 205,000	\$ 6,495,000	\$ 210,000
Special Assessment Bonds	46,796	-	7,104	39,692	7,104
Total Long-Term Debt	\$ 6,746,796	\$ -	\$ 212,104	\$ 6,534,692	\$ 217,104
Compensated Absences *	\$ 626,487	\$ 38,982	\$ -	\$ 665,469	\$ 266,188
Net Pension and OPEB Liability	10,561,455	592,361	-	11,153,816	-
Total Primary Government	\$17,934,738	\$ 631,343	\$ 212,104	\$ 18,353,977	\$ 483,292

* The change to compensated absences are the net changes for the year.

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

Year Ending Dec 31	Loans Payable		Special Assessments Payable	
	Principal	Interest	Principal	Interest
2019	\$ 210,000	\$ 220,463	\$ 7,104	\$ 1,248
2020	215,000	216,263	7,104	1,025
2021	220,000	211,963	7,104	803
2022	225,000	205,363	7,104	580
2023	235,000	196,363	5,638	357
2024-2028	1,810,000	841,913	5,638	179
2029-2033	2,930,000	455,375	-	-
2034 - 2038	650,000	26,000	-	-
Total	\$ 6,495,000	\$ 2,373,703	\$ 39,692	\$ 4,192

Discretely Presented Component Unit

During the year ended December 31, 2018, the following changes occurred in governmental long-term liabilities of the James River Valley Library System:

Library	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 9,272	\$ 492	\$ -	\$ 9,764	\$ -
Net Pension and OPEB Liability	508,223	31,534	-	539,757	-
Total Primary Government	\$ 517,495	\$ 32,026	\$ -	\$ 549,521	\$ -

* The change to compensated absences are the net changes for the year.

NOTE 7 PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

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

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

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

Refunds of Member Account Balance

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

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contributions 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, 2018, the following net pension liabilities were reported:

	Net Pension Liability
Primary Government	\$ 10,682,717
Library	517,100

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

	Proportion	Increase (Decrease) in Proportion from June 30, 2017 Measurement	Pension Expense
Primary Government	0.633009%	0.005087%	\$ 1,797,300
Library	0.028768%	0.000256%	2,846

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

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 28,278	\$ 363,447
Changes in Assumptions	3,856,238	152,475
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	51,973
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	137,285	73,929
Employer Contributions Subsequent to the Measurement Date	238,613	-
Total Primary Government	\$ 4,260,414	\$ 641,824

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

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 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	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.2%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

Discount Rate

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

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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

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

Proportionate Share of the Net Pension Liability	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Primary Government	\$ 14,515,827	\$ 10,682,717	\$ 7,484,111
Library	702,643	517,000	362,271

Pension Plan Fiduciary Net Position

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

NOTE 8: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

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

	OPEB Liability
Primary Government	\$ 471,099
Library	22,657

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

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

	Proportion	Increase (Decrease) in Proportion from June 30, 2017 Measurement	OPEB Expense
Primary Government	0.598169%	0.005651%	\$ 58,595
Library	0.028768%	0.000256%	2,846

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

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 14,103	\$ 9,733
Changes in Assumptions	38,654	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	10,135
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	2,688	289
Employer Contributions Subsequent to the Measurement Date	38,205	-
Total Primary Government	\$ 93,650	\$ 20,157

James River Valley Library System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 677	\$ 468
Changes in Assumptions	1,859	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	487
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	265	-
Employer Contributions Subsequent to the Measurement Date	1,871	-
Total Library System	\$ 4,672	\$ 955

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019:

Primary Government	\$ 38,205
Library	1,871

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

	Primary Government	Library
2019	\$ 4,328	235
2020	4,328	235
2021	4,328	235
2022	8,801	450
2023	7,980	411
2024	4,731	240
Thereafter	792	40

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Actuarial assumptions

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

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, net of investment expenses
Cost-of-Living Adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

Discount rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the County’s and Library’s proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Primary Government	\$ 596,053	\$ 471,099	\$ 363,981
Library	28,666	22,657	17,505

