



LaMoure County

LaMoure, North Dakota

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

LAMOURE COUNTY

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LAMOURE COUNTY

County Officials and Audit Personnel
December 31, 2017

COUNTY OFFICIALS

Chairman	Bruce Klein
Vice Chairman	Robert Flath
Commissioner	Victor Weigal
Commissioner	Lee Miller
Commissioner	Keith Heidinger
County Auditor	Jan Hamlin
County Treasurer	Cindy Worrel
County Recorder	Laurie Good
Clerk of Court	Karin Boom
Sheriff	Robert Fernandes
State's Attorney	Tonya Duffy
Superintendent of Schools	Jan Hamlin

AUDIT PERSONNEL

Audit Manager	Craig Hashbarger, CPA, CIA, CFE
Audit In-Charge	Alex Bakken, CPA

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

INDEPENDENT AUDITOR’S REPORT

Board of County Commissioners
LaMoure County
LaMoure, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of LaMoure County, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise LaMoure County’s basic financial statements as listed in the table of contents.

Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate presented component unit, each major fund, and the aggregate remaining fund information of LaMoure County, North Dakota, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 8 to the financial statements, LaMoure County adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *budgetary comparison 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* on pages 25-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2019 on our consideration of LaMoure County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LaMoure County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamoure County's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 7, 2019

LAMOURE COUNTY

Statement of Net Position

December 31, 2017

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and Investments	\$ 5,613,371	\$ 36,481
Intergovernmental Receivable	195,400	-
Accounts Receivable	19,081	-
Road Receivables	93,779	-
Taxes Receivable	59,470	277
Capital Assets, Net	19,469,022	-
Total Assets	<u>\$ 25,450,123</u>	<u>\$ 36,758</u>
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pension and OPEB	<u>\$ 1,467,137</u>	<u>\$ -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 26,917,260</u>	<u>\$ 36,758</u>
LIABILITIES		
Accounts Payable	\$ 45,932	\$ -
Salaries Payable	13,828	-
Grant Received in Advance	352,746	-
Retainage Payable	21,750	-
Long-Term Liabilities		
Due Within One Year		
Compensated Absences Payable	46,883	-
Due After One Year		
Compensated Absences Payable	70,324	-
Net Pension and OPEB Liability	2,870,498	-
Total Liabilities	<u>\$ 3,421,961</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Derived from Pension and OPEB	<u>\$ 100,051</u>	<u>\$ -</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 3,522,012</u>	<u>\$ -</u>
NET POSITION		
Net Investment in Capital Assets	\$ 19,447,272	\$ -
Restricted		
Debt Service	190,018	-
Culture and Recreation	68,583	-
Conservation of Natural Resources	183,268	-
Emergencies	232,822	-
Unrestricted	3,273,285	36,758
Total Net Position	<u>\$ 23,395,248</u>	<u>\$ 36,758</u>

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

LAMOURE COUNTY

Statement of Activities

December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Water Resource District
Primary Government						
General Government	\$ 1,417,828	\$ 71,978	\$ 128,905	\$ -	\$ (1,216,945)	
Public Safety	946,734	131,851	67,849	-	(747,034)	
Highways	2,098,474	554,034	552,775	751,507	(240,158)	
Health and Welfare	777,322	346,765	43,782	-	(386,775)	
Culture and Recreation	120,680	28,184	12,885	-	(79,611)	
Conservation of Natural Resources	202,829	9,938	-	31,102	(161,789)	
Interest Expense on Long-Term Debt	1,257	-	-	-	(1,257)	
Total Primary Government	\$ 5,565,124	\$ 1,142,750	\$ 806,196	\$ 782,609	\$ (2,833,569)	
Component Unit						
Water Resource District	\$ 14,498	\$ -	\$ -	\$ -		\$ (14,498)
General Revenues						
Property Taxes						
Levied for General Purposes					\$ 2,152,801	\$ -
Levied for Special Purposes					1,555,880	17,130
Levied for Debt Service					59,357	-
Grants and Contributions Not Restricted to Specific Programs					479,660	-
Interest Revenue					40,900	51
Miscellaneous Revenue					49,148	3,100
Total General Revenues					\$ 4,337,746	\$ 20,281
Change in Net Position					\$ 1,504,177	\$ 5,783
Net Position - January 1					\$ 22,018,425	\$ 30,975
Prior Period Adjustment					\$ (127,354)	\$ -
Net Position - January 1 as restated					\$ 21,891,071	\$ 30,975
Net Position - December 31					\$ 23,395,248	\$ 36,758

