



# Richland County

Wahpeton, 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

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RICHLAND COUNTY  
Wahpeton, North Dakota

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For the Year Ended December 31, 2017

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RICHLAND COUNTY  
Wahpeton, North Dakota

December 31, 2017

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**COUNTY OFFICIALS**

Rollie Ehlert	Commissioner - Chairperson
Dan Thompson	Commissioner - Vice-Chairperson
Sid Berg	Commissioner
Nathan Berseth	Commissioner
Tim Campbell	Commissioner
Harris Bailey	Auditor/Administrator
Leslie Hage	Treasurer
Joan Oland	Data Processing
Mary DeVal	Administrative Assistant
Sandy Fossum	Tax Equalization Director
Larry Leshovsky	Sheriff
Vacant	Clerk of Court
Cyndy Kolle	Superintendent of Schools
Ron McBeth	State's Attorney
Kristen Hasbargen	Social Services
Brett Lambrecht	Emergency Management
Cyndy Kolle	Records Office
Jesse Sedler	County Engineer

**WATER RESOURCE DISTRICT OFFICIALS**

Don Moffet	Board Member - Chairperson
Robert Rostad	Board Member - Vice-Chairperson
Arv Burvee	Board Member
Gary Friskop	Board Member
James Haugen	Board Member
Monica Zentgraf	Secretary/Treasurer
Sean Fredricks	Attorney

**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

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## INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Richland County  
Wahpeton, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County, Wahpeton, 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 from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County, Wahpeton, 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.

## **RICHLAND COUNTY**

### **Independent Auditor's Report - Continued**

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#### **Emphasis of a Matter**

As discussed in Note 26 to the financial statements, Richland 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 schedules, and notes to the required supplementary information* on pages 36-46 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 Richland County's basic financial statements. The *schedule of fund activity arising from cash transactions* is presented for purposes of additional analysis and are not a required part of the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity 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 12, 2018 on our consideration of Richland 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 Richland County's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
April 12, 2018

RICHLAND COUNTY  
Wahpeton, North Dakota

STATEMENT OF NET POSITION  
December 31, 2017

	Primary Government Governmental Activities	Water Resource District
<b>ASSETS</b>		
Cash and investments	\$ 7,224,236	\$ 5,286,619
Intergovernmental receivable	504,007	4,137
Accounts receivable	26,874	-
Interest receivable	7,500	-
Due from county	-	4,785
Road accounts receivable	2,335	-
Advance to other government	87,624	-
Taxes receivable	163,124	29,700
Loans receivable	933,042	-
Capital Assets Not Being Depreciated:		
Land	57,840	1,013,395
Construction in progress	-	1,459,880
Capital Assets (net of accumulated depreciation):		
Buildings	3,055,709	-
Equipment	2,645,677	5,455
Vehicles	735,998	-
Infrastructure	35,526,933	5,063,876
Total Capital Assets	<u>\$ 42,022,157</u>	<u>\$ 7,542,606</u>
Total Assets	<u>\$ 50,970,899</u>	<u>\$ 12,867,847</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Pension and OPEB	<u>\$ 4,213,469</u>	<u>\$ 93,758</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 55,184,368</u>	<u>\$ 12,961,605</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 154,079	\$ 8,491
Salaries payable	70,689	-
Grants received in advance	125,025	-
Retainage payable	-	15,215
Interest payable	14,768	3,649
<b>Non-Current Liabilities</b>		
Due Within One Year:		
Bonds payable	405,000	200,000
Capital leases payable	472,400	-
Compensated absences payable	114,819	1,483
Due After One Year:		
Bonds payable	410,000	1,455,000
Capital leases payable	567,378	-
Compensated absences payable	344,459	13,345
Net Pension and OPEB Liability	<u>9,253,438</u>	<u>205,906</u>
Total Liabilities	<u>\$ 11,932,055</u>	<u>\$ 1,903,089</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Pension and OPEB	<u>\$ 551,842</u>	<u>\$ 12,280</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 12,483,897</u>	<u>\$ 1,915,369</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 40,152,611	\$ 7,542,606
Restricted for:		
Public safety	5,183	-
Highways and bridges	1,068,829	-
Health and welfare	46,020	-
Conservation of natural resources	287,608	3,503,630
Emergencies	221,383	-
Economic development	1,089,383	-
Capital projects	54	-
Other restricted sources	7,323	-
Unrestricted	<u>(177,923)</u>	<u>-</u>
Total Net Position	<u>\$ 42,700,471</u>	<u>\$ 11,046,236</u>

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

RICHLAND COUNTY  
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Water Resource District
<u>Governmental Activities:</u>						
General government	\$ 3,482,313	\$ 136,502	\$ 692	\$ -	\$ (3,345,119)	\$ -
Public safety	3,664,892	809,324	104,557	-	(2,751,011)	-
Highways and bridges	2,730,925	162,922	2,018,647	1,188,719	639,363	-
Flood repair	394,261	-	394,261	-	-	-
Health and welfare	3,562,655	270,324	893,593	-	(2,398,738)	-
Culture and recreation	84,825	-	-	-	(84,825)	-
Conservation of natural resources	427,571	109,873	-	-	(317,698)	-
Economic development	32,952	15,725	-	-	(17,227)	-
Emergencies	532	-	-	-	(532)	-
Interest on long-term debt	34,610	-	-	-	(34,610)	-
Total Governmental Activities	<u>\$ 14,415,536</u>	<u>\$ 1,504,670</u>	<u>\$ 3,411,750</u>	<u>\$ 1,188,719</u>	<u>\$ (8,310,397)</u>	<u>\$ -</u>
Water Resource District	<u>\$ 850,952</u>	<u>\$ 1,650</u>	<u>\$ 127,823</u>	<u>\$ 395,705</u>	<u>\$ -</u>	<u>\$ (325,774)</u>
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes					\$ 5,043,192	\$ 370,630
Property taxes; levied for special purposes					3,715,911	1,446,962
State revenue sharing (non restricted grant)					1,128,867	245
Forgiveness of debt					167,985	-
Unrestricted investment earnings					136,486	1,612
Miscellaneous revenue					855,504	22,412
Total General Revenues					<u>\$ 11,047,945</u>	<u>\$ 1,841,861</u>
Change in Net Position					<u>\$ 2,737,548</u>	<u>\$ 1,516,087</u>
Net Position - January 1					\$ 40,376,131	\$ 9,538,309
Prior Period Adjustments					<u>(413,208)</u>	<u>(8,160)</u>
Net Position - January 1, as restated					<u>\$ 39,962,923</u>	<u>\$ 9,530,149</u>
Net Position - December 31					<u>\$ 42,700,471</u>	<u>\$ 11,046,236</u>

