



Pierce County
Rugby, 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

PIERCE COUNTY
Rugby, North Dakota
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PIERCE COUNTY
Rugby, North Dakota

December 31, 2017

COUNTY OFFICIALS

David Migler	Chairman
Mike Brossart	Vice-Chairman
Mike Christenson	Commissioner
Terry Hoffert	Commissioner
Richard Larson	Commissioner
Karin Fursather	Auditor/Treasurer
Josh Siegler	Sheriff
Lori Miron	County Recorder
Galen J. Mack	State's Attorney
Karin Fritel	Clerk of Court

WATER RESOURCE BOARD OFFICIALS

Ronald Kremer	Chairman
Bill Deck	Vice-Chairman
Duane Hawk	Treasurer

**HEART OF AMERICA CORRECTIONAL
AND TREATMENT CENTER OFFICIALS**

David Migler	Chairman
Mike Brossart	Vice-Chairman
Terry Hoffert	Commissioner
Mike Christenson	Commissioner
Richard Larson	Commissioner
Mike Graner	Director of Business Operations
Justine Fjellanger	Accounting Specialist

AUDITOR PERSONNEL

Dave Mix	Audit Manager
Rick Kremer	In-Charge



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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pierce County
Rugby, North Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, 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.

PIERCE COUNTY

Independent Auditor's Report - Continued

Emphasis of a Matter

As discussed in Note 21 to the financial statements, Pierce 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

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension and OPEB schedules, and notes to the required supplementary information* on pages 37-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The *schedule of fund activity arising from cash transactions* 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 April 25, 2018 on our consideration of Pierce County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pierce County's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
April 25, 2018

PIERCE COUNTY
Rugby, North Dakota
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water Resource Dist.
ASSETS				
Cash, Cash Equivalents and Investments	\$ 4,463,210	\$ 1,057,015	\$ 5,520,225	\$ 23,372
Accounts Receivable	15,556	267,420	282,976	-
Intergovernmental Receivable	225,832	-	225,832	-
Due from County	-	-	-	218
Road Receivables	159	-	159	-
Taxes Receivable	44,467	-	44,467	1,318
Capital Assets (not being depreciated):				
Land	11,500	-	11,500	-
Construction in Progress	453,912	-	453,912	-
Capital Assets (net of accumulated depreciation):				
Buildings	996,001	1,756,170	2,752,171	-
Equipment	1,007,424	34,293	1,041,717	-
Infrastructure	2,558,991	67,337	2,626,328	-
Total Capital Assets	<u>\$ 5,027,828</u>	<u>\$ 1,857,800</u>	<u>\$ 6,885,628</u>	<u>\$ -</u>
Total Assets	<u>\$ 9,777,052</u>	<u>\$ 3,182,235</u>	<u>\$ 12,959,287</u>	<u>\$ 24,908</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions & OPEB	\$ 974,056	\$ 910,245	\$ 1,884,301	\$ -
Total Assets and Deferred Outflows of Resources	<u>\$ 10,751,108</u>	<u>\$ 4,092,480</u>	<u>\$ 14,843,588</u>	<u>\$ 24,908</u>
LIABILITIES				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 45,237	\$ 48,155	\$ 93,392	\$ -
Salaries Payable	16,274	-	16,274	-
Grants Received in Advance	90,560	-	90,560	-
Interest Payable	1,642	204	1,846	-
<u>Non-Current Liabilities:</u>				
Due Within One Year:				
Special Assessment Payable	6,417	876	7,293	-
Loan Payable	4,100	-	4,100	-
Compensated Absences Payable	15,682	13,955	29,637	-
Due After One Year:				
Special Assessment Payable	38,502	5,254	43,756	-
Loan Payable	30,462	-	30,462	-
Compensated Absences Payable	62,726	55,820	118,546	-
Net Pension & OPEB Liability	1,974,622	1,825,182	3,799,804	-
Total Liabilities	<u>\$ 2,286,224</u>	<u>\$ 1,949,446</u>	<u>\$ 4,235,670</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Received in Advance	\$ 433,053	\$ -	\$ 433,053	\$ -
Pensions & OPEB	92,603	85,595	178,198	-
Total Deferred Inflows of Resources	<u>\$ 525,656</u>	<u>\$ 85,595</u>	<u>\$ 611,251</u>	<u>\$ -</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,811,880</u>	<u>\$ 2,035,041</u>	<u>\$ 4,846,921</u>	<u>\$ -</u>
NET POSITION				
Net Investment in Capital Assets	\$ 5,027,828	\$ 1,857,800	\$ 6,885,628	\$ -
Restricted for:				
Highways	2,307,670	-	2,307,670	-
Flood Repair	24,048	-	24,048	-
Culture and Recreation	53,344	-	53,344	-
Conserv. of Natural Resources	191,789	-	191,789	24,908
Emergencies	195,957	-	195,957	-
Unrestricted	<u>138,592</u>	<u>199,639</u>	<u>338,231</u>	<u>-</u>
Total Net Position	<u>\$ 7,939,228</u>	<u>\$ 2,057,439</u>	<u>\$ 9,996,667</u>	<u>\$ 24,908</u>

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Water Resource District
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- Type Activities	Total	
Governmental Activities:								
General Government	\$ 1,276,409	\$ 43,287	\$ 176,983	\$ -	\$ (1,056,139)	\$ -	\$ (1,056,139)	\$ -
Public Safety	844,740	138,642	22,705	-	(683,393)	-	(683,393)	-
Highways	2,444,313	199,227	1,297,471	641,300	(306,315)	-	(306,315)	-
Flood Repair	193,015	-	243,995	-	50,980	-	50,980	-
Health and Welfare	723,023	-	115,921	-	(607,102)	-	(607,102)	-
Culture and Recreation	18,000	-	-	-	(18,000)	-	(18,000)	-
Conserv. of Natural Resources	222,667	-	-	-	(222,667)	-	(222,667)	-
Emergencies	133,648	-	-	-	(133,648)	-	(133,648)	-
Other	34,531	-	-	-	(34,531)	-	(34,531)	-
Interest on Long-Term Debt	1,922	-	-	-	(1,922)	-	(1,922)	-
Total Governmental Activities	\$ 5,892,268	\$ 381,156	\$ 1,857,075	\$ 641,300	\$ (3,012,737)	\$ -	\$ (3,012,737)	\$ -
Business-Type Activities:								
HACTC	\$ 2,857,004	\$ 2,938,013	\$ -	\$ -	\$ -	\$ 81,009	\$ 81,009	\$ -
Total Primary Government	\$ 8,749,272	\$ 3,319,169	\$ 1,857,075	\$ 641,300	\$ (3,012,737)	\$ 81,009	\$ (2,931,728)	\$ -
Component Unit:								
Water Resource District	\$ 59,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (59,382)
General Revenues:								
Taxes:								
Property taxes; levied for general purposes					\$ 955,318	\$ -	\$ 955,318	\$ -
Property taxes; levied for special purposes					804,740	-	804,740	59,422
State aid & grants not restricted to specific programs:								
State aid distribution and grants					438,947	-	438,947	9,217
Other state shared revenues					52,901	-	52,901	-
Gain on sale of capital asset					155,000	-	155,000	-
Forgiveness of debt					14,208	438	14,646	-
Unrestricted investment earnings					18,318	126	18,444	31
Miscellaneous revenue					153,722	19,162	172,884	-
Transfers - Net					13,347	(13,347)	-	-
Total General Revenues					\$ 2,606,501	\$ 6,379	\$ 2,612,880	\$ 68,670
Change in Net Position					\$ (406,236)	\$ 87,388	\$ (318,848)	\$ 9,288
Net Position - January 1					\$ 8,418,897	\$ 2,065,881	\$ 10,484,778	\$ 15,620
Prior Period Adjustments					\$ (73,433)	\$ (95,830)	\$ (169,263)	\$ -
Net Position - January 1, as restated					\$ 8,345,464	\$ 1,970,051	\$ 10,315,515	\$ 15,620
Net Position - December 31					\$ 7,939,228	\$ 2,057,439	\$ 9,996,667	\$ 24,908