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

LAMOURE COUNTY

Balance Sheet – Governmental Funds

December 31, 2017

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 3,813,769	\$ 1,610,554	\$ 189,048	\$ 5,613,371
Intergovernmental Receivable	6,606	188,794	-	195,400
Accounts Receivable	-	19,081	-	19,081
Road Receivables	-	93,779	-	93,779
Taxes Receivable	33,505	24,995	970	59,470
Total Assets	<u>\$ 3,853,880</u>	<u>\$ 1,937,203</u>	<u>\$ 190,018</u>	<u>\$ 5,981,101</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 26,888	\$ 19,044	\$ -	\$ 45,932
Salaries Payable	914	12,914	-	13,828
Grants Received in Advance	-	352,746	-	352,746
Total Liabilities	<u>\$ 27,802</u>	<u>\$ 384,704</u>	<u>\$ -</u>	<u>\$ 412,506</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 33,505	\$ 24,995	\$ 970	\$ 59,470
Road Receivables	-	93,779	-	93,779
Total Deferred Inflows of Resources	<u>\$ 33,505</u>	<u>\$ 118,774</u>	<u>\$ 970</u>	<u>\$ 153,249</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 61,307</u>	<u>\$ 503,478</u>	<u>\$ 970</u>	<u>\$ 565,755</u>
Fund Balances				
Restricted				
Debt Service	\$ -	\$ -	\$ 189,048	\$ 189,048
Public Safety	-	120,915	-	120,915
Highways	-	462,341	-	462,341
Health and Welfare	-	102,021	-	102,021
Culture and Recreation	-	68,398	-	68,398
Conservation of Natural Resources	-	246,943	-	246,943
Emergency	-	232,822	-	232,822
General Government	-	200,995	-	200,995
Unassigned	3,792,573	(710)	-	3,791,863
Total Fund Balances	<u>\$ 3,792,573</u>	<u>\$ 1,433,725</u>	<u>\$ 189,048</u>	<u>\$ 5,415,346</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,853,880</u>	<u>\$ 1,937,203</u>	<u>\$ 190,018</u>	<u>\$ 5,981,101</u>

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

LAMOURE COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2017

Total Fund Balances for Governmental Funds \$ 5,415,346

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

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

Cost of capital assets	\$ 23,666,219	
Less accumulated depreciation	<u>(4,197,197)</u>	19,469,022

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

Property taxes receivable	\$ 59,470	
Road receivables	<u>93,779</u>	153,249

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

Deferred outflows derived from pensions and OPEB	\$ 1,467,137	
Deferred inflows derived from pensions and OPEB	<u>(100,051)</u>	1,367,086

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

Retainage payable	\$ (21,750)	
Compensated absences	(117,207)	
Net pension and OPEB liability	<u>(2,870,498)</u>	<u>(3,009,455)</u>

Total Net Position of Governmental Activities \$ 23,395,248

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

LAMOURE COUNTY

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

December 31, 2017

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,144,722	\$ 1,552,468	\$ 59,312	\$ 3,756,502
Intergovernmental	158,737	1,913,413	-	2,072,150
Charges for Services	115,721	1,024,509	-	1,140,230
Licenses, Permits and Fees	2,520	-	-	2,520
Interest Income	40,898	2	-	40,900
Miscellaneous	34,205	14,943	-	49,148
Total Revenues	\$ 2,496,803	\$ 4,505,335	\$ 59,312	\$ 7,061,450
EXPENDITURES				
Current				
General Government	\$ 1,336,032	\$ 728	\$ -	\$ 1,336,760
Public Safety	544,271	368,425	-	912,696
Highways	-	3,393,981	-	3,393,981
Health and Welfare	-	730,768	-	730,768
Culture and Recreation	112,688	4,621	-	117,309
Conser. of Natural Resources	-	206,464	-	206,464
Debt Service				
Principal	-	-	60,000	60,000
Interest & Service Charges	-	-	1,507	1,507
Total Expenditures	\$ 1,992,991	\$ 4,704,987	\$ 61,507	\$ 6,759,485
Excess (Deficiency) of Revenues Over Expenditures	\$ 503,812	\$ (199,652)	\$ (2,195)	\$ 301,965
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 1,333,380	\$ 113,000	\$ -	\$ 1,446,380
Transfers Out	(113,000)	(1,333,380)	-	(1,446,380)
Total Other Financing Sources and Uses	\$ 1,220,380	\$ (1,220,380)	\$ -	\$ -
Net Change in Fund Balances	\$ 1,724,192	\$ (1,420,032)	\$ (2,195)	\$ 301,965
Fund Balance - January 1	\$ 2,068,381	\$ 2,853,244	\$ 191,243	\$ 5,112,868
Prior Period Adjustment	\$ -	\$ 513	\$ -	\$ 513
Fund Balance - January 1 as restated	\$ 2,068,381	\$ 2,853,757	\$ 191,243	\$ 5,113,381
Fund Balance - December 31	\$ 3,792,573	\$ 1,433,725	\$ 189,048	\$ 5,415,346