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

RICHLAND COUNTY  
Wahpeton, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2017

	General	Highway	15 Mill Road	Social Services	FEMA Disaster Reimb.	Job Develop. Authority	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and investments	\$ 3,810,490	\$ 142,142	\$ 1,605,009	\$ 465,599	\$ 125,025	\$ 151,366	\$ 924,605	\$ 7,224,236
Intergovernmental receivable	202,997	183,223	18,295	30,667	-	3,103	65,722	504,007
Accounts receivable	-	-	-	-	-	-	26,874	26,874
Interest receivable	7,500	-	-	-	-	-	-	7,500
Advance to other government	87,624	-	-	-	-	-	-	87,624
Loans receivable	-	-	-	-	-	933,042	-	933,042
Road receivables	-	2,335	-	-	-	-	-	2,335
Taxes receivable	96,752	16,125	24,187	18,544	-	1,872	5,644	163,124
<b>Total Assets</b>	<b>\$ 4,205,363</b>	<b>\$ 343,825</b>	<b>\$ 1,647,491</b>	<b>\$ 514,810</b>	<b>\$ 125,025</b>	<b>\$ 1,089,383</b>	<b>\$ 1,022,845</b>	<b>\$ 8,948,742</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<u>Liabilities:</u>								
Accounts payable	\$ 97,312	\$ 14,270	\$ -	\$ 16,939	\$ -	\$ -	\$ 25,558	\$ 154,079
Salaries payable	-	38,721	-	31,968	-	-	-	70,689
Grants received in advance	-	-	-	-	125,025	-	-	125,025
<b>Total Liabilities</b>	<b>\$ 97,312</b>	<b>\$ 52,991</b>	<b>\$ -</b>	<b>\$ 48,907</b>	<b>\$ 125,025</b>	<b>\$ -</b>	<b>\$ 25,558</b>	<b>\$ 349,793</b>
<u>Deferred Inflows of Resources:</u>								
Road receivables	\$ -	\$ 2,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,335
Taxes receivable	96,752	16,125	24,187	18,544	-	1,872	5,644	163,124
<b>Total Deferred Inflows of Resources</b>	<b>\$ 96,752</b>	<b>\$ 18,460</b>	<b>\$ 24,187</b>	<b>\$ 18,544</b>	<b>\$ -</b>	<b>\$ 1,872</b>	<b>\$ 5,644</b>	<b>\$ 165,459</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 194,064</b>	<b>\$ 71,451</b>	<b>\$ 24,187</b>	<b>\$ 67,451</b>	<b>\$ 125,025</b>	<b>\$ 1,872</b>	<b>\$ 31,202</b>	<b>\$ 515,252</b>
<u>Fund Balances:</u>								
<u>Nonspendable:</u>								
Loan receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 933,042	\$ -	\$ 933,042
Advance to other government	87,624	-	-	-	-	-	-	87,624
<u>Restricted:</u>								
Public safety	-	-	-	-	-	-	167,584	167,584
Highways and bridges	-	272,374	1,623,304	-	-	-	3,276	1,898,954
Health and welfare	-	-	-	447,359	-	-	252,349	699,708
Conservation of natural resources	-	-	-	-	-	-	339,077	339,077
Emergency	-	-	-	-	-	-	229,005	229,005
Economic development	-	-	-	-	-	154,469	-	154,469
Capital projects	-	-	-	-	-	-	54	54
General government	-	-	-	-	-	-	298	298
Unassigned	3,923,675	-	-	-	-	-	-	3,923,675
<b>Total Fund Balances</b>	<b>\$ 4,011,299</b>	<b>\$ 272,374</b>	<b>\$ 1,623,304</b>	<b>\$ 447,359</b>	<b>\$ -</b>	<b>\$ 1,087,511</b>	<b>\$ 991,643</b>	<b>\$ 8,433,490</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,205,363</b>	<b>\$ 343,825</b>	<b>\$ 1,647,491</b>	<b>\$ 514,810</b>	<b>\$ 125,025</b>	<b>\$ 1,089,383</b>	<b>\$ 1,022,845</b>	<b>\$ 8,948,742</b>

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



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RICHLAND COUNTY  
Wahpeton, North Dakota

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

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Total <i>Fund Balances</i> for Governmental Funds	\$ 8,433,490
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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	\$ 55,199,542	
Less Accumulated Depreciation	<u>(13,177,385)</u>	42,022,157

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	\$ 163,124	
Road Department Accounts Receivable	<u>2,335</u>	165,459

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	\$ 4,213,469	
Deferred Inflows Related to Pensions & OPEB	<u>(551,842)</u>	3,661,627

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:

Bonds Payable	\$ (815,000)	
Capital Leases Payable	(1,039,778)	
Interest Payable	(14,768)	
Compensated Absences	(459,278)	
Net Pension & OPEB Liability	<u>(9,253,438)</u>	<u>(11,582,262)</u>

Total Net Position of Governmental Activities	<u><u>\$ 42,700,471</u></u>
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The notes to the financial statements are an integral part of this statement.