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

NOTE 9 TRANSFERS

The following table shows amounts reported for transfers in and transfers out as reported in the basic financial statements in the governmental funds for the year ended December 31, 2018:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 1,513,708	\$ 615,752
Highway Aid Fund	-	1,400,000
Road and Bridge Fund	1,400,000	518,788
Social Services	(1,379,108)	-
Nonmajor Funds		
Extension Fund	-	10,000
Courthouse Building Fund	77,650	-
Park Fund	198,620	-
Law Enforcement Capital Fund	119,300	-
Information Technology Fund	70,000	-
Sheriff Capital Fund	151,682	-
E-911 Fund	-	134,600
Road and Bridge Capital Fund	518,788	-
IT Capital Fund	8,500	-
Total Transfers	\$ 2,679,140	\$ 2,679,140

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

NOTE 10 CONDUIT DEBT OBLIGATIONS**Community Development Block Grant Loans**

From time to time, the County has issued Community Development Block Grant Loans to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facilities transfers to the private-sector entity served by the loan issuance. Neither the County, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements. At December 31, 2018, there were three Community Development Block Grant Loans outstanding with a principal amount outstanding of \$13,498,897.

Industrial Revenue Bonds

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2018, there were two series of Industrial Revenue Bonds with a balance in the amount of \$7,786,238.

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Housing Finance Agency Bonds

As of December 31, 2018, the County was involved in a program that issues tax-exempt bonds that state and local governments issue through housing finance agencies to help fund below-market-interest-rate mortgages for first-time qualifying homebuyers. Eligible borrowers are first-time homebuyers with low to moderate incomes below 115 percent of median family income. Neither the County, state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2018, there was one nontaxable issuance with a balance of \$4,536,242.

NOTE 11 RISK MANAGEMENT

The County and the James River Valley Library System are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, one million for automobile and \$6,898,417 for public assets/mobile equipment and portable property. The James River Valley Library System participates in the NDIRF to provide liability coverage.

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

The County and the James River Valley Library have worker’s compensation with the North Dakota Workforce Safety and Insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 CONSTRUCTION COMMITMENTS

The County had an open construction commitment as of December 31, 2018 as follows:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
SC-4718(060) - 2019 Overlay on Co Rd 42	\$ 1,875,075	\$ -	\$ -	\$ 1,875,075
SU-CNOC-2987(040) - Co Rd 39 Overlay	921,678	878,197	17,495	60,976
Total	\$ 2,796,753	\$ 878,197	\$ 17,495	\$ 1,936,051

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

NOTE 13 CONTINGENT LIABILITIES

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

NOTE 14 TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

At December 31, 2018, the local governments within the County provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria.

New Business

Under NDCC §40-57.1-03, a municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements used in or necessary to the operation of a project for a period not exceeding five years from the date of commencement of project operations. A municipality may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations.

Charitable Organization

Under NDCC §57-02-08(8), buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to NDCC §23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit may is exempt.

The total reduction in property tax revenue due to tax abatements is as follows:

Program	Reduction in Property Tax Revenue
New Business	\$ 488,590
Public Charity	125,553
Total Reduction in Property Tax Revenue	\$ 614,143

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

NOTE 15 JOINT VENTURES

Under authorization of state statutes, the County and the City of Jamestown established and jointly operate a Job Development Authority, known as the Jamestown/Stutsman Development Corporation (JSDC). The agreement was established for the mutual advantage of the governments. Each government appoints two members of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity can be determined as to the location of the separate loan applicants.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2018, which is the most current audited information available:

	JSDC
Total Assets	\$ 11,904,541
Total Liabilities	4,501,632
Total Net Position	\$ 7,402,909
Total Revenues	\$ 1,032,010
Total Expenses	984,442
Change in Net Position	\$ 47,568

Complete financial statements for the Jamestown/Stutsman Development Corporation can be obtained from the County Auditor's Office at 511 2nd Ave SE Jamestown, ND 58401-4210.