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

LAMOURE COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2017

Net Change in *Fund Balances* - Total Governmental Funds \$ 301,965

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

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

Current year capital outlay	\$ 1,406,383	
Current year capital contribution	782,609	
Current year depreciation	<u>(687,414)</u>	1,501,578

In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold. (147,750)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 60,000

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

Net change in compensated absences	\$ 7,633	
Net change in interest payable	250	
Net change in retainage payable	<u>39,345</u>	47,228

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

Net change in taxes receivable	\$ 11,535	
Net change in road receivables	<u>(3,684)</u>	7,851

The Net Pension & OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net change in net pension & OPEB liability	\$ (1,183,002)	
Net change in deferred outflows of resources	903,597	
Net change in deferred inflows of resources	<u>12,710</u>	<u>(266,695)</u>

Change in *Net Position* of Governmental Activities \$ 1,504,177

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

LAMOURE COUNTY

Statement of Fiduciary Assets and Liabilities - Agency Funds
December 31, 2017

ASSETS

Cash and Cash Equivalents \$ 2,736,942

LIABILITIES

Due to Other Governments \$ 2,736,942

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

LAMOURE COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Component Unit

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

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

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

B. Basis of Presentation

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

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

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

LAMOURE COUNTY

Notes to the Financial Statements – Continued

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the County during the years ended December 31, 2017 consist of certificates of deposit stated at cost with maturities in excess of three months.

E. Capital Assets

Primary Government

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

LAMOURE COUNTY

Notes to the Financial Statements – Continued

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

Assets	Years
Buildings	50
Equipment	5 - 10
Vehicles	5
Infrastructure	50

F. Compensated Absences

Full time employees, except for social services employees, earn vacation benefits from eight to fourteen hours per month, depending on tenure with the County. Social services employees earn vacation benefits from eight to sixteen hours per month, depending on tenure with the County. Employees, except social services employees, can carry over a maximum of 240 hours of vacation at December 31 of each year. Social services employees can carry over a maximum of 240 hours at April 30, of each year.

Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of 240 hours, based on their current rate of pay. Vested or accumulated vacation leave is reported in the general long-term debt account group. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

G. Long-Term Liabilities

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

When applicable, in the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, and discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. 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.

I. 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.

J. Fund Balance

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

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

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

LAMOURE COUNTY

Notes to the Financial Statements – Continued

K. Net Position

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

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

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted state and federal grants/reimbursements.

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

L. Interfund Transactions

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

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

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

NOTE 2: DEPOSITS

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

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

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

At year ended December 31, 2017, the County’s carrying amount of deposits totaled \$8,349,638, and the bank balances totaled \$8,077,588. Of the bank balances, \$2,196,158 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

At year ended December 31, 2017, the Water Resource District’s carrying amount of deposits totaled \$36,481, and the bank balances totaled \$37,228, all of which were covered by Federal Depository Insurance.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

Credit Risk

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

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

As of December 31, 2017, the County held certificates of deposit in the amount of \$3,771,109, all of which are considered deposits.

Interest Rate Risk

The County does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk

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

NOTE 3: PROPERTY TAXES

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

NOTE 4: CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2017:

	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 33,600	\$ -	\$ -	\$ -	\$ 33,600
Construction in Progress	1,971,887	1,365,848	-	(2,077,822)	1,259,913
Total capital assets not being depreciated	\$ 2,005,487	\$ 1,365,848	\$ -	\$ (2,077,822)	\$ 1,293,513
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 332,994	\$ 24,412	\$ (26,298)	\$ -	\$ 331,108
Equipment	3,985,153	798,732	(433,179)	-	4,350,706
Buildings	731,794	-	-	-	731,794
Infrastructure	14,881,277	-	-	2,077,822	16,959,099
Total capital assets, being depreciated	\$ 19,931,218	\$ 823,144	\$ (459,477)	\$ 2,077,822	\$ 22,372,707
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 255,252	\$ 33,032	\$ (26,298)	\$ -	\$ 261,986
Equipment	2,262,925	305,898	(285,429)	-	2,283,394
Buildings	484,961	9,302	-	-	494,263
Infrastructure	818,373	339,182	-	-	1,157,555
Total accumulated depreciation	\$ 3,821,511	\$ 687,414	\$ (311,727)	\$ -	\$ 4,197,198
Total capital assets being depreciated, net	\$ 16,109,707	\$ 135,730	\$ (147,750)	\$ 2,077,822	\$ 18,175,509
Total capital assets, net	\$ 18,115,194	\$ 1,501,578	\$ (147,750)	\$ -	\$ 19,469,022