RICHLAND COUNTY  
Wahpeton, North Dakota

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

	General	Highway	15 Mill Road	Social Services	FEMA Disaster Reimb.	Job Develop. Authority	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>								
Taxes	\$ 5,022,756	\$ 838,013	\$ 1,254,465	\$ 963,160	\$ -	\$ 102,993	\$ 544,141	\$ 8,725,528
Intergovernmental	892,135	1,748,419	1,484,130	562,501	394,261	12,731	635,160	5,729,337
Charges for services	427,665	164,933	-	17,475	-	15,725	876,717	1,502,515
Licenses, permits and fees	4,165	-	-	-	-	-	-	4,165
Interest income	136,486	-	-	-	-	-	-	136,486
Miscellaneous	564,364	8,639	-	41,390	-	-	241,111	855,504
Total Revenues	\$ 7,047,571	\$ 2,760,004	\$ 2,738,595	\$ 1,584,526	\$ 394,261	\$ 131,449	\$ 2,297,129	\$ 16,953,535
<u>Expenditures:</u>								
Current:								
General government	\$ 3,124,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,124,845
Public safety	2,411,222	-	-	-	-	-	958,085	3,369,307
Highways and bridges	-	2,883,985	1,964,981	-	-	-	548,247	5,397,213
Flood repair	-	-	-	-	394,261	-	-	394,261
Health and welfare	22,889	-	-	1,773,653	-	-	1,438,603	3,235,145
Culture and recreation	84,825	-	-	-	-	-	-	84,825
Conservation of natural resources	7,000	-	-	-	-	-	411,689	418,689
Economic development	-	-	-	-	-	32,952	-	32,952
Debt Service:								
Principal	-	-	400,000	-	-	-	135,512	535,512
Interest and fees	-	-	12,180	-	-	-	27,623	39,803
Total Expenditures	\$ 5,650,781	\$ 2,883,985	\$ 2,377,161	\$ 1,773,653	\$ 394,261	\$ 32,952	\$ 3,519,759	\$ 16,632,552
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,396,790	\$ (123,981)	\$ 361,434	\$ (189,127)	\$ -	\$ 98,497	\$ (1,222,630)	\$ 320,983
<u>Other Financing Sources (Uses):</u>								
Transfers in	\$ 624,320	\$ 15,005	\$ -	\$ -	\$ -	\$ -	\$ 1,987,800	\$ 2,627,125
Transfers out	(1,799,505)	-	-	(24,300)	-	-	(803,320)	(2,627,125)
Total Other Financing Sources and Uses	\$ (1,175,185)	\$ 15,005	\$ -	\$ (24,300)	\$ -	\$ -	\$ 1,184,480	\$ -
Net Change in Fund Balances	\$ 221,605	\$ (108,976)	\$ 361,434	\$ (213,427)	\$ -	\$ 98,497	\$ (38,150)	\$ 320,983
Fund Balances - January 1	\$ 3,789,694	\$ 381,350	\$ 1,261,870	\$ 660,786	\$ -	\$ 989,014	\$ 1,029,793	\$ 8,112,507
Fund Balances - December 31	\$ 4,011,299	\$ 272,374	\$ 1,623,304	\$ 447,359	\$ -	\$ 1,087,511	\$ 991,643	\$ 8,433,490

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

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RICHLAND COUNTY  
Wahpeton, 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

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Net Change in *Fund Balances* - Total Governmental Funds \$ 320,983

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

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

Current Year Capital Outlay	\$ 3,161,318	
Capital Grants and Contributions	1,188,719	
Current Year Depreciation Expense	<u>(1,682,866)</u>	2,667,171

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

(189,525)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt repayments exceeded debt issuance:

Repayment of Debt - Leases	\$ 135,512	
Repayment of Debt - Bonds	400,000	
Forgiveness of Debt - Capital Leases	<u>167,984</u>	703,496

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	\$ (27,126)	
Decrease in Interest Payable	5,193	
Decrease in Retainage Payable	<u>202,877</u>	180,944

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	\$ (3,736,473)	
Increase in Deferred Outflows of Resources Related to Pensions & OPEB	2,647,150	
Decrease in Deferred Inflows of Resources Related to Pensions & OPEB	<u>112,238</u>	(977,085)

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	\$ 33,575	
Decrease in Road Department Receivables	<u>(2,011)</u>	31,564

Change in Net Position of Governmental Activities \$ 2,737,548

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

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RICHLAND COUNTY  
Wahpeton, North Dakota

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

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	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 7,186,292</u>
<u>Liabilities:</u>	
Due to other governments	<u>\$ 7,186,292</u>

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

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RICHLAND COUNTY  
Wahpeton, North Dakota  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

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

The financial statements of Richland 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 off the county's accounting policies are described below.

**A. Reporting Entity**

The accompanying financial statements present the activities of Richland 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 to exclude. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability and misleading to exclude in GASB Statement No. 61 "The Financial Reporting Entity". This criteria requires a legally separate entity to be included as a component unit if (1) it is fiscally dependent on the primary government, and (2) a financial benefit or burden relationship exists.

Richland County (primary government) is financially accountable if it appoints a voting majority of an organization's governing body, and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Richland County, regardless of whether the organization has a separately elected governing board, or a governing board appointed by a higher level of government, or a jointly appointed board.

An organization has a financial benefit or burden relationship with the primary government if any of the following conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources;
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization;
- The primary government is obligated in some manner for the debt of the organization.

Based on GASB Statement No. 61 and 80 criteria, there is one discretely presented component unit and one blended component unit to be included within Richland County's reporting entity.

**Component Units**

In conformity with accounting principles generally accepted in the United States of America as amended by GASB Statement No. 61 and 80, the financial statements of the Water Resource District have been included in the financial reporting entity as a discretely presented component unit.

**Discretely Presented Component Unit**

The component unit column in the basic financial statements includes the financial data of the county's discretely presented component unit. This component unit is reported in a separate column to emphasize that it is legally separate from the county, and is considered a major component unit.

## **RICHLAND COUNTY**

### **Notes to the Financial Statements – Continued**

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Richland County Water Resource District - The primary government's governing board appoints a voting majority of the members of the Richland County Water Resource District Board and can impose its will on the District. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy established by the Water Resource District. No significant transactions were noted between the County and the Water Resource District.

#### **Blended Component Unit**

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from this unit is combined with data from the primary government in the funds. Criteria outlined in GASB Statement No. 61 and 80 for blending component units occurs under these circumstances: (a) the component units governing body is substantively the same as the governing body of the primary government, and there is a financial benefit or burden relationship, or management of the primary government has operational responsibility for the component unit. Operational responsibility exists if it manages the component unit in essentially the same manner in which it manages its own programs, departments, or agencies; (b) the component unit provides services entirely, or almost entirely, to the primary government, or exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it; (c) the component units total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government.

When a component unit is blended, the funds of the component unit are subject to the same financial reporting requirements as the primary government's funds.

Richland County Job Development Authority – The County's governing board appoints a voting majority of the members of the Richland County Job Development Authority. The governing body of the JDA is essentially the same as the governing body of the primary government. The county has the authority to approve or modify the Job Development Authority's operational and capital budgets. The county's governing board must approve the tax levy established by the Job Development Authority. The JDA has the authority to issue bonded debt. The activities of the JDA are blended at the government-wide level in the appropriate activities, and shown as a major (special revenue) fund at the fund level.

#### **Component Unit Financial Statements**

The financial statements of the discretely presented component unit and the blended component unit are presented in the County's basic financial statements. Complete financial statements of the individual discretely presented component unit can be obtained from the Secretary-Treasurer, Richland County Water Resource District, 418 2<sup>nd</sup> Ave. N., Wahpeton, North Dakota, 58030. Complete financial statements of the blended component unit can be obtained from the County Auditor (Office of Finance and Administration), Richland County, 418 2<sup>nd</sup> Ave. N., Wahpeton, ND 58030.