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

PIERCE COUNTY
Rugby, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2017

	General	Farm to Market Road	Road and Bridge	Highway Tax Distribution	Social Service	FEMA	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Investments	\$ 1,034,711	\$ 947,148	\$ 75,084	\$ 1,092,926	\$ 3,800	\$ 90,560	\$ 1,218,981	\$ 4,463,210
Accounts Receivable	15,556	-	-	-	-	-	-	15,556
Intergovernmental Receivable	96,572	39,245	1,292	51,358	5,976	24,048	7,341	225,832
Road Receivables	-	-	159	-	-	-	-	159
Taxes Receivable	25,787	3,960	1,088	-	-	-	13,632	44,467
Due from Other Funds	1,457	-	-	-	-	-	-	1,457
Total Assets	\$ 1,174,083	\$ 990,353	\$ 77,623	\$ 1,144,284	\$ 9,776	\$ 114,608	\$ 1,239,954	\$ 4,750,681
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
<u>Liabilities:</u>								
Accounts Payable	\$ 5,514	\$ 34,942	\$ 4,763	\$ -	\$ -	\$ -	\$ 18	\$ 45,237
Salaries Payable	6,891	-	9,383	-	-	-	-	16,274
Grants Received in Advance	-	-	-	-	-	90,560	-	90,560
Due to Other Funds	-	-	-	-	-	-	1,457	1,457
Total Liabilities	\$ 12,405	\$ 34,942	\$ 14,146	\$ -	\$ -	\$ 90,560	\$ 1,475	\$ 153,528
<u>Deferred Inflows of Resources:</u>								
Taxes Received in Advance	\$ 287,281	\$ 30,754	\$ 9,211	\$ -	\$ -	\$ -	\$ 105,807	\$ 433,053
Road Receivables	-	-	159	-	-	-	-	159
Taxes Receivable	25,787	3,960	1,088	-	-	-	13,632	44,467
Total Deferred Inflows of Resources	\$ 313,068	\$ 34,714	\$ 10,458	\$ -	\$ -	\$ -	\$ 119,439	\$ 477,679
Total Liabilities and Deferred Inflows of Resources	\$ 325,473	\$ 69,656	\$ 24,604	\$ -	\$ -	\$ 90,560	\$ 120,914	\$ 631,207
<u>Fund Balances:</u>								
<u>Restricted for:</u>								
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,582	\$ 40,582
Highways and Bridges	-	920,697	53,019	1,144,284	-	-	381,619	2,499,619
Flood Repair	-	-	-	-	-	24,048	-	24,048
Health and Welfare	-	-	-	-	9,776	-	242,446	252,222
Culture and Recreation	-	-	-	-	-	-	53,343	53,343
Conserv. of Natural Resources	-	-	-	-	-	-	205,939	205,939
Emergencies	-	-	-	-	-	-	194,573	194,573
Other Purposes	-	-	-	-	-	-	1,995	1,995
<u>Unassigned:</u>	848,610	-	-	-	-	-	(1,457)	847,153
Total Fund Balances	\$ 848,610	\$ 920,697	\$ 53,019	\$ 1,144,284	\$ 9,776	\$ 24,048	\$ 1,119,040	\$ 4,119,474
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,174,083	\$ 990,353	\$ 77,623	\$ 1,144,284	\$ 9,776	\$ 114,608	\$ 1,239,954	\$ 4,750,681

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

PIERCE COUNTY
Rugby, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2017

Total *Fund Balances* for Governmental Funds \$ 4,119,474

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	\$ 8,560,046	
Less Accumulated Depreciation	<u>(3,532,218)</u>	
Net Capital Assets		5,027,828

Property taxes & road accounts 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 revenues in the funds.

Property Taxes Receivable	\$ 44,467	
Road Department Accounts Receivable	<u>159</u>	44,626

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

Deferred Outflows Related to Pensions & OPEB	\$ 974,056	
Deferred Inflows Related to Pensions & OPEB	<u>(92,603)</u>	881,453

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2017 are the following:

Special Assessments Payable	\$ (44,919)	
Loan Payable	(34,562)	
Interest Payable	(1,642)	
Compensated Absences	(78,408)	
Net Pension & OPEB Liability	<u>(1,974,622)</u>	<u>(2,134,153)</u>