LAMOURE COUNTY

Notes to the Financial Statements – Continued

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

General Government	\$ 15,467
Public Safety	26,669
Highways	622,280
Health and Welfare	1,542
Culture and Recreation	3,371
Conservation of Natural Resources	18,085
Total Depreciation Expense	\$ 687,414

NOTE 5: LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

Primary Government	Bal. Jan 1 Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
G.O. Bonds Payable	\$ 60,000	\$ -	\$ 60,000	\$ -	\$ -
Compensated Absences *	124,840	-	7,633	117,207	46,883
Net Pension and OPEB Liability	1,687,496	1,183,002	-	2,870,498	-
Total Long Term Liabilities	\$ 1,872,336	\$ 1,183,002	\$ 67,633	\$ 2,987,705	\$ 46,883

* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

Operating Leases. The County is engaged in three operating leases for two copiers and a postage machine. Total lease payments were \$2,856 during the year ended December 31, 2017.

The future minimum lease payments for operating leases at December 31, 2017 are as follows:

Year Ending December 31	Operating Leases		
	Copy Machine	Postage Machine	Total
2018	\$ 1,452	\$ 468	\$ 1,920
2019	1,452	-	1,452
2020	1,452	-	1,452
2021	1,452	-	1,452
Totals	\$ 5,808	\$ 468	\$ 6,276

NOTE 6: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2017:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 1,333,380	\$ 113,000
Special Revenue Fund	1,210,103	2,430,483
Total Transfers	\$ 2,543,483	\$ 2,543,483

LAMOURE COUNTY

Notes to the Financial Statements – Continued

Transfers are done primarily for the following reasons:

- Transfer unrestricted general fund revenues to finance various programs
- Transfer money to help finance various road construction projects.

NOTE 7: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

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 after January 1, 2016 the Rule of 85 will be replaced with a 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 benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

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

At December 31, 2017, the County reported a liability of \$2,743,114 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2017, the County's proportion was .170663 percent, which was an increase of .010635 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$450,953. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 16,305	\$ 13,365
Changes in Assumptions	1,124,862	61,870
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	36,893	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	140,633	16,547
Contributions - Employer	134,200	-
Total Deferred Outflow and Inflow of Resources	\$ 1,452,893	\$ 91,782

\$134,200 was reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

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

2018	\$	274,870
2019		325,491
2020		286,633
2021		218,826
2022		121,091
Thereafter		-

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 – 40	7.50%
	41 – 49	6.00%
	50+	5.00%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

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

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

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

LAMOURE COUNTY

Notes to the Financial Statements – Continued

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 3.56%; and the resulting Single Discount Rate is 6.44%.

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

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Proportionate Share of the Net Pension Liability	\$ 3,723,862	\$ 2,743,114	\$ 1,927,174

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: OTHER POST EMPLOYMENT BENEFITS (OPEB)

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.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

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, 2017, the County reported a liability of \$127,384 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on the County's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017 the County's proportion was .161040 percent.

For the year ended December 31, 2017, the County recognized OPEB expense of \$15,301. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 3,107
Changes of Assumptions	12,338	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	4,816
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	346
Contributions - Employer	1,905	-
Total Deferred Outflow and Inflow of Resources	\$ 14,243	\$ 8,269

\$1,905 was reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

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

2018	\$	187
2019		187
2020		187
2021		187
2022		1,391
2023		1,391
Thereafter		539

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75%. 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, 2017, and July 1, 2016, 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.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

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

The following presents the net OPEB liability of the Plans as of June 30, 2017, 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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate Share of the OPEB Liability	\$ 159,470	\$ 127,384	\$ 99,882

NOTE 9: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability and for automobile, and \$3,377,884 for public assets (mobile equipment and portable property).

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 10: CONSTRUCTION COMMITMENTS

The County had one open construction commitment as of December 31, 2017 as follows:

Project	Original Contract	Total Completed	Retainage	Remaining Balance (Includes Retainage)
SC-CNOC-2335(059)	\$ 1,186,711	\$ 1,087,520	\$ 21,750	\$ 99,191

LAMOURE COUNTY

Notes to the Financial Statements – Continued

NOTE 11: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2017 has been restated for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*. The result of implementing GASB 75 reduced beginning net position of the County.