#### **B. Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's and the component unit'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 taxes, interest & 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 (agency) 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 non-major 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.

*Highway Fund.* This fund accounts for repair and improvement of highways that are legally restricted from taxes levied and highway tax distribution from the state. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

*15 Mill Road Fund.* This fund accounts for repair and improvement of the farm to market road that are legally restricted from tax and grant funds. The major source of revenues are restricted State/Federal project reimbursements.

*Social Services Fund.* This fund accounts for the costs of providing social service benefits and programs to needy residents of the county. The major primary sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

*FEMA Disaster Reimbursement 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

*Job Development Authority Fund.* This fund accounts for operations of the Job Development Authority, a blended component unit of the county. The Job Development Authority issues loans to business for either startup costs or expansion costs. The major primary source of revenues is a restricted tax levy.

Additionally, the County reports the following fund type:

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

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

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

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*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 susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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, Cash Equivalents and Investments**

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

#### **E. Capital Assets**

##### **Primary Government**

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

General infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

<b>Assets</b>	<b>Years</b>
Buildings	50
Building Improvements	15 - 40
Office Equipment	5 - 20
Machinery & Equipment	15 - 30
Vehicles	5 - 10
Infrastructure - Highways	20
Infrastructure - Bridges	75



**Discretely Presented Component Unit**

Richland County Water Resource District

Capital assets of the Richland County Water Resource District, a discretely presented component unit of Richland County, include plant and equipment. Assets are reported in a discretely presented component unit 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 cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

<b>Assets</b>	<b>Years</b>
Infrastructure	30
Equipment	7

**F. Compensated Absences**

Vacation leave is earned at the rate of one to two working days per month by county employees depending on years of service. Sick leave benefits are earned by full-time employees at the rate of one day per month regardless of the years of service. Unused sick leave benefits will be allowed to accumulate to a limit of 100 days. When that limit is reached, employees may trade additional earned sick leave for vacation days at the rate of 6 days sick leave for 1 day of vacation. Any employee hired prior to October 1, 1988 and who has twenty or more consecutive years of employment or who has reached the age of 65 prior to employment termination will be eligible to receive payment for sick leave at a rate of 50% of the unused balance to a limit of 50 days. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

**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 for the primary government and the discretely presented component unit. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**H. Pension**

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

**I. Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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.

**J. Fund Balances / Net Position**

**Fund Balance**

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

**Fund Balance Spending Policy**

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

**Major Special Revenue Fund Purposes & Revenue Sources**

Purposes and major revenue sources of the major special revenue funds (highway, social services, 15 mill road, FEMA disaster reimbursement, and job development authority) are disclosed in more detail in Note 1B.

**Fund Balance Reporting and Governmental Fund Type Definitions**

Fund balance amounts are to be properly reported within one of the fund balance categories listed below.

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
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.

## **RICHLAND COUNTY**

### **Notes to the Financial Statements – Continued**

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Richland County only has non-spendable, restricted, and unassigned fund balances at December 31, 2017.

#### Non-spendable Fund Balances

Non-spendable fund balance is reported in the job development authority major fund for loans receivable, and an amount advanced to other governments from the general.

#### Restricted Fund Balances – consist of the following items at December 31, 2017

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, health & welfare, culture & recreation, conservation of resources, emergencies, economic development, debt service, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3<sup>rd</sup> parties (State & Federal governments for various grants & reimbursements).

#### Special Revenue Funds – Restricted & Committed Fund Balances

(a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:

- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
- Restricted grants/reimbursements – primarily includes FEMA funds, other grant funds, and highway tax distribution.

#### Unassigned Fund Balances

Unassigned fund balances are shown for the positive fund balance of the general 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 any related debt used to finance the purchase or construction of those capital assets. These assets are not available for future spending.

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position in the statement of net position is also shown by primary function restricted for highways and bridges, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and economic development.

Unrestricted net position is primarily unrestricted amounts related to the general fund. The unrestricted net position is available to meet the County'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.

<b>NOTE 2: DEPOSITS</b>
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In accordance with North Dakota Statutes, Richland County maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

## **RICHLAND COUNTY**

### **Notes to the Financial Statements – Continued**

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

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

At year ended December 31, 2017, the County's carrying amount of deposits was \$14,408,129 and the bank balances totaled \$13,747,917. Of the bank balances, \$8,596,939 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2017, the Water Resource District's carrying amount of deposits was \$5,286,619 and the bank balances totaled \$5,298,409. Of the bank balances, \$439,461 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

#### 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 had certificates of deposit totaling \$1,384,350.

#### Concentration of Credit Risk:

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

<b>NOTE 3: TAXES RECEIVABLE</b>
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The taxes receivable represents the past two years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

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

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

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

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable of the primary government consists of amounts due for E-911 fees earned but not collected prior to year-end.

**NOTE 5: ROAD / ACCOUNTS RECEIVABLE**

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

**NOTE 6: INTERGOVERNMENTAL RECEIVABLE**

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

**NOTE 7: ADVANCE TO OTHER GOVERNMENT**

Richland County entered into transactions as of December 31, 2017 that involved loans to townships that would enable them to fix roads that were damaged during spring flooding. The amounts will be paid back to Richland County by the townships once the applicable FEMA reimbursements are received.

**NOTE 8: DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources in the government wide financial statements consist of amounts related to net pension and OPEB liabilities. See more detail about deferred outflows of resources in Notes 19 and 20.

**NOTE 9: JOB DEVELOPMENT LOANS RECEIVABLE**

The Job Development Authority, a blended component unit of Richland County, provides loans to businesses for either startup costs or expansion costs. The Development Authority receives applications from various businesses within the community and either approves or denies the applications based on majority board decision. The Authority had the following activity in loans outstanding for the year ended December 31, 2017.