Total Net Position of Governmental Activities \$ 7,939,228

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General	Farm to Market Road	Road and Bridge	Highway Tax Distribution	Social Service	FEMA	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>								
Taxes	\$ 952,795	\$ 143,628	\$ 42,229	\$ -	\$ -	\$ -	\$ 620,157	\$ 1,758,809
Intergovernmental	556,224	713,006	6,792	513,936	115,920	201,336	241,708	2,348,922
Licenses, Permits and Fees	3,450	-	-	-	-	-	-	3,450
Charges for Services	39,837	-	199,458	-	-	-	138,642	377,937
Interest Income	18,318	-	-	-	-	-	-	18,318
Miscellaneous	115,721	-	7,663	-	295	-	30,043	153,722
Total Revenues	\$ 1,686,345	\$ 856,634	\$ 256,142	\$ 513,936	\$ 116,215	\$ 201,336	\$ 1,030,550	\$ 4,661,158
<u>Expenditures:</u>								
Current:								
General Government	\$ 1,398,385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,824	\$ 1,405,209
Public Safety	600,346	-	-	-	-	-	132,017	732,363
Highways and Bridges	-	818,881	638,539	329,500	-	-	346,218	2,133,138
Flood Repair	-	-	-	-	-	193,015	-	193,015
Health and Welfare	9,188	-	-	-	623,571	-	-	632,759
Culture and Recreation	-	-	-	-	-	-	18,000	18,000
Conserv. of Natural Resources	700	-	-	-	-	-	215,414	216,114
Emergencies	-	-	-	-	-	-	133,648	133,648
Other	34,531	-	-	-	-	-	-	34,531
Debt Service:								
Principal	8,425	-	-	-	-	-	17	8,442
Interest and Fees	2,143	-	-	-	-	-	5	2,148
Total Expenditures	\$ 2,053,718	\$ 818,881	\$ 638,539	\$ 329,500	\$ 623,571	\$ 193,015	\$ 852,143	\$ 5,509,367
Excess (Deficiency) of Revenues Over Expenditures	\$ (367,373)	\$ 37,753	\$ (382,397)	\$ 184,436	\$ (507,356)	\$ 8,321	\$ 178,407	\$ (848,209)
<u>Other Financing Sources (Uses):</u>								
Transfers In	\$ 13,347	\$ -	\$ 350,000	\$ -	\$ 432,305	\$ -	\$ 45,667	\$ 841,319
Sale of Capital Assets	-	-	-	155,000	-	-	-	155,000
Transfers Out	(11,280)	-	-	(350,000)	-	-	(466,692)	(827,972)
Total Other Financing Sources and Uses	\$ 2,067	\$ -	\$ 350,000	\$ (195,000)	\$ 432,305	\$ -	\$ (421,025)	\$ 168,347
Net Change in Fund Balances	\$ (365,306)	\$ 37,753	\$ (32,397)	\$ (10,564)	\$ (75,051)	\$ 8,321	\$ (242,618)	\$ (679,862)
Fund Balances - January 1	\$ 1,213,916	\$ 882,944	\$ 85,416	\$ 1,154,848	\$ 84,827	\$ 15,727	\$ 1,361,658	\$ 4,799,336
Fund Balances - December 31	\$ 848,610	\$ 920,697	\$ 53,019	\$ 1,144,284	\$ 9,776	\$ 24,048	\$ 1,119,040	\$ 4,119,474

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

PIERCE COUNTY
Rugby, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Net Change in *Fund Balances* - Total Governmental Funds \$ (679,862)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and capital contributions exceeded depreciation expense in the current year.

Current Year Capital Outlay	\$ 630,604	
Capital Contributions	641,300	
Current Year Depreciation Expense	<u>(669,262)</u>	602,642

The net result of miscellaneous transactions involving capital assets was a net decrease to capital assets. (4,974)

Retainage payable is not an expenditure at the fund level. Retainages are paid or will be paid more than two months after year-end. The net change in retainages payable totaled. 8,581

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayment.

Repayment of Debt - Special Assessments	\$ 6,416	
Repayment of Debt - Loans	<u>16,235</u>	22,651

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

Increase in Compensated Absences	\$ (2,419)	
Decrease in Interest Payable	<u>226</u>	(2,193)

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 & OPEB items do not involve current financial resources, and are not reported in the funds.

Increase in Net Pension & OPEB Liability	\$ (899,279)	
Increase in Deferred Outflows of Resources Related to Pensions & OPEB	578,731	
Increase in Deferred Inflows of Resources Related to Pensions & OPEB	<u>(33,551)</u>	(354,099)

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

Increase in Taxes Receivable	\$ 1,249	
Decrease in Road Department Receivables	<u>(231)</u>	<u>1,018</u>

Change in Net Position of Governmental Activities \$ (406,236)

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-Type Activities
	Heart of America Correctional and Treatment Center
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash	\$ 1,057,015
Accounts Receivable	267,420
Total Current Assets	\$ 1,324,435
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depreciation):	
Buildings	\$ 1,756,170
Equipment	34,293
Infrastructure	67,337
Total Capital Assets	\$ 1,857,800
Total Noncurrent Assets	\$ 1,857,800
Total Assets	\$ 3,182,235
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pensions & OPEB	\$ 910,245
Total Assets and Deferred Outflows of Resources	\$ 4,092,480
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 48,155
Interest Payable	204
Special Assessment Payable	876
Compensated Absences	13,955
Total Current Liabilities	\$ 63,190
<u>Noncurrent Liabilities:</u>	
Special Assessment Payable	\$ 5,254
Compensated Absences	55,820
Net Pension & OPEB Liability	1,825,182
Total Noncurrent Liabilities	\$ 1,886,256
Total Liabilities	\$ 1,949,446
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pensions & OPEB	\$ 85,595
Total Liabilities and Deferred Intflows of Resources	\$ 2,035,041
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 1,857,800
Unrestricted	199,639
Total Net Position	\$ 2,057,439

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2017

	Business-Type Activities
	Heart of America Correctional and Treatment Center
<u>Operating Revenues:</u>	
Housing - Security	\$ 2,836,173
Laundry Services	46,761
Commission - Turnkey	55,079
Total Operating Revenues	\$ 2,938,013
<u>Operating Expenses:</u>	
Payroll and Employee Benefits	\$ 2,140,611
Utilities	145,587
Medical (Prisoners)	41,475
Kitchen & Laundry	259,036
Professional Fees	3,000
Other Operating Expenses	198,445
Depreciation Expense	68,740
Total Operating Expenses	\$ 2,856,894
Operating Income (Loss)	\$ 81,119
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	\$ 126
Miscellaneous Revenue	19,162
Forgiveness of Debt	438
Interest and Service Charges	(110)
Total Non-Operating Revenues (Expenses)	\$ 19,616
<u>Other Financing Sources (Uses):</u>	
Transfers Out	\$ (13,347)
Change in Net Position	\$ 87,388
Total Net Position - January 1	\$ 2,065,881
Prior Period Adjustment	\$ (95,830)
Net Position - January 1, as restated	\$ 1,970,051
Total Net Position - December 31	\$ 2,057,439

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2017

	Business-Type Activities
	Heart of America Correctional and Treatment Center
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 2,972,481
Cash Payments to Suppliers for Goods and Services	(649,806)
Cash Payments to Employees for Services	(2,102,811)
Net Cash Provided by Operating Activities	\$ 219,864
<u>Cash Flows from Non-capital and Related Financing Activities:</u>	
Miscellaneous	\$ 19,162
Interest Received	126
Transfers Out	(13,347)
Net Cash Provided (Used) by Non-capital and Related Financing Activities	\$ 5,941
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Principal on Long-Term Debt	\$ (438)
Interest Paid	(140)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (578)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 225,227
Cash and Cash Equivalents, January 1	\$ 831,788
Cash and Cash Equivalents, December 31	\$ 1,057,015
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income (Loss)	\$ 81,119
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>	
Depreciation Expense	\$ 68,740
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	34,468
Increase in Salaries Payable	8,560
Loss on Capital Assets	(8,590)
Increase in Accounts Payable	6,328
Increase in Compensated Absences	2,770
Increase in Net Pension & OPEB Liability	421,875
Increase in Deferred Outflows Related to Pensions & OPEB	(403,940)
Increase in Deferred Inflows Related to Pensions & OPEB	8,534
Total Adjustments	\$ 138,745
Net Cash Provided by Operating Activities	\$ 219,864

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2017

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 1,395,289</u>
<u>Liabilities:</u>	
Due to Other Governments/Entities	<u>\$ 1,395,289</u>

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

PIERCE COUNTY
Rugby, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pierce 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 Pierce 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 criterion includes appointing a voting majority of an organization's governing body and (1) the ability of Pierce 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 Pierce County.