Additionally, an adjustment to the Special Revenue Fund governmental fund balance was necessary for corrections to a prior payable.

Beginning Net Positon, as previously reported	\$ 22,018,425
Adjustment to restate the January 1, 2017 Net Position	
Governmental Fund Balance	513
Net OPEB Liability	(127,867)
Net Position January 1, as restated	\$ 21,891,071

Beginning Special Revenue Fund Balance, as previously reported	\$ 2,853,244
Adjustment to restate the January 1, 2017 Fund Balance	
Accounts Payable	513
Fund Balance January 1, as restated	\$ 2,853,757

LAMOURE COUNTY

Budgetary Comparison Schedule - General Fund

December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,200,051	\$ 2,200,051	\$ 2,144,722	\$ (55,329)
Intergovernmental	160,491	160,491	158,737	(1,754)
Charges for Services	97,450	97,450	115,721	18,271
Licenses, Permits and Fees	2,200	2,200	2,520	320
Interest Income	35,000	35,000	40,898	5,898
Miscellaneous	67,500	67,500	34,205	(33,295)
Total Revenues	\$ 2,562,692	\$ 2,562,692	\$ 2,496,803	\$ (65,889)
EXPENDITURES				
Current				
General Government	\$ 1,404,312	\$ 1,455,305	\$ 1,336,032	\$ 119,273
Public Safety	592,238	592,238	544,271	47,967
Culture & Recreation	94,299	100,801	112,688	(11,887)
Total Expenditures	\$ 2,090,849	\$ 2,148,344	\$ 1,992,991	\$ 155,353
Excess (Deficiency) of Revenues Over Expenditures	\$ 471,843	\$ 414,348	\$ 503,812	\$ 89,464
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 1,333,380	\$ 1,333,380
Transfers Out	-	-	(113,000)	(113,000)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 1,220,380	\$ 1,220,380
Net Change in Fund Balance	\$ 471,843	\$ 414,348	\$ 1,724,192	\$ 1,309,844
Fund Balance - January 1	\$ 2,068,381	\$ 2,068,381	\$ 2,068,381	\$ -
Fund Balance - December 31	\$ 2,540,224	\$ 2,482,729	\$ 3,792,573	\$ 1,309,844

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

LAMOURE COUNTY

Budgetary Comparison Schedule - Special Revenue Fund
 December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,604,881	\$ 1,604,881	\$ 1,552,468	\$ (52,413)
Intergovernmental	2,989,288	2,989,288	1,913,413	(1,075,875)
Charges for Services	621,902	621,902	1,024,509	402,607
Interest Income	-	-	2	2
Miscellaneous	8,000	8,000	14,943	6,943
Total Revenues	\$ 5,224,071	\$ 5,224,071	\$ 4,505,335	\$ (718,736)
EXPENDITURES				
Current				
General Government	\$ 48,620	\$ 48,620	\$ 728	\$ 47,892
Public Safety	273,506	273,506	368,425	(94,919)
Highways	4,864,615	4,864,615	3,393,981	1,470,634
Flood Repair	120,000	120,000	-	120,000
Health and Welfare	758,662	758,662	730,768	27,894
Culture and Recreation	3,000	3,000	4,621	(1,621)
Conser. of Natural Resources	248,398	248,398	206,464	41,934
Total Expenditures	\$ 6,316,801	\$ 6,316,801	\$ 4,704,987	\$ 1,611,814
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,092,730)	\$ (1,092,730)	\$ (199,652)	\$ 893,078
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 320,000	\$ 1,459,899	\$ 113,000	\$ (1,346,899)
Transfers Out	(397,020)	(1,471,919)	(1,333,380)	138,539
Total Other Financing Sources and Uses	\$ (77,020)	\$ (12,020)	\$ (1,220,380)	\$ (1,208,360)
Net Change in Fund Balances	\$ (1,169,750)	\$ (1,104,750)	\$ (1,420,032)	\$ (315,282)
Fund Balance - January 1 Restated	\$ 2,853,757	\$ 2,853,757	\$ 2,853,757	\$ -
Fund Balance - December 31	\$ 1,684,007	\$ 1,749,007	\$ 1,433,725	\$ (315,282)

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

LAMOURE COUNTY

Schedule of Employer's Share of Net Pension and Employer Contributions
 For the Year Ended December 31, 2017