<b>Name/Business</b>	<b>Balance January 1</b>	<b>New Loans/ Additions</b>	<b>Principal Payments</b>	<b>Balance December 31</b>
Karizma Salon	\$ 1,372	\$ -	\$ 1,368	\$ 4
Precision Powder Coating	2,675	-	1,135	1,540
Machine Design Inc	22,578	-	-	22,578
Dee's Bar and Grill	8,130	-	3,087	5,043
Hankinson Hardware	910	-	910	-
Barth Investments	48,542	-	-	48,542
Mr. Mike & Lynda Storbakken	22,265	-	2,945	19,320
Berger Body and Glass	4,582	-	-	4,582
Hankinson CDC (Heartland Candies, Inc. Bld)	23,985	-	2,214	21,771
Lost Sock Laundry, LLLP	15,490	-	3,265	12,225
Smykowski, Breanna	24,415	-	1,230	23,185
Blotske, Jason & Larie	20,418	-	2,228	18,190
Wahpeton Fabrication	2,287	-	2,287	-
Hankinson Hardware, Inc	1,116	-	1,116	-
Mr. Nathan & Janell Berseth	13,648	-	1,842	11,806
Mike and Lynda Storbakken	9,780	-	2,458	7,322
Anderson Offroad, LLC	12,110	727	-	12,837
Lidgerwood Market	24,382	-	8,790	15,592
M&T Repair Inc.	24,643	-	4,872	19,771

Table continued on next page...

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

<b>Name/Business</b>	<b>Balance January 1</b>	<b>New Loans/ Additions</b>	<b>Principal Payments</b>	<b>Balance December 31</b>
Northcreek Dental, P.C.	\$ 34,236	\$ -	\$ 4,974	\$ 29,262
Barth Investments	17,507	-	-	17,507
Noel Clean & Stor, Inc.	64,262	-	4,352	59,910
Geothermal Solutions Inc.	37,325	-	10,255	27,070
Brad Bladow (Bladow Shop)	17,993	-	5,075	12,918
Ron & Tina Kill (Diamond 1 Stop)	18,619	-	4,985	13,634
Crooked Lane Farm Folk School	15,255	-	4,037	11,218
Colfax Farmers Elevator Inc.	52,023	-	-	52,023
Advanced Machining & Design LLC	9,428	-	-	9,428
Berger Body and Glass	12,241	-	-	12,241
MDI Inc.	5,608	-	-	5,608
Gary Page (Heitkamp Construction)	42,578	-	-	42,578
Colonel Hankinson's Historic Barn	18,653	-	2,631	16,022
DMS Enterprises, LLC	43,237	-	5,837	37,400
City View Properties	44,419	-	2,449	41,970
Lovdokken Auto & Convenience Store	42,654	-	5,950	36,704
Heartland Candies, LLC	19,411	-	3,468	15,943
Vintage Rose Floral & Gifts LLC	-	20,000	2,391	17,609
Dakota Estates Retirement Center	-	6,838	1,140	5,698
Colonel Hankinson's Historic Barn	-	26,790	1,737	25,053
MDI Inc.	-	72,479	-	72,479
Karl & Joni Bednarchik	-	75,000	502	74,498
Dakota Vines Vineyard and Winery LLC	-	50,000	-	50,000
Posse Service LLC	-	3,039	-	3,039
<b>Total</b>	<b>\$ 778,777</b>	<b>\$ 254,873</b>	<b>\$ 99,530</b>	<b>\$ 934,120</b>
Allowance for Doubtful Accounts	\$ (1,872)	\$ 794	\$ -	(1,078)
<b>Net Loans Receivable</b>	<b>\$ 776,905</b>	<b>\$ 255,667</b>	<b>\$ 99,530</b>	<b>\$ 933,042</b>

**NOTE 10: CAPITAL ASSETS**
**Primary Government**

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

<b>Primary Government</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 61,040	\$ -	\$ 3,200	\$ -	\$ 57,840
Construction in Progress	4,440,578	3,903,267	-	(8,343,845)	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 4,501,618</b>	<b>\$ 3,903,267</b>	<b>\$ 3,200</b>	<b>\$ (8,343,845)</b>	<b>\$ 57,840</b>
<i>Capital assets, being depreciated:</i>					
Buildings	\$ 5,612,417	\$ 152,309	\$ 15,000	\$ -	\$ 5,749,726
Equipment	5,676,097	187,872	557,810	-	5,306,159
Vehicles	1,757,268	106,588	101,308	-	1,762,548
Infrastructure	33,979,425	-	-	8,343,845	42,323,270
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 47,025,207</b>	<b>\$ 446,769</b>	<b>\$ 674,118</b>	<b>\$ 8,343,845</b>	<b>\$ 55,141,703</b>
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 2,589,874	\$ 119,143	\$ 15,000	\$ -	\$ 2,694,017
Equipment	2,662,873	403,084	405,475	-	2,660,482
Vehicles	950,063	143,804	67,317	-	1,026,550
Infrastructure	5,779,503	1,016,834	-	-	6,796,337
<b>Total Accumulated Depreciation</b>	<b>\$ 11,982,313</b>	<b>\$ 1,682,865</b>	<b>\$ 487,792</b>	<b>\$ -</b>	<b>\$ 13,177,386</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 35,042,894</b>	<b>\$ (1,236,096)</b>	<b>\$ 186,326</b>	<b>\$ 8,343,845</b>	<b>\$ 41,964,317</b>
<b>Primary Government - Capital Assets, Net</b>	<b>\$ 39,544,512</b>	<b>\$ 2,667,171</b>	<b>\$ 189,526</b>	<b>\$ -</b>	<b>\$ 42,022,157</b>

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

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

Primary Government	Amounts
General Government	\$ 86,827
Public Safety	158,065
Highways	1,413,786
Conservation of Natural Resources	6,184
Health and Welfare	18,003
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,682,865</b>

**Richland County Water Resource District**

The following is a summary of changes in capital assets for the Richland County Water Resource District, a discretely presented component unit of Richland County, for the year ended December 31, 2017:

<b>Water Resource District</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 939,280	\$ 74,115	\$ -	\$ -	\$ 1,013,395
Construction in Progress	1,549,989	812,927	-	(903,036)	1,459,880
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 2,489,269</b>	<b>\$ 887,042</b>	<b>\$ -</b>	<b>\$ (903,036)</b>	<b>\$ 2,473,275</b>
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 11,421	\$ -	\$ -	\$ -	\$ 11,421
Infrastructure	5,006,590	60,654	-	903,036	5,970,280
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 5,018,011</b>	<b>\$ 60,654</b>	<b>\$ -</b>	<b>\$ 903,036</b>	<b>\$ 5,981,701</b>
<i>Less accumulated depreciation for:</i>					
Equipment	\$ 5,057	\$ 909	\$ -	\$ -	\$ 5,966
Infrastructure	739,517	166,887	-	-	906,404
<b>Total Accumulated Depreciation</b>	<b>\$ 744,574</b>	<b>\$ 167,796</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 912,370</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 4,273,437</b>	<b>\$ (107,142)</b>	<b>\$ -</b>	<b>\$ 903,036</b>	<b>\$ 5,069,331</b>
<b>Water Resource District - Capital Assets, Net</b>	<b>\$ 6,762,706</b>	<b>\$ 779,900</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,542,606</b>

Depreciation expense totaling \$167,796 was charged to the conservation of natural resources function.