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

Component Units

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

Discretely Presented Component Unit: The component unit column in the financial statements includes the financial data of the county's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the county.

Pierce County Water Resource District: The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Pierce County 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. Business-type activities are financed in whole or part by fees charged to external parties.

PIERCE COUNTY

Notes to the Financial Statements – Continued

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.

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.

Farm to Market Road Fund. This fund accounts for the costs of constructing and maintaining federal aid farm to market roads within the county. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Road and Bridge Fund. This fund accounts for salaries and costs associated with the county highway department. The major sources of revenue is a restricted tax levy.

Highway Tax Distribution Fund. This fund accounts for the Highway Tax Distribution from the State to be used for the maintenance and repair of roads within the county. The major source of revenue is restricted state highway tax funds

Social Service Fund. This fund accounts grants received and costs of providing social service benefits and programs to needy residents of the county. The major source of revenue is a restricted tax levy.

FEMA Fund. This fund accounts for state and federal grants for flood disaster repairs and the related disbursements. The major primary source of revenue is restricted Federal and State grants/reimbursements for flood related repairs.

The County reports the following major enterprise fund:

HACTC. This fund accounts for the lease payments received from the Heart of America Correctional and Treatment Center and for the Heart of America Correctional and Treatment Center's employee benefits, which are reimbursed by the Heart of America Correctional and Treatment Center. The major source of revenue has been committed by a board motion.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities

Additionally, the County reports the following fund type:

Agency Funds. These funds hold 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, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary 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 is both restricted and unrestricted net position 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 year ended December 31, 2017 consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

E. Capital Assets

Governmental Activities

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

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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Assets	Years
Buildings	15 – 100
Equipment	5 – 12
Infrastructure	8 – 20

Business-Type Activities

Capital assets of the Heart of America Correctional and Treatment Center include Vehicles, Equipment, and Infrastructure. Assets are reported in the business-type activities column in the government-wide financial statements, and in the statement of net position – proprietary funds for business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend asset lives are not capitalized.

F. Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the County. Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of thirty days. Sick leave benefits are allowed to accumulate up to 60 days. Once an employee has reached their maximum sick leave level, they are eligible to trade any additional sick leave awarded at a rate of one day of vacation for ten days of sick leave. Vested or accumulated vacation leave is reported in the general long-term debt account group. No liability is recorded for non-vesting accumulating rights for sick leave benefits.

G. Long-Term Obligations

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

H. Pensions

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

J. Fund Balance and Net Position

Fund Balance

Fund Balance Spending Policy

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

Minimum Fund Balance Policy

The Pierce County budget committee established a 15-20% general fund carryover balance target to help with financial stability. The 15-20% fund balance range is a part of the budget recommendation adopted by the county each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district.

Major Special Revenue Fund Purposes & Revenue Sources

Purposes and major revenue sources of the major special revenue funds (farm to market road, highway tax distribution, FEMA, and county poor relief) are disclosed in more detail in Note 1B in the discussion of major funds.

Fund Balance Reporting and Governmental Fund Type Definitions

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

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

Pierce County reports restricted and unassigned fund balances at December 31, 2017.

PIERCE COUNTY

Notes to the Financial Statements – Continued

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, flood repair, health & welfare, culture & recreation, conservation of natural resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments).

Special Revenue Funds – Restricted & Committed Fund Balances:

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

Unassigned Fund Balances

Unassigned fund balances at year-end 2017 consist of an amount in the general fund and amounts reported for negative fund balances in the sheriff's grant fund.

Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

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

Unrestricted net position is primarily unrestricted amounts related to the general fund. The unrestricted net position is available to meet the district's ongoing obligations.

K. 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 maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

Primary Government

At December 31, 2017, the county's carrying amount of deposits was \$6,521,511 and the bank balances were \$6,776,985. Of the bank balances, \$1,005,511 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

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 \$1,900,000, which are all considered deposits.

Concentration of Credit Risk

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

Discretely Presented Component Unit

At December 31, 2017, Pierce County Water Resource District's carrying amount of deposits was \$23,072 and the bank balance was \$23,372, all of which was covered by Federal Depository Insurance. The Water Resource District does not have any investments.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consist of billings for costs related to prisoners at the Heart of America Correctional and Treatment Center.

NOTE 4: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due for expenses in the operation various welfare, road, and emergency management programs. These amounts consist of a mix of state and federal dollars.

NOTE 5: ROAD RECEIVABLES

Road department receivables of the primary government consist of amounts due for road work for townships and individuals.

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 6: TAXES RECEIVABLE

Taxes receivable included in the deferred inflows of resources on the balance sheet represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

NOTE 7: CAPITAL ASSETS**Governmental Activities**

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

Governmental Activities	Balance 1/1/17	Increases	Decreases	Transfers	Balance 12/31/17
<i>Capital assets not being depreciated:</i>					
Land	\$ 11,500	\$ -	\$ -	\$ -	\$ 11,500
Construction in Progress	429,050	541,300	-	(516,438)	453,912
Total Capital Assets, Not Being Depreciated	\$ 440,550	\$ 541,300	\$ -	\$ (516,438)	\$ 465,412
<i>Capital assets being depreciated:</i>					
Buildings	\$ 934,190	\$ 354,763	\$ -	\$ -	\$ 1,288,953
Equipment	2,083,718	375,841	299,738	-	2,159,821
Infrastructure	4,129,420	-	-	516,438	4,645,858
Total Capital Assets, Being Depreciated	\$ 7,147,328	\$ 730,604	\$ 299,738	\$ 516,438	\$ 8,094,632
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 281,276	\$ 11,676	\$ -	\$ -	\$ 292,952
Equipment	1,125,180	321,981	294,764	-	1,152,397
Infrastructure	1,751,262	335,605	-	-	2,086,867
Total Accumulated Depreciation	\$ 3,157,718	\$ 669,262	\$ 294,764	\$ -	\$ 3,532,216
Total Capital Assets Being Depreciated, Net	\$ 3,989,610	\$ 61,342	\$ 4,974	\$ 516,438	\$ 4,562,416
Governmental Activities Capital Assets, Net	\$ 4,430,160	\$ 602,642	\$ 4,974	\$ -	\$ 5,027,828

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

Governmental Activities	Amounts
General Government	\$ 9,079
Public Safety	18,563
Highways and Bridges	636,763
Health and Welfare	3,509
Conservation of Natural Resources	1,348
Total Depreciation Expense - Governmental Activities	\$ 669,262