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

Pension	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.170663%	0.160028%	0.163428%	0.142199%
County's proportionate share of the net pension liability (asset)	2,743,114.00	\$ 1,559,629	\$ 1,111,282	\$ 1,043,902
County's covered-employee payroll	1,742,201.00	\$ 1,612,702	\$ 1,455,944	\$ 1,197,858
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	87.15%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.70%	77.70%

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

Pension	2017	2016	2015	2014
Statutorily required contribution	126,331	\$ 116,757	\$ 110,591	\$ 105,740
Contributions in relation to the statutorily required contribution	(123,987)	\$ (116,625)	\$ (101,693)	\$ (105,740)
Contribution deficiency (excess)	\$ 2,344	\$ 132	\$ 8,898	\$ -
County's covered-employee payroll	1,920,600	\$ 1,856,117	\$ 1,687,496	\$ 1,485,111
Contributions as a percentage of covered-employee payroll	6.58%	6.29%	6.55%	7.12%

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

LAMOURE COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2017

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

OPEB	2017
County's proportion of the net OPEB liability (asset)	0.161040%
County's proportionate share of the net OPEB liability (asset)	\$ 127,384
County's covered-employee payroll	\$ 1,742,201
County's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

OPEB	2017
Statutory required contribution	\$ 20,252
Contributions in relation to the statutory required contribution	\$ (19,852)
Contribution deficiency (excess)	\$ 400
County's covered-employee payroll	\$ 1,920,600
Contributions as a percentage of covered-employee payroll	1.03%

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

LAMOURE COUNTY

Notes to the Required Supplementary Information
 For the Year Ended December 31, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

NOTE 3: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2017. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NOTE 4: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of County commissioners amended the County budget for 2017 as follows:

	Original Budget	Amendment	Amended Budget
EXPENDITURES			
General Fund	\$ 2,090,849	\$ 57,495	\$ 2,148,344
TRANSFER OUT			
Special Revenue Fund	397,020	1,074,899	1,471,919

LAMOURE COUNTY

Fund Activity - Cash Basis

For the Year Ended December 31, 2017

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
Governmental Funds						
General Fund						
General Fund	\$ 1,294,980.78	\$ 2,811,114.17	\$ 1,333,380.41	\$ 113,000.00	\$ 1,962,993.14	\$ 3,363,482.22
Memorial Park	49,806.54	326.12	-	-	-	50,132.66
Oasis Health Insurance	178,916.42	187.77	-	-	-	179,104.19
Oasis and Social Security	46,254.65	843.93	-	-	1,204.43	45,894.15
Technology Fund	20,896.63	144.41	-	-	-	21,041.04
Advertising Fund	1.43	-	-	-	-	1.43
Insurance Reserve	137,099.75	3,805.82	-	-	238.98	140,666.59
Comp. Health Insurance	9,442.25	6,067.38	-	-	2,063.07	13,446.56
Total General Fund	\$ 1,737,398.45	\$ 2,822,489.60	\$ 1,333,380.41	\$ 113,000.00	\$ 1,966,499.62	\$ 3,813,768.84
Special Revenue Fund						
County Road and Bridge	\$ 95,401.97	\$ 1,530,004.02	\$ 450,039.30	\$ -	\$ 2,075,353.45	\$ 91.84
Farm to Market Road	1,099,816.72	1,137,618.61	-	792,835.30	1,072,585.80	372,014.23
Social Welfare	-	69,779.83	272,064.00	-	341,843.83	-
Veterans Service Officer	6,850.89	11,566.25	-	-	9,793.61	8,623.53
County Agent	-	78,947.45	22,203.21	-	101,150.66	-
Weed Control	162,358.12	148,208.98	-	10,000.00	79,545.95	221,021.15
Correctional Center	28,615.92	56,892.06	-	-	55,110.09	30,397.89
FEMA 2011	4,522.05	-	-	-	-	4,522.05
FEMA	348,224.53	-	-	-	-	348,224.53
Ambulance	24,657.25	210,243.34	-	-	230,242.64	4,657.95
Emergency Fund	232,821.83	-	-	-	-	232,821.83
Camp Fund	35,121.34	29,273.50	-	-	4,620.63	59,774.21
JR Backway Fund	38,676.35	-	-	-	-	38,676.35
State Aid Distribution	485,858.13	442,755.50	-	928,613.63	-	-
Document Preservation Fund	35,765.28	7,993.50	-	-	23,582.81	20,175.97
Human Services	308,348.08	385,256.56	-	693,604.64	-	-
Wireless E911	65,494.61	73,810.11	-	-	73,233.66	66,071.06
24/7 Sobriety Program	5,418.28	6,245.00	-	-	8,959.80	2,703.48
LaMoire County Health Dept	31,676.85	346,078.26	113,000.00	-	395,469.89	95,285.22
District Court	5.00	-	-	-	-	5.00
Grants (State & Federal)	46,209.09	662.00	-	-	728.20	46,142.89
County Extension	6,423.77	736.71	-	5,429.37	1,731.11	-
4-H Building	3,768.46	2,431.00	-	-	453.61	5,745.85
Special Project/Vehicle	225.61	1.71	-	-	-	227.32
Hazardous Chemical	10,352.37	1,787.50	-	-	878.79	11,261.08
Equipment Purchase	(166,360.00)	-	352,796.00	-	186,436.00	-
Culvert Purchase & Resale	11,955.66	53,897.88	-	-	65,247.08	606.46
Bridge Replacement	41,504.21	-	-	-	-	41,504.21
Total Special Revenue Fund	\$ 2,963,712.37	\$ 4,594,189.77	\$ 1,210,102.51	\$ 2,430,482.94	\$ 4,726,967.61	\$ 1,610,554.10
Debt Service Fund						
Special Assessments on Co. Property	\$ 194.22	\$ -	\$ -	\$ -	\$ -	\$ 194.22
County Loan Fund	191,049.14	59,311.82	-	-	61,507.00	188,853.96
Total Debt Service Fund	\$ 191,243.36	\$ 59,311.82	\$ -	\$ -	\$ 61,507.00	\$ 189,048.18
Total Governmental Funds	\$ 4,892,354.18	\$ 7,475,991.19	\$ 2,543,482.92	\$ 2,543,482.94	\$ 6,754,974.23	\$ 5,613,371.12