**NOTE 11: ACCOUNTS PAYABLE**

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

**NOTE 12: 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, 2017.

**NOTE 13: GRANTS RECEIVED IN ADVANCE**

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

**NOTE 14: RETAINAGES PAYABLE**

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at December 31, 2017 by the Water Resource District (component unit).

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 15: 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.

**NOTE 16: LONG-TERM OBLIGATIONS****Primary Government**

Changes in Long-Term Obligations - During the year ended December 31, 2017 the following changes occurred in governmental activities long-term obligations for Richland County:

<b>Primary Government</b>	<b>Bal Jan. 1 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Bonds Payable	\$ 1,215,000	\$ -	\$ 400,000	\$ 815,000	\$ 405,000
Leases Payable	1,343,275	-	303,497	1,039,778	472,400
Compensated Absences *	432,152	27,126	-	459,278	114,819
Net Pension and OPEB Liability *	5,516,965	3,736,473	-	9,253,438	-
<b>Total Primary Government</b>	<b>\$ 8,507,392</b>	<b>\$ 3,763,599</b>	<b>\$ 703,497</b>	<b>\$ 11,567,494</b>	<b>\$ 992,219</b>

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

**Bonds Payable**

\$1,215,000 due in annual installments from \$400,000 to \$410,000 through May 1, 2019; interest from 0.80% to 1.25%.

\$ 815,000

Debt Refunding (Prior Year- FY2016) – The county issued \$1,215,000 of general obligation refunding bonds, series 2016, to advance refund (defease) the remaining 2009 series general obligation bonds totaling \$1,190,000 to obtain cost savings over the life of the new bonds. The 2016 bonds issued resulted in a net present value savings of \$23,719 and a cash flow savings of \$24,179.

Capital Leases - The primary government entered into lease agreements as lessee for financing the acquisition of road department equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

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

<b>PRIMARY GOVERNMENT</b>				
<b>Year Ending December 31</b>	<b>G.O. Bonds Payable</b>		<b>Capital Leases</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 405,000	\$ 7,353	\$ 472,400	\$ 24,548
2019	410,000	2,562	200,176	12,839
2020	-	-	195,811	7,447
2021	-	-	171,391	2,801
<b>Total</b>	<b>\$ 815,000</b>	<b>\$ 9,915</b>	<b>\$ 1,039,778</b>	<b>\$ 47,635</b>



**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

**Richland County Water Resource District**

Changes in Long-Term Obligations - During the year ended December 31, 2017 the following changes occurred in governmental long-term obligations of the County:

<b>Water Resource District</b>	<b>Bal Jan. 1 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Bonds Payable	\$ 1,625,000	\$ 515,000	\$ 485,000	\$ 1,655,000	\$ 200,000
Compensated Absences *	12,743	2,085	-	14,828	1,483
Net Pension and OPEB Liability *	108,948	96,958	-	205,906	-
<b>Total Water Resource District</b>	<b>\$ 1,746,691</b>	<b>\$ 614,043</b>	<b>\$ 485,000</b>	<b>\$ 1,875,734</b>	<b>\$ 201,483</b>

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

**Bonds Payable**

\$785,000 due in annual installments from \$40,000 to \$90,000 through May 1, 2026; interest from 0.95% to 1.75%.	\$ 380,000
\$840,000 due in annual installments from \$80,000 to \$170,000 through May 1, 2022; interest from 0.85% to 1.50%.	760,000
\$515,000 due in annual installments from \$80,000 to \$120,000 through May 1, 2022; interest from 1.15% to 1.60%	<u>515,000</u>
<b>Total Bonds Payable</b>	<b><u>\$ 1,655,000</u></b>

The annual requirements to amortize the Water Resource District bonds payable are as follows:

<b>WATER RESOURCE DISTRICT</b>		
<b>Year Ending December 31</b>	<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 200,000	31,122
2019	335,000	25,596
2020	370,000	20,923
2021	375,000	15,218
2022	375,000	9,366
<b>Total</b>	<b>\$ 1,655,000</b>	<b>\$ 102,225</b>

**NOTE 17: DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, such amounts include the amount for net pension and OPEB liabilities. See more detail in Notes 19 and 20 about deferred inflows of resources.

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

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 18: 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
<b>Major Funds:</b>		
General Fund	\$ 624,320	\$ 1,799,505
Highway Fund	15,005	-
Social Services Fund	-	24,300
<b>Special Revenue Funds:</b>		
Bridge Replacement	280,000	-
Road and Bridge Equipment	280,000	-
911 Communications	581,000	-
911 Wireless	-	179,000
NDIRN Fees	-	4,900
Capital Projects Fund	367,000	619,000
Drug Court	30,000	-
Water Rescue Team Fund	1,000	-
Special Response	2,500	-
Public Health Fund	299,300	-
Home Health Care Holding Fund	125,000	-
Family Planning Fund	22,000	-
County Park	-	420
<b>Total Transfers</b>	<b>\$ 2,627,125</b>	<b>\$ 2,627,125</b>

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 19: 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 County reported a liability of \$8,842,796, and the Water Resource District reported a liability of \$196,769, for their proportionate shares 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 County's proportion was .550155 percent, which was an increase of .026477 percent from its proportion measured as of June 30, 2016. At June 30, 2017, the Water Resource District's proportion was .012242 percent, which was an increase of .001900 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the County recognized pension expense of \$1,297,641, while the Water Resource District recognized pension expense of \$28,875. At December 31, 2017, the County and Water Resource District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 52,561	\$ 43,084
Changes of Assumptions	3,626,144	199,446
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	118,929	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	170,753	282,161
District Contributions Subsequent to the Measurement Date	196,198	-
<b>Total Primary Government</b>	<b>\$ 4,164,585</b>	<b>\$ 524,692</b>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,170	\$ 959
Changes of Assumptions	80,688	4,438
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2,646	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,800	6,279
District Contributions Subsequent to the Measurement Date	4,366	-
<b>Total Water Resource District</b>	<b>\$ 92,670</b>	<b>\$ 11,675</b>

\$196,198 and \$4,366 reported by the County and Water Resource District, respectively, as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

	<b>County</b>	<b>Water Resource District</b>
2018	\$ 772,376	\$ 17,187
2019	935,560	20,818
2020	811,894	18,066
2021	669,387	14,895
2022	365,886	8,142
Thereafter	-	-

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

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

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

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

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

The following presents the 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:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.44%)</b>	<b>Current Discount Rate (6.44%)</b>	<b>1% Increase (7.44%)</b>
County	\$ 12,004,368	\$ 8,842,796	\$ 6,212,502
Water Resource District	267,119	196,769	138,240

**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 20: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

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

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

**OPEB Benefits**

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

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

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

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

At December 31, 2017, the County reported a liability of \$410,641, and the Water Resource District reported a liability of \$9,138, for their proportionate shares 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 County's proportion was .520410 and the Water Resource District's proportion was .010277 percent.