PIERCE COUNTY

Notes to the Financial Statements – Continued

Business-Type Activities

The following is a summary of changes in capital assets for the Heart of America Correctional and Treatment Center, a discretely presented component unit of Pierce County, for the year ended December 31, 2017:

Business-Type Activities	Balance 1/1/17	Increases	Decreases	Transfers	Balance 12/31/17
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,147,250	\$ -	\$ -	\$ -	\$ 2,147,250
Equipment	149,187	8,590	-	-	157,777
Infrastructure	79,531	-	-	-	79,531
Total Capital Assets, Being Depreciated	\$ 2,375,968	\$ 8,590	\$ -	\$ -	\$ 2,384,558
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 346,690	\$ 44,390	\$ -	\$ -	\$ 391,080
Equipment	100,724	22,760	-	-	123,484
Infrastructure	10,604	1,590	-	-	12,194
Total Accumulated Depreciation	\$ 458,018	\$ 68,740	\$ -	\$ -	\$ 526,758
Total Capital Assets Being Depreciated, Net	\$ 1,917,950	\$ (60,150)	\$ -	\$ -	\$ 1,857,800
Business-Type Activities Capital Assets, Net	\$ 1,917,950	\$ (60,150)	\$ -	\$ -	\$ 1,857,800

Depreciation expense totaling \$68,740 was charged to the Heart of America Correctional and Treatment Center.

NOTE 8: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions & OPEB related to differences between actual & expected experience, changes of assumptions, net difference between projected and actual investment earnings, changes in proportion and differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date.

NOTE 9: ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2017.

NOTE 10: SALARIES PAYABLE

Salaries payable consists of a liability account reflecting amounts owing to employees for work provided on behalf of the county prior to December 31 of each year-end.

NOTE 11: GRANTS RECEIVED IN ADVANCE

Grants received in advance consist of funds received in the FEMA fund where the eligibility requirements have not been met at December 31, 2017.

NOTE 12: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2017.

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 13: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the year ended December 31, 2017, the following changes occurred in long-term liabilities for Pierce County:

Governmental Activities

Governmental Activities	Balance 1/1/17 (Adj.)	Increases	Decreases	Balance 12/31/17	Due Within One Year
Special Assessments	\$ 51,336	\$ -	\$ 6,417	\$ 44,919	\$ 6,417
USDA Loans	50,796	-	16,234	34,562	4,100
Compensated Absences *	75,989	2,419	-	78,408	15,682
Net Pension/OPEB Liability *	1,075,343	899,279	-	1,974,622	-
Total Governmental Activities	\$ 1,253,464	\$ 901,698	\$ 22,651	\$ 2,132,511	\$ 26,199

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

Outstanding debt (excluding compensated absences and net pension/OPEB liability) at December 31, 2017 consists of the following issues:

Special Assessments on County Property

Special assessments on several parcels of property at various locations throughout the County. \$ 44,919

Loans Payable

\$99,463 Loan Payable for library elevator project, due in monthly installments of \$7,000 through December 31, 2032; interest at 3.50%. \$ 34,562

GOVERNMENTAL ACTIVITIES				
Year Ending 12/31/17	Special Assessments		Loan Payable	
	Principal	Interest	Principal	Interest
2018	\$ 6,417	\$ 1,797	\$ 4,100	\$ 1,742
2019	6,417	1,540	4,243	1,594
2020	6,417	1,283	4,392	1,440
2021	6,417	1,027	4,545	1,281
2022	6,417	770	4,704	1,116
2023 - 2027	12,834	770	12,578	3,022
Total	\$ 44,919	\$ 7,187	\$ 34,562	\$ 10,195

Business-Type Activities

Business-Type Activities	Balance Jan 1 (Adj.)	Increases	Decreases	Balance Dec 31	Due Within One Year
Special Assessments	\$ 7,006	\$ -	\$ 876	\$ 6,130	\$ 876
Compensated Absences *	67,005	2,770	-	69,775	13,955
Net Pension/OPEB Liability *	1,403,307	421,875	-	1,825,182	-
Total Business-Type Activities	\$ 1,477,318	\$ 424,645	\$ 876	\$ 1,901,087	\$ 14,831

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

Special Assessments on HACTC Property

Special assessments on several parcels of property at various locations throughout the County.

\$ 6,130

The annual requirements to amortize the outstanding debt, excluding compensated absences and net pension/OPEB liability, are as follows:

BUSINESS-TYPE ACTIVITIES		
Year Ending Dec 31	Special Assessments	
	Principal	Interest
2018	\$ 876	\$ 245
2019	876	210
2020	876	175
2021	876	140
2022	876	105
2023 - 2027	1,750	105
Total	\$ 6,130	\$ 980

NOTE 14: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, such amounts include the amounts related to net pension and OPEB liabilities. See more detail in Notes 16 and 17.

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes, road receivables, and the amount for taxes paid in advance in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes are measurable but not available. Taxes paid in advance in the deferred inflows of resources in the government wide statement of net position consist of prepaid taxes collected prior to December 31, 2017 but not earned until January 2018 when they are properly apportioned.

NOTE 15: TRANSFERS

The following is 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
Governmental Funds		
<u>Major Funds</u>		
General Fund	\$ 13,347	\$ 11,280
Road and Bridge	350,000	-
Highway Distribution	-	350,000
Social Services	432,305	-
<u>Nonmajor Special Revenue Funds</u>		
County Poor Relief	-	432,305
E911 Wireless	-	34,387
E 911 System	34,387	-
Community Service	4,000	-
Sheriff's Grant	280	-
Library Proj. Elevator	7,000	-
Business-Type Funds		
HACTC	-	13,347
Total Transfers	\$ 841,319	\$ 841,319

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

NOTE 16: PENSION PLAN

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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 Employer reported a liability of \$3,631,179 (Governmental - \$1,886,993, Business-Type - \$1,744,186) for its proportionate share of the 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 Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the Employer's proportion was .225914 percent, which was a decrease of .011044 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the Employer recognized pension expense of \$579,301. At December 31, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Governmental	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 11,216	\$ 9,194
Changes of Assumptions	773,795	42,560
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	25,378	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	76,164	35,398
Employer Contributions Subsequent to the Measurement Date	71,660	-
Total Governmental	\$ 958,213	\$ 87,152

PIERCE COUNTY

Notes to the Financial Statements – Continued

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%	-0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate

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

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

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

Proportionate Share of the Net Pension Liability	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Governmental	\$ 2,561,651	\$ 1,886,993	\$ 1,325,706
Business-Type HACTC	2,367,786	1,744,186	1,225,377
Total	\$ 4,929,437	\$ 3,631,179	\$ 2,551,083

Pension plan fiduciary net position

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

NOTE 17: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

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 in-crases. 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 Employer reported a liability of \$168,625 (Governmental - \$87,628, Business-Type - \$80,997) 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 Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017 the Employer's proportion was 0.213176 percent, which was an increase of 0.213176 percent.