Continued on next page.....

LAMOURE COUNTY
Fund Activity – Cash Basis - Continued

Continued...

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
Agency Funds						
Historical Society (Museum)	\$ 38.82	\$ 9,788.74	\$ -	\$ -	\$ 9,757.31	\$ 70.25
Senior Citizens	294.68	110,847.79	-	-	110,753.95	388.52
Airport Authority	0.02	-	-	-	-	0.02
County Airport-2 mill	575.46	71,346.47	-	-	71,300.05	621.88
Criminal Court Administrative Fund	355.00	-	-	-	-	355.00
Civil Filing Fees	70.00	490.00	-	-	525.00	35.00
State Fines & Forfeits	8,706.72	-	-	-	-	8,706.72
State Revenue	162.69	39,142.56	-	-	39,123.40	181.85
Garrison Diversion	153.55	43,636.62	-	-	43,612.04	178.13
Court Trust	540.50	-	-	-	-	540.50
Restitutions	356.15	-	-	-	-	356.15
Estimate Tax	13.34	941.74	-	-	943.04	12.04
Game and Fish Licenses	(5,218.40)	-	-	-	-	(5,218.40)
Soil Conservation District	162.69	39,216.28	-	-	39,197.12	181.85
Jud Rural Fire	83.34	18,604.14	-	-	18,649.35	38.13
Gackle Fire District	-	1,025.97	-	-	1,025.97	-
Paid Under Protest	-	1,644.07	-	-	-	1,644.07
Water Resource Fund	83.77	17,326.35	-	-	17,319.50	90.62
Library	238.61	56,591.74	-	-	56,564.56	265.79
CDLF Loan Fund	8,521.38	-	-	-	-	8,521.38
Payroll Deduction	6,066.23	363.00	-	-	363.00	6,066.23
Christmas Fund	-	14,309.95	-	-	14,309.95	-
Undistributed Taxes	2,268,407.28	2,621,989.03	-	-	2,268,407.28	2,621,989.03
Total Cities	8,039.30	916,319.41	-	-	915,301.49	9,057.22
Total Parks	-	8,171.04	-	-	8,634.99	(463.95)
Total Schools	77,275.29	3,486,961.37	-	-	3,481,926.23	82,310.43
Total Townships	1,250.26	732,042.29	-	-	732,279.00	1,013.55
Total Agency Funds	\$ 2,376,176.68	\$ 8,190,758.56	\$ -	\$ -	\$ 7,829,993.23	\$ 2,736,942.01
Total Primary Government	\$ 7,268,530.86	\$ 15,666,749.75	\$ 2,543,482.92	\$ 2,543,482.94	\$ 14,584,967.46	\$ 8,350,313.13

STATE AUDITOR

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Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
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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
LaMoure County
LaMoure, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate presented component unit, each major fund, and the aggregate remaining fund information of LaMoure County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise LaMoure County's basic financial statements, and have issued our report thereon dated January 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LaMoure 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 LaMoure County's internal control. Accordingly, we do not express an opinion on the effectiveness of LaMoure 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying *summary of auditor's results and findings* as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

LAMOURE 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 LaMoure 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*.