Under authorization of state statutes, the County, Logan County, and the City of Jamestown established and jointly operate a Health District, known as the Central Valley Health District. The agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity can be determined as to the location of the separate loan applicants.

The following is a summary of financial information on the joint venture as of and for the year ended June 30, 2017, which is the most current audited information available:

	Central Valley Health District
Total Assets & Def. Outflows	\$ 3,098,204
Total Liabilities & Def. Inflows	2,233,165
Total Net Position	\$ 865,039
Total Revenues	\$ 2,481,536
Total Expenses	2,615,816
Change in Net Position	\$ (134,280)

Complete financial statements for the Central Valley Health District can be obtained from the County Auditor's Office at 511 2nd Ave SE Jamestown, ND 58401-4210.

STUTSMAN COUNTY

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 4,454,757	\$ 4,589,757	\$ 4,558,194	\$ (31,563)
Intergovernmental	1,901,217	1,539,717	1,694,242	154,525
Charges for Services	1,784,255	1,664,555	1,652,121	(12,434)
Licenses, Permits and Fees	7,500	7,500	5,525	(1,975)
Interest Income	30,000	99,000	108,467	9,467
Miscellaneous	114,000	178,000	157,707	(20,293)
Total Revenues	<u>\$ 8,291,729</u>	<u>\$ 8,078,529</u>	<u>\$ 8,176,256</u>	<u>\$ 97,727</u>
EXPENDITURES				
Current				
General Government	\$ 2,775,091	\$ 2,638,556	\$ 2,474,486	\$ 164,070
Public Safety	4,933,824	4,864,763	4,725,304	139,459
Health and Welfare	116,000	116,000	81,413	34,587
Debt Service				
Principal	600	600	7,104	(6,504)
Interest	-	-	1,248	(1,248)
Total Expenditures	<u>\$ 7,825,515</u>	<u>\$ 7,619,919</u>	<u>\$ 7,289,555</u>	<u>\$ 330,364</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 466,214</u>	<u>\$ 458,610</u>	<u>\$ 886,701</u>	<u>\$ 428,091</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 134,600	\$ 1,513,710	\$ 1,513,708	\$ (2)
Transfers Out	(615,752)	(615,752)	(615,752)	-
Total Other Financing Sources and Uses	<u>\$ (481,152)</u>	<u>\$ 897,958</u>	<u>\$ 897,956</u>	<u>\$ (2)</u>
Net Change in Fund Balances	<u>\$ (14,938)</u>	<u>\$ 1,356,568</u>	<u>\$ 1,784,657</u>	<u>\$ 428,089</u>
Fund Balance - January 1	<u>\$ 6,086,120</u>	<u>\$ 6,086,120</u>	<u>\$ 6,086,120</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 6,071,182</u>	<u>\$ 7,442,688</u>	<u>\$ 7,870,777</u>	<u>\$ 428,089</u>

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

STUTSMAN COUNTY

Budgetary Comparison Schedule – Road and Bridge Fund
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,028,112	\$ 1,028,112	\$ 1,074,321	\$ 46,209
Intergovernmental	(4,058)	281,842	283,371	1,529
Charges for Services	1,210,500	1,210,500	967,756	(242,744)
Licenses, Permits and Fees	15,000	15,000	3,615	(11,385)
Interest Income	12,000	12,000	33,260	21,260
Miscellaneous	21,000	21,000	7,628	(13,372)
Total Revenues	<u>\$ 2,282,554</u>	<u>\$ 2,568,454</u>	<u>\$ 2,369,951</u>	<u>\$ (198,503)</u>
EXPENDITURES				
Highways and Bridges	<u>\$ 3,495,050</u>	<u>\$ 3,459,550</u>	<u>\$ 3,249,094</u>	<u>\$ 210,456</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,212,496)</u>	<u>\$ (891,096)</u>	<u>\$ (879,143)</u>	<u>\$ 11,953</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 1,115,371	\$ 1,400,000	\$ 1,400,000	\$ -
Transfers Out	(518,788)	(518,788)	(518,788)	-
Total Other Financing Sources and Uses	<u>\$ 596,583</u>	<u>\$ 881,212</u>	<u>\$ 881,212</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (615,913)</u>	<u>\$ (9,884)</u>	<u>\$ 2,069</u>	<u>\$ 11,953</u>
Fund Balance - January 1	<u>\$ 2,386,706</u>	<u>\$ 2,386,706</u>	<u>\$ 2,386,706</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,770,793</u>	<u>\$ 2,376,822</u>	<u>\$ 2,388,775</u>	<u>\$ 11,953</u>