For the year ended December 31, 2017 the County recognized OPEB expense of \$49,247, while the Water Resource District recognized OPEB expense of \$1,096. At December 31, 2017, the County and Water Resource District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 10,015
Changes of Assumptions	39,773	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	15,527
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	1,609
County Contributions Subsequent to the Measurement Date	9,111	-
<b>Total Primary Government</b>	<b>\$ 48,884</b>	<b>\$ 27,151</b>

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 223
Changes of Assumptions	885	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	345
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	36
District Contributions Subsequent to the Measurement Date	203	-
<b>Total Water Resource District</b>	<b>\$ 1,088</b>	<b>\$ 604</b>

\$9,111 and \$203 reported by the County and Water Resource District, respectively, 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:

	<b>County</b>	<b>Water Resource District</b>
2018	\$ 525	\$ 12
2019	525	12
2020	525	12
2021	525	12
2022	525	12
2023	4,407	98
Thereafter	1,707	38

**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 re-turn (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 as-set class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	37%	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:

<b>Proportionate Share of the OPEB Liability</b>	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
County	\$ 514,073	\$ 410,641	\$ 321,982
Water Resource District	11,439	9,138	7,165

**NOTE 21: RISK MANAGEMENT**

Richland 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 (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Richland County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of one million dollars per occurrence for general liability and automobile and \$6,231,767 for mobile equipment and portable property. The coverage for the Water Resource District by NDRF is limited to losses of two million dollars for general liability and automobile and \$16,609 for mobile equipment and portable property. Richland County also has Hartford Steam Boiler Insurance which has multiple coverage and dollar limits.

Richland County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Richland 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 Richland County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees, while the Water Resource District carries \$1,337,000 coverage. The State Bonding Fund does not currently charge any premium for this coverage.

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

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 22: JOINT VENTURES**

Under authorization of state statutes, the Richland County Water Resource District joined Maple River Water Resource District, Rush River Water Resource District, Southeast Cass Water Resource District, North Cass Water Resource District, and the water resource districts of Traill County, Pembina County, Grand Forks County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for water management districts located within the Red River Valley, known as the Red River Valley Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and net position cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution depends on where the Red River Joint Water Resource Board projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2016, which is the most current audited information available.

	<b>Red River Joint Water Resource District</b>
Total Assets	\$ 7,233,622
Total Liabilities	43,309
Net Position	\$ 7,190,313
Revenues	\$ 2,649,394
Expenses	3,125,522
Change in Net Position	\$ (476,128)

**NOTE 23: CONDUIT DEBT**

From time to time, Richland County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, State, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2017, there are three series of Industrial Revenue Bonds with a principal amount outstanding of \$28,055,000. The county is in no way liable to repay the Industrial Revenue Bonds.

**NOTE 24: CONSTRUCTION COMMITMENTS****Water Resource District**

<b>Water Resource District</b>	<b>Amended Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance w/Retainages</b>	<b>Percent Complete</b>
Drain #2	\$ 621,704	\$ 618,934	\$ -	\$ 2,770	99.55%
Drain #14	304,305	302,061	15,215	17,459	99.26%
Total Commitments	\$ 926,009	\$ 920,995	\$ 15,215	\$ 20,229	99.46%

**NOTE 25: TAX ABATEMENTS**

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

Richland 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 County 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%.

Annual reports — By February 15 of each year, the recipient of the exemption will file an annual employment verification report with the County 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**

Total County Only Taxes - \$178,340

**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 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

Total County Only Taxes – \$95,647

**Commercial and Residential**

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

2017 Reduction in Taxes

Total County Only Taxes – \$3,098

<b>NOTE 26: PRIOR PERIOD ADJUSTMENTS</b>
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**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).

**RICHLAND COUNTY**Notes to the Financial Statements – Continued

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

<b>Primary Government</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 40,376,131
<b>Adjustments to restate the January 1, 2016 Net Position:</b>	
Net OPEB Liability	(413,208)
Net Position January 1, as restated	<u>\$ 39,962,923</u>

<b>Water Resource District</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 9,538,309
<b>Adjustments to restate the January 1, 2015 Net Position:</b>	
Net OPEB Liability	(8,160)
Net Position January 1, as restated	<u>\$ 9,530,149</u>

RICHLAND COUNTY  
Wahpeton, 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	\$ 4,955,400	\$ 4,955,400	\$ 5,022,756	67,356
Intergovernmental	939,957	939,957	892,135	(47,822)
Charges for services	415,950	415,950	427,665	11,715
Licenses, permits and fees	3,430	3,430	4,165	735
Interest income	90,000	90,000	136,486	46,486
Miscellaneous	464,660	464,660	564,364	99,704
Total Revenues	\$ 6,869,397	\$ 6,869,397	\$ 7,047,571	\$ 178,174
<u>Expenditures:</u>				
Current:				
General government	\$ 2,988,082	\$ 3,170,082	\$ 3,124,845	\$ 45,237
Public safety	2,408,613	2,408,613	2,411,222	(2,609)
Health and welfare	29,350	29,350	22,889	6,461
Culture and recreation	81,800	81,800	84,825	(3,025)
Conservation of natural resources	7,000	7,000	7,000	-
Total Expenditures	\$ 5,514,845	\$ 5,696,845	\$ 5,650,781	\$ 46,064
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,354,552	\$ 1,172,552	\$ 1,396,790	\$ 224,238
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 626,900	\$ 626,900	\$ 624,320	\$ (2,580)
Transfers out	(2,448,800)	(2,448,800)	(1,799,505)	649,295
Net Change in Fund Balances	\$ (467,348)	\$ (649,348)	\$ 221,605	\$ 870,953
Fund Balances - January 1	\$ 3,789,694	\$ 3,789,694	\$ 3,789,694	\$ -
Fund Balances - December 31	\$ 3,322,346	\$ 3,140,346	\$ 4,011,299	\$ 870,953