LaMoure County's Response to Findings

LaMoure County's response to the findings identified in our audit is described in the accompanying *summary of auditor's results and findings*. LaMoure 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
January 7, 2019

LAMOURE COUNTY

Summary of Auditor's Results and Findings
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting

Material weaknesses identified?	_____	Yes	___X___	None Noted
Significant deficiencies identified not considered to be material weaknesses?	___X___	Yes	_____	None Noted
Noncompliance material to financial statements noted?	_____	Yes	___X___	None Noted

Section II - Financial Statement Findings

2017-001 – FINANCIAL STATEMENT PREPARATION

Condition

LaMoure 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 Standards (GAAP).

Criteria

Management of LaMoure County is responsible for establishing proper internal control over the preparation of LaMoure 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

This deficiency is due to limited resources coupled with the fact that LaMoure County may not know how to prepare basic financial statements that comply with GAAP. Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

Effect

LaMoure County's management is aware of the deficiency and addresses it by recording the underlining trial balance, as well as reviewing and approving the adjusting journal entries. However, as of December 31, 2017, SAO assisted management with preparation of the financial statements.

Recommendation

We recognize that LaMoure County is not staffed with personnel fully knowledgeable of GAAP. However, it is important that they are aware of this weakness and that management accepts responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP, even if the auditor assisted in drafting those financial statements.

LAMOURE COUNTY

Summary of Auditor's Results and Findings - Continued

LaMoure County's Response

Agree. LaMoure 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.

2017-002 – LACK OF TIME SHEETS - SHERIFF'S DEPARTMENT

Condition

The LaMoure County Sheriff's Department did not provide adequate documentation of deputy hours worked to the County Auditor. The sheriff's department only provides a schedule of time that deputies are scheduled to work, but no documentation of actual hours worked that is reviewed by management is provided to the County Auditor.

Criteria

The LaMoure County Sheriff's Department is in violation of the County's policy manual, which states "All non-elected personnel should accurately record the time they begin and end their work, as well as the beginning and ending time of each meal period (if applicable). They should also record the beginning and ending time of any split shift or departure from work for personal reasons."

Important guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate control activities. Proper internal controls include a review of department personnel timecards by department heads to ensure the County reports accurate payroll amounts.

Cause

The LaMoure County Sheriff's Department does not feel they need to provide detailed documentation to the County auditor.

Effect

Without being able to see adequate documentation of actual department personnel hours worked, it is impossible to know whether deputy hours are being accurately recorded. Total deputy payroll in FY2017 was \$160,670, or 8% of total General Fund expenditures.

Recommendation

We recommend the LaMoure County Sheriff's Department provide the County Auditor adequate documentation of sheriff department personnel's actual hours worked. This documentation should be reviewed by management.

LaMoure County's Response

Agree. We will continue to try to get timecards from the sheriff's department.

STATE AUDITOR

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GOVERNANCE COMMUNICATION

Board of County Commissioners
LaMoure County
LaMoure, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of LaMoure County, North Dakota, and the respective changes in financial position for the year ended December 31, 2017 which collectively comprise LaMoure County's basic financial statements, and have issued our report thereon dated January 7, 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

As stated in our engagement letter dated November 16, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

As part of obtaining reasonable assurance about whether LaMoure 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 LaMoure County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Corrected and Uncorrected Misstatements

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

PRIMARY GOVERNMENT		
Client Provided Adjustments		
Expenditures	\$ 59,760	
Accounts Payable		\$ 45,932
Salaries Payable		13,828
Audit Adjustments		
Revenue	\$ 352,747	
Unearned Revenue		\$ 352,747
Intergovernmental Receivable	195,400	
Accounts Receivable	19,081	
Revenue		214,481

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 7, 2019.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

The following presents our informal recommendation:

* * * * *

RECEIVABLE SCHEDULE PREPARATION

The County did not prepare an accurate receivable schedule. An appropriate system of internal controls requires the County to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the County’s personnel to maintain knowledge of current accounting principles and required financial statement disclosures. The County was unaware of the requirements that make up a receivable. This caused receivables, revenues, and fund balance to be understated by \$214,481.

We recommend that County familiarize themselves with the requirements that make up a receivable. We also recommend that someone other than the preparer review the year end receivable schedule to make sure that it is accurate.

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

Thank you and the employees of LaMoure 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 LaMoure County.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 7, 2019

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