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

STUTSMAN COUNTY

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ 16,040	\$ 16,040
Intergovernmental	2,687,978	2,687,978	2,672,465	(15,513)
Charges for Services	-	-	224	224
Licenses, Permits and Fees	2,500	2,500	1,380	(1,120)
Fines and Forfeitures	-	-	2,689	2,689
Interest Income	-	-	16,552	16,552
Miscellaneous	-	-	8,063	8,063
Total Revenues	<u>\$ 2,690,478</u>	<u>\$ 2,690,478</u>	<u>\$ 2,717,413</u>	<u>\$ 26,935</u>
EXPENDITURES				
Health and Welfare	<u>\$ 2,690,478</u>	<u>\$ 2,690,478</u>	<u>\$ 2,666,413</u>	<u>\$ 24,065</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,000</u>	<u>\$ 51,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>\$ (2,758,218)</u>	<u>\$ (1,379,109)</u>	<u>\$ (1,379,108)</u>	<u>\$ 1</u>
Net Change in Fund Balances	<u>\$ (2,758,218)</u>	<u>\$ (1,379,109)</u>	<u>\$ (1,328,108)</u>	<u>\$ 51,001</u>
Fund Balance - January 1	<u>\$ 1,891,794</u>	<u>\$ 1,891,794</u>	<u>\$ 1,891,794</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ (866,424)</u></u>	<u><u>\$ 512,685</u></u>	<u><u>\$ 563,686</u></u>	<u><u>\$ 51,001</u></u>

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

STUTSMAN COUNTYBudgetary Comparison Schedule – Highway Tax Aid Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 1,684,629	\$ 1,684,629	\$ 1,789,335	\$ 104,706
Interest Income	20,000	20,000	70,633	50,633
Total Revenues	<u>\$ 1,704,629</u>	<u>\$ 1,704,629</u>	<u>\$ 1,859,968</u>	<u>\$ 155,339</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>\$ (1,400,000)</u>	<u>\$ (1,400,000)</u>	<u>\$ (1,400,000)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 304,629</u>	<u>\$ 304,629</u>	<u>\$ 459,968</u>	<u>\$ 155,339</u>
Fund Balance - January 1	<u>\$ 5,407,011</u>	<u>\$ 5,407,011</u>	<u>\$ 5,407,011</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 5,711,640</u></u>	<u><u>\$ 5,711,640</u></u>	<u><u>\$ 5,866,979</u></u>	<u><u>\$ 155,339</u></u>

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

STUTSMAN COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
 For the Year Ended December 31, 2018

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

County	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.633009%	\$ 10,682,717	\$ 6,503,013	164.27%	62.80%
2017	0.627922%	10,092,767	6,410,102	157.45%	61.98%
2016	0.634690%	6,185,673	6,396,175	96.71%	70.46%
2015	0.644744%	4,384,149	5,743,887	76.33%	77.15%
2014	0.602349%	3,823,238	5,074,056	75.35%	77.70%

James River Valley Library System	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.030641%	\$ 517,100	\$ 314,780	164.27%	62.80%
2017	0.030216%	485,670	308,456	157.45%	61.98%
2016	0.032932%	320,954	331,876	96.71%	70.46%
2015	0.027713%	193,744	246,891	78.47%	77.15%
2014	0.024979%	158,547	210,422	75.35%	77.70%

STUTSMAN COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued

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

County	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 478,974	\$ 471,996	\$ 950,970	\$ 6,503,013	7.26%
2017	464,810	462,905	927,715	6,410,102	7.22%
2016	463,073	457,888	920,961	6,396,175	7.16%
2015	436,294	434,840	871,134	5,743,887	7.57%
2014	361,273	361,273	722,546	5,074,056	7.12%