For the year ended December 31, 2017 the Employer recognized OPEB expense of \$20,413. At December 31, 2017 the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Governmental	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 2,137
Changes of Assumptions	8,487	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	3,314
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	288	-
Employer Contributions Subsequent to the Measurement Date	7,068	-
Total Governmental	\$ 15,843	\$ 5,451

Business-Type - HACTC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,976
Changes of Assumptions	7,845	-
Employer Contributions Subsequent to the Measurement Date Earnings on OPEB Plan Investments	-	3,062
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	266	-
Employer Contributions Subsequent to the Measurement Date	6,663	-
Total Business-Type	\$ 14,774	\$ 5,038

PIERCE COUNTY

Notes to the Financial Statements – Continued

\$13,731 (Governmental - \$7,068, Business-Type - \$6,663) 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.

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

	Governmental	Business Type	Total
2018	\$ 211	\$ 195	\$ 406
2019	211	195	406
2020	211	195	406
2021	211	195	406
2022	1,039	961	2,000
2023	1,039	961	2,000
Thereafter	402	371	773

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.

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:

Proportionate Share of the Net OPEB Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Governmental	\$ 109,700	\$ 87,628	\$ 68,709
Business-Type HACTC	101,397	80,997	63,509
Total	\$ 211,097	\$ 168,625	\$ 132,218

NOTE 18: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Pierce County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF for automobile and general liability is limited to losses of two million dollars per occurrence. Public Assets coverage is limited to \$2,084,015.

Pierce County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Pierce County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Pierce County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees, and \$690,000 for the Heart of America Correctional and Treatment Center employees. The State Bonding Fund does not currently charge any premium for this coverage.

Pierce County has workers' compensation with the North Dakota Workforce Safety and Insurance. The county provides health insurance for employees.

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 19: JOINT VENTURESLake Region District Health Unit

Pierce County entered into a joint venture with Ramsey, Benson and Eddy Counties for the operation of the Lake Region District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the property valuation of each county.

Unaudited summary financial information for the year ended December 31, 2016 is as follows:

	Lake Region District Health Unit
Cash and Investments	\$ 1,348,424
Total Revenues	\$ 2,023,605
Total Expenses	1,720,032
Net Change in Position	\$ 303,573

Complete financial information can be obtained from Lake Region District Health Unit, Courthouse, Devils Lake, ND 58301.

Heart of America Library

Pierce County entered into a joint venture with the City of Rugby for the operation of the Heart of America Library. Pierce County and the City of Rugby share of the cost of operations is determined by the mill levy allowed for libraries for each entity. Board member appointments consist of four members appointed by the county, four members appointed by the city and one member from each governing board.

Unaudited summary financial information for the year ended December 31, 2016 is as follows:

	Heart of America Library
Cash and Investments	\$ 243,666
Total Revenues	\$ 174,958
Total Expenses	162,878
Net Change in Position	\$ 12,080

Complete financial information can be obtained from Heart of America Library, 201 Third Street SW, Rugby, ND 58368.

Devils Lake Basin Joint Water Resource District

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

The following is summary financial information for the joint venture as of December 31, 2007, which is the most current audited information.

	Deville Lake Basin Joint WRD
Cash and Investments	\$ 664,254
Total Liabilities	25,968
Total Net Position	\$ 638,286
<hr/>	
Total Revenues	\$ 312,857
Total Expenses	406,925
Net Change in Position	\$ (94,068)

Complete financial information can be obtained from the Devils Lake Basin Joint Water Resource District, 524 4th Avenue NE, #27, Devils Lake, ND 58301.

NOTE 20: TAX ABATEMENTS

Pierce County and political subdivisions within the county are able to negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Pierce County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2017.

Pierce County will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business:

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the Rugby Job Development Authority Board of Directors will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections.
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

Exemption Criteria:

Amount of exemption will be according to the following schedule: Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, Year 5 — 25%.

PIERCE COUNTY

Notes to the Financial Statements – Continued

Annual reports — By February 15 of each year, the recipient of the exemption will file an annual employment verification report with the Rugby Job Development Authority. A qualified project may receive up to 100% exemption in each of years 3, 4 and 5 provided that at the end of year two at least one full-time job has been created for every \$250,000 of the building's true and full value subject to the tax exemption. Jobs must be maintained in years 3, 4, and 5.

2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes - \$9,662

Single Family Residence:

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all of the following conditions are met:

- a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes - \$1,406

Public Charity Exemption:

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Exemption criteria:

Property exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$89,666

Childhood Services Exemption

Childhood Services (also adult daycare) are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(36)) and the guidelines stated below. The following criteria are only guidelines.

PIERCE COUNTY

Notes to the Financial Statements – Continued

The governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under chapter 50-11.1 or used primarily as an adult day care center. However, this exemption is not available for property used as a residence

2017 Reduction in Taxes – Other Entities:

Total Program Reduction in taxes – \$303

NOTE 21: PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle – GASB 75 - OPEB:

Net position as of January 1, 2017 has been restated as follows 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 for the governmental and business-type activities of the County, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

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

Governmental	Amounts
Beginning Net Position, as previously reported	\$ 8,418,897
Adjustments to restate the January 1, 2017 Net Position:	
Net OPEB Liability	(73,433)
Net Position January 1, as restated	\$ 8,345,464

Business-Type - HACTC	Amounts
Beginning Net Position, as previously reported	\$ 2,065,881
Adjustments to restate the January 1, 2017 Net Position:	
Net OPEB Liability	(95,830)
Net Position January 1, as restated	\$ 1,970,051

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 963,526	\$ 963,526	\$ 952,795	\$ (10,731)
Intergovernmental	515,652	515,652	556,224	40,572
Licenses, permits and fees	3,450	3,450	3,450	-
Charges for services	41,200	41,200	39,837	(1,363)
Interest income	15,000	15,000	18,318	3,318
Miscellaneous	91,250	91,250	115,721	24,471
Total Revenues	\$ 1,630,078	\$ 1,630,078	\$ 1,686,345	\$ 56,267
<u>Expenditures:</u>				
Current:				
General government	\$ 1,245,082	\$ 1,245,082	\$ 1,398,385	\$ (153,303)
Public safety	755,307	755,307	600,346	154,961
Health and welfare	22,000	22,000	9,188	12,812
Conservation of natural resources	1,100	1,100	700	400
Other	79,153	79,153	34,531	44,622
Debt Service:				
Principal	-	-	8,425	(8,425)
Interest	-	-	2,143	(2,143)
Total Expenditures	\$ 2,102,642	\$ 2,102,642	\$ 2,053,718	\$ 48,924
Excess (Deficiency) of Revenues Over Expenditures	\$ (472,564)	\$ (472,564)	\$ (367,373)	\$ 105,191
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 13,347	\$ 13,347	\$ 13,347	\$ -
Transfers out	-	-	(11,280)	(11,280)
Net Change in Fund Balances	\$ (459,217)	\$ (459,217)	\$ (365,306)	\$ 93,911
Fund Balances - January 1	\$ 1,213,916	\$ 1,213,916	\$ 1,213,916	\$ -
Fund Balances - December 31	\$ 754,699	\$ 754,699	\$ 848,610	\$ 93,911

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 146,759	\$ 146,759	\$ 143,628	\$ (3,131)
Intergovernmental	532,153	532,153	713,006	180,853
Total Revenues	<u>\$ 678,912</u>	<u>\$ 678,912</u>	<u>\$ 856,634</u>	<u>\$ 177,722</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>	<u>\$ 818,881</u>	<u>\$ 831,119</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (971,088)</u>	<u>\$ (971,088)</u>	<u>\$ 37,753</u>	<u>\$ 1,008,841</u>
Fund Balances - January 1	<u>\$ 882,944</u>	<u>\$ 882,944</u>	<u>\$ 882,944</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ (88,144)</u>	<u>\$ (88,144)</u>	<u>\$ 920,697</u>	<u>\$ 1,008,841</u>

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 43,399	\$ 43,399	\$ 42,229	\$ (1,170)
Intergovernmental	7,599	7,599	6,792	(807)
Charges for services	-	151,815	199,458	47,643
Miscellaneous	-	15,000	7,663	(7,337)
Total Revenues	\$ 50,998	\$ 217,813	\$ 256,142	\$ 38,329
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 981,510	\$ 981,510	\$ 638,539	\$ 342,971
Excess (Deficiency) of Revenues Over Expenditures	\$ (930,512)	\$ (763,697)	\$ (382,397)	\$ 381,300
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 350,000	\$ 350,000
Net Change in Fund Balances	\$ (930,512)	\$ (763,697)	\$ (32,397)	\$ 731,300
Fund Balances - January 1	\$ 85,416	\$ 85,416	\$ 85,416	\$ -
Fund Balances - December 31	\$ (845,096)	\$ (678,281)	\$ 53,019	\$ 731,300

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 496,132	\$ 496,132	\$ 513,936	\$ 17,804
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 329,500	\$ 329,500	\$ 329,500	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 166,632	\$ 166,632	\$ 184,436	\$ 17,804
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (827,387)	\$ (827,387)	\$ (350,000)	\$ 477,387
Net Change in Fund Balances	\$ (660,755)	\$ (660,755)	\$ (10,564)	\$ 650,191
Fund Balances - January 1	\$ 1,154,848	\$ 1,154,848	\$ 1,154,848	\$ -
Fund Balances - December 31	\$ 494,093	\$ 494,093	\$ 1,144,284	\$ 650,191

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICE FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 118,219	\$ 118,219	\$ 115,920	\$ (2,299)
Miscellaneous	115	115	295	180
Total Revenues	\$ 118,334	\$ 118,334	\$ 116,215	\$ (2,119)
<u>Expenditures:</u>				
Health and Welfare	\$ 744,322	\$ 744,322	\$ 623,571	\$ 120,751
Excess (Deficiency) of Revenues Over Expenditures	\$ (625,988)	\$ (625,988)	\$ (507,356)	\$ 118,632
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 896,695	\$ 896,695	\$ 432,305	\$ (464,390)
Net Change in Fund Balances	\$ 270,707	\$ 270,707	\$ (75,051)	\$ (345,758)
Fund Balances - January 1	\$ 84,827	\$ 84,827	\$ 84,827	\$ -
Fund Balances - December 31	\$ 355,534	\$ 355,534	\$ 9,776	\$ (345,758)

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 201,336	\$ 201,336
<u>Expenditures:</u>				
Current:				
Flood repair	\$ 193,015	\$ 193,015	\$ 193,015	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (193,015)	\$ (193,015)	\$ 8,321	\$ 201,336
Fund Balances - January 1	\$ 15,727	\$ 15,727	\$ 15,727	\$ -
Fund Balances - December 31	\$ (177,288)	\$ (177,288)	\$ 24,048	\$ 201,336

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

PIERCE COUNTY
Rugby, North Dakota

PENSION AND OPEB SCHEDULES
For the Year Ended December 31, 2017

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

NDPERS - Pension	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.225914%	0.236958%	0.222433%	0.200929%
County's proportionate share of the net pension liability (asset)	\$ 3,631,179	\$ 2,309,387	\$ 1,512,506	\$ 1,275,339
County's covered-employee payroll	\$ 2,306,229	\$ 2,387,981	\$ 1,981,611	\$ 1,692,589
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

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

NDPERS - Pension:	2017	2016	2015	2014
Statutory required contribution	\$ 167,230	\$ 172,886	\$ 150,519	\$ 120,512
Contributions in relation to the statutory required contribution	\$ 171,436	\$ 166,344	\$ 153,449	\$ 120,512
Contribution deficiency (excess)	\$ (4,206)	\$ 6,542	\$ (2,930)	\$ -
County's covered-employee payroll	\$ 2,306,229	\$ 2,387,981	\$ 1,981,611	\$ 1,692,589
Contributions as a percentage of covered-employee payroll	7.43%	6.97%	7.74%	7.12%

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

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

NDPERS - OPEB	2017
County's proportion of the net OPEB liability (asset)	0.213176%
County's proportionate share of the net OPEB liability (asset)	\$ 168,625
County's covered-employee payroll	\$ 2,306,229
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%

*Complete data for this schedule is not available prior to 2017.

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

NDPERS - OPEB	2017
Statutory required contribution	\$ 26,808
Contributions in relation to the statutory required contribution	\$ 27,449
Contribution deficiency (excess)	\$ (641)
County's covered-employee payroll	\$ 2,306,229
Contributions as a percentage of covered-employee payroll	1.19%

*Complete data for this schedule is not available prior to 2017.

PIERCE COUNTY
Rugby, North Dakota

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

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

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
<u>Governmental Activities</u>			
<u>Major Funds</u>			
Highway Tax	\$ 308,000	\$ 21,500	\$ 329,500
FEMA	-	193,015	193,015
<u>Nonmajor Special Revenue Funds</u>			
Emergency	122,733	10,915	133,648
E911	53,703	10,013	63,716
Library	13,000	5,000	18,000