James River Valley Library System	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 23,185	\$ 22,679	\$ 506	\$ 314,780	7.20%
2017	22,367	23,664	(1,297)	308,456	7.67%
2016	24,027	22,688	1,339	331,876	6.84%
2015	18,753	20,246	(1,493)	246,891	8.20%
2014	14,982	14,982	-	210,422	7.12%

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

STUTSMAN COUNTY

Schedule of Employer’s Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2018

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

County	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.598169%	\$ 471,099	\$ 6,545,261	7.20%	61.89%
2017	0.592518%	468,688	6,410,102	7.31%	59.78%

James River Valley Library System	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.028768%	\$ 22,657	\$ 314,780	7.20%	61.89%
2017	0.028512%	22,553	308,456	7.31%	59.78%

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

County	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 76,772	\$ 75,572	\$ 1,200	\$ 6,545,261	1.15%
2017	74,513	74,116	\$ 397	\$ 6,410,102	1.16%

James River Valley Library System	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 3,692	\$ 3,631	\$ 61	\$ 314,780	1.15%
2017	3,586	3,789	(203)	308,456	1.23%

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

STUTSMAN COUNTY

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

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of County commissioners amended the County expenditures and transfers budget for various funds as follows:

	REVENUES		
	Original Budget	Amendment	Amended Budget
Major Funds			
General Fund	\$ 8,291,729	\$ (213,200)	\$ 8,078,529
Road & Bridge	2,282,554	285,900	2,568,454

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Major Funds			
General Fund	\$ 7,825,515	\$ (205,596)	\$ 7,619,919
Road & Bridge	3,495,050	(35,500)	3,459,550

NOTE 3 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 4 PENSION AND OPEB - CHANGES OF ASSUMPTIONS

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



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

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

**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
Stutsman County
Jamestown, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the remaining aggregate fund information of Stutsman County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Stutsman County's basic financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Stutsman County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
December 18, 2019

STUTSMAN COUNTY

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

Financial Statements

Type of Report Issued?

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

Internal control over financial reporting

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

STUTSMAN COUNTY

Schedule of Audit Findings

For the Year Ended December 31, 2018

2018-001 FINANCIAL STATEMENT PREPARATION

Condition

Stutsman County does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

Criteria

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

Cause

Management may not be fully aware how to prepare basic financial statements that comply with GAAP and has chosen to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

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

Prior Recommendation?

No

Recommendation

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

Stutsman County's Response

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

2018-002 ADJUSTING JOURNAL ENTRIES

Condition

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

Criteria

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

Cause

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

Effect

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

Prior Recommendation?

No

Recommendation

We recommend Stutsman County design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

Stutsman County's Response

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



STATE OF NORTH DAKOTA
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FARGO, NORTH DAKOTA 58103

GOVERNANCE COMMUNICATION

Board of County Commissioners
Stutsman County
Jamestown, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Stutsman County, North Dakota, for the year ended December 31, 2018 which collectively comprise Stutsman County's basic financial statements, and have issued our report thereon dated December 18, 2019. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated August 6, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Stutsman 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 Stutsman 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 Stutsman County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Corrected and Uncorrected Misstatements

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

	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
PRIMARY GOVERNMENT						
Intergovernmental Receivable Revenue	551,695		190,235		741,930	-
		551,695		190,235		741,930
Accounts Receivable Revenue	338,214		-		338,214	
		338,214		-		338,214
Expenditures	186,505		-		186,505	
Accounts Payable		124,125		-		124,125
Salaries Payable		62,380		-		62,380
Revenue	-		2,000		2,000	
Loan Payments		-		2,000		2,000

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2019.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

STUTSMAN COUNTY

Governance Communication – Continued

Other Audit Findings or Issues

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

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

Thank you and the employees of Stutsman 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 Stutsman County.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
December 18, 2019

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www.nd.gov/auditor/

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