NOTE 3: CHANGES OF ASSUMPTIONS – NET PENSION AND OPEB LIABILITY

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

PIERCE COUNTY
Rugby, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
Major Funds:						
General Fund	\$ 1,140,849.85	\$ 1,657,192.65	\$ 13,347.00	\$ 11,280.00	\$ 2,059,902.89	\$ 740,206.61
Farm to Market	781,870.53	918,463.22	-	-	783,939.60	916,394.15
Road and Bridge	108,803.01	256,209.19	350,000.00	-	649,139.07	65,873.13
Highway Distribution	980,196.81	792,228.25	-	350,000.00	329,500.00	1,092,925.06
Social Services	92,464.60	110,240.06	432,304.50	-	631,208.77	3,800.39
FEMA	129,043.09	154,532.24	-	-	193,014.89	90,560.44
Total Major Funds	\$ 3,233,227.89	\$ 3,888,865.61	\$ 795,651.50	\$ 361,280.00	\$ 4,646,705.22	\$ 2,909,759.78
Nonmajor Funds:						
Special Revenue Funds:						
Road Districts	\$ 426,265.69	\$ 301,570.69	\$ -	\$ -	\$ 346,217.60	\$ 381,618.78
County Poor Relief	366,747.67	308,002.64	-	432,304.50	-	242,445.81
Emergency Fund	213,795.47	112,286.89	-	-	133,647.55	192,434.81
Veterans Service Officer	4,515.20	4,059.84	-	-	6,823.76	1,751.28
County Agent	72,205.89	43,982.67	-	-	65,421.99	50,766.57
Weed Control	142,221.19	158,006.01	-	-	149,995.88	150,231.32
E911 Wireless	46,356.50	31,881.22	-	34,387.16	3,305.57	40,544.99
E 911 System	7,149.28	20,722.57	34,387.16	-	63,716.08	(1,457.07)
Community Service	64,764.18	47,543.90	4,000.00	-	62,965.53	53,342.55
Sheriff's Grant	(322.84)	2,110.33	280.00	-	2,030.00	37.49
Library Proj. Elevator	0.02	11,000.00	7,000.00	-	18,000.00	0.02
Total Nonmajor Funds	\$ 1,343,698.25	\$ 1,041,166.76	\$ 45,667.16	\$ 466,691.66	\$ 852,123.96	\$ 1,111,716.55
Total Governmental Funds	\$ 4,576,926.14	\$ 4,930,032.37	\$ 841,318.66	\$ 827,971.66	\$ 5,498,829.18	\$ 4,021,476.33
Enterprise Fund:						
HACTC Facility	\$ 831,787.31	\$ 2,991,769.15	\$ -	\$ 13,347.00	\$ 2,753,194.98	\$ 1,057,014.48
Total Primary Government	\$ 5,408,713.45	\$ 7,921,801.52	\$ 841,318.66	\$ 841,318.66	\$ 8,252,024.16	\$ 5,078,490.81
Agency Funds:						
Payroll Deduction	\$ 6,629.97	\$ 25,964.15	\$ -	\$ -	\$ 25,835.76	\$ 6,758.36
Senior Citizens	1,886.85	58,754.73	-	-	60,517.84	123.74
Job Development	0.34	-	-	-	-	0.34
State Medical Center	125.91	30,083.86	-	-	30,074.98	134.79
Mobile Homes	1,548.01	16,412.80	-	-	16,324.73	1,636.08
Advance Tax	19,944.77	58,904.47	-	-	58,201.55	20,647.69
Abused Persons	35.00	630.00	-	-	630.00	35.00
NDSU Extension Activity	1,273.76	6,346.85	-	-	4,097.03	3,523.58
NDSU Pesticide	13.91	-	-	-	-	13.91
Victim Witness Advocate	-	1,725.00	-	-	1,694.50	30.50
Preservation Fund	15,573.31	8,608.25	-	-	5,653.05	18,528.51
Ambulance	209.17	57,427.74	-	-	57,428.10	208.81
Harvey Ambulance	-	32,698.00	-	-	32,540.21	157.79
County/City Library	345.81	116,444.60	-	-	116,371.29	419.12
Garrison Diversion	125.91	32,957.80	-	-	32,948.92	134.79
Health District Fund	12,300.83	130,628.57	-	-	116,868.00	26,061.40
Historical Society	86.65	25,561.80	-	-	25,555.90	92.55
Soil Conservation	188.85	38,751.99	-	-	38,770.50	170.34
Commissary Funds	76,449.75	615,300.06	-	-	626,884.65	64,865.16
Total Cities	4,109.73	1,122,357.75	-	-	1,121,871.11	4,596.37
Total City Park Districts	590.42	130,046.31	-	-	130,087.93	548.80
Total School Districts	14,226.08	3,330,942.14	-	-	3,330,209.44	14,958.78
Total Townships	542.26	426,731.60	-	-	426,068.92	1,204.94
Total Water District	166.34	4,626.78	-	-	4,640.95	152.17
Total Fire Districts	306.32	114,389.53	-	-	114,270.47	425.38
Total Agency Funds	\$ 131,828.98	\$ 6,386,294.78	\$ -	\$ -	\$ 6,377,545.83	\$ 165,428.90
Total Primary Government	\$ 5,540,542.43	\$ 14,308,096.30	\$ 841,318.66	\$ 841,318.66	\$ 14,629,569.99	\$ 5,243,919.71



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

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

Independent Auditor's Report

Board of County Commissioners
Pierce County
Rugby, 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Pierce County's basic financial statements, and have issued our report thereon dated April 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pierce 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 Pierce County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pierce 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 over financial reporting 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2017-001].

Compliance and Other Matters

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

PIERCE 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

Pierce County's Response to Findings

Pierce County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Pierce 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 result 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
April 25, 2018

PIERCE COUNTY

Schedule of Findings and Questioned Costs – Continued

Recommendation

Due to the size, complexity and the economic realities of Pierce County, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

Views of Responsible Officials / Planned Corrective Actions

While we agree with the recommendation, due to the size and nature of the county, it is not feasible for us to obtain proper segregation of duties.

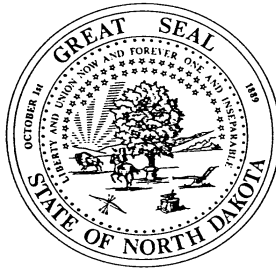
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or by contacting the
Division of Local Government Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

(701) 328-2220



Pierce County
Rugby, North Dakota

Management's Letter

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR

STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

Board of County Commissioners
Pierce County
Rugby, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, North Dakota, for the year ended December 31, 2017 which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 25, 2018. 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 January 11, 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 financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Pierce 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 Pierce County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Pierce 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 titled "Audit Adjustments" lists all misstatements detected as a result of audit procedures were corrected by management:

AUDIT ADJUSTMENTS		
Governmental		
Intergovernmental Receivable	266,247	
Accounts Receivable	127,500	
Revenue		393,747
Revenue	129,043	
Grants Received in Advance		129,043
Expenditures	42,295	
Accounts Payable		19,528
Salaries Payable		22,767
Business-Type		
Accounts Receivable	267,420	
Revenue		267,420
Expenditures	48,155	
Accounts Payable		48,155

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 April 25, 2018.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

OTHER AUDIT FINDINGS OR ISSUES

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

The following presents our informal recommendations:

* * * * *

SEGREGATION OF DUTIES – WATER RESOURCE DISTRICT

The Pierce County Water Resource District has one employee responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations for each entity.

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Pierce County WRD financial condition, whether due to error or fraud.

* * * * *

This information is intended solely for the use of the Board of County Commissioners and management of Pierce 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 Pierce 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 Pierce County.

/s/
Joshua C. Gallion
State Auditor

Fargo, North Dakota
April 25, 2018