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

RICHLAND COUNTY  
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 825,500	\$ 825,500	\$ 838,013	\$ 12,513
Intergovernmental	1,637,926	1,637,926	1,748,419	110,493
Charges for services	200,000	200,000	164,933	(35,067)
Miscellaneous	75,000	75,000	8,639	(66,361)
Total Revenues	\$ 2,738,426	\$ 2,738,426	\$ 2,760,004	\$ 21,578
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 3,383,781	\$ 3,383,781	\$ 2,883,985	\$ 499,796
Excess (Deficiency) of Revenues Over Expenditures	\$ (645,355)	\$ (645,355)	\$ (123,981)	\$ 521,374
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 980,000	\$ 980,000	\$ 15,005	\$ (964,995)
Transfers out	(335,000)	(335,000)	-	335,000
Total Other Financing Sources and Uses	\$ 645,000	\$ 645,000	\$ 15,005	\$ (629,995)
Net Change in Fund Balances	\$ (355)	\$ (355)	\$ (108,976)	\$ (108,621)
Fund Balances - January 1	\$ 381,350	\$ 381,350	\$ 381,350	\$ -
Fund Balances - December 31	\$ 380,995	\$ 380,995	\$ 272,374	\$ (108,621)

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

RICHLAND COUNTY  
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE  
15 MILL ROAD FUND  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,237,850	\$ 1,237,850	\$ 1,254,465	\$ 16,615
Intergovernmental	88,690	88,690	1,484,130	1,395,440
Total Revenues	\$ 1,326,540	\$ 1,326,540	\$ 2,738,595	\$ 1,412,055
<u>Expenditures:</u>				
Current:				
Highways and bidges	\$ 850,000	\$ 2,005,000	\$ 1,964,981	\$ 40,019
Debt Service:				
Principal	400,000	400,000	400,000	-
Interest & Service Charges	11,180	11,180	12,180	(1,000)
Total Expenditures	\$ 1,261,180	\$ 2,416,180	\$ 2,377,161	\$ 39,019
Excess (Deficiency) of Revenues Over Expenditures	\$ 65,360	\$ (1,089,640)	\$ 361,434	\$ 1,451,074
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (615,000)	\$ (615,000)	\$ -	\$ 615,000
Net Change in Fund Balances	\$ (549,640)	\$ (1,704,640)	\$ 361,434	\$ 2,066,074
Fund Balances - January 1	\$ 1,261,870	\$ 1,261,870	\$ 1,261,870	\$ -
Fund Balances - December 31	\$ 712,230	\$ (442,770)	\$ 1,623,304	\$ 2,066,074

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



RICHLAND COUNTY  
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 949,800	\$ 949,800	\$ 963,160	\$ 13,360
Intergovernmental	563,465	563,465	562,501	(964)
Charges for servcies	16,000	16,000	17,475	1,475
Miscellaneous	43,000	43,000	41,390	(1,610)
Total Revenues	\$ 1,572,265	\$ 1,572,265	\$ 1,584,526	\$ 12,261
<u>Expenditures:</u>				
Current:				
Health and welfare	\$ 1,730,896	\$ 1,790,896	\$ 1,773,653	\$ 17,243
Excess (Deficiency) of Revenues Over Expenditures	\$ (158,631)	\$ (218,631)	\$ (189,127)	\$ 29,504
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (24,300)	\$ (24,300)	\$ (24,300)	\$ -
Net Change in Fund Balances	\$ (182,931)	\$ (242,931)	\$ (213,427)	\$ 29,504
Fund Balances - January 1	\$ 660,786	\$ 660,786	\$ 660,786	\$ -
Fund Balances - December 31	\$ 477,855	\$ 417,855	\$ 447,359	\$ 29,504

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

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RICHLAND COUNTY  
Wahpeton, North Dakota

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

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 394,261	\$ 364,261
<u>Expenditures:</u>				
Current:				
Flood repair	\$ 80,000	\$ 395,000	\$ 394,261	\$ 739
Excess (Deficiency) of Revenues Over Expenditures	\$ (50,000)	\$ (365,000)	\$ -	\$ 365,000
Fund Balances - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balances - December 31	\$ (50,000)	\$ (365,000)	\$ -	\$ 365,000

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

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RICHLAND COUNTY  
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE  
JOB DEVELOPMENT AUTHORITY FUND  
For the Year Ended December 31, 2017

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 99,500	\$ 99,500	\$ 102,993	\$ 3,493
Intergovernmental	13,900	13,900	12,731	(1,169)
Charges for services	110,000	110,000	15,725	(94,275)
Total Revenues	<u>\$ 223,400</u>	<u>\$ 223,400</u>	<u>\$ 131,449</u>	<u>\$ (91,951)</u>
<u>Expenditures:</u>				
Current:				
Economic development	<u>\$ 294,850</u>	<u>\$ 294,850</u>	<u>\$ 32,952</u>	<u>\$ 261,898</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (71,450)</u>	<u>\$ (71,450)</u>	<u>\$ 98,497</u>	<u>\$ 169,947</u>
Fund Balances - January 1	<u>\$ 989,014</u>	<u>\$ 989,014</u>	<u>\$ 989,014</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 917,564</u>	<u>\$ 917,564</u>	<u>\$ 1,087,511</u>	<u>\$ 169,947</u>

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

RICHLAND COUNTY  
Wahpeton, North Dakota

PENSION & 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\***

<b>County - ND PERS - Pension</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset)	0.550155%	0.513537%	0.552928%	0.587136%
County's proportionate share of the net pension liability (asset)	\$ 8,842,796	\$ 5,004,921	\$ 3,759,812	\$ 3,659,713
County's covered-employee payroll	\$ 5,616,216	\$ 5,175,242	\$ 4,925,916	\$ 4,857,028
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%

<b>Water Resource District - ND PERS - Pension</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability (asset)	0.012242%	0.010141%	0.010117%	0.010743%
District's proportionate share of the net pension liability (asset)	\$ 196,769	\$ 98,836	\$ 68,796	\$ 66,964
District's covered-employee payroll	\$ 124,971	\$ 102,200	\$ 90,133	\$ 88,872
District'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\***

<b>County - ND PERS - Pension</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutory required contribution	\$ 407,244	\$ 382,079	\$ 381,008	\$ 345,820
Contributions in relation to the statutory required contribution	\$ 396,115	\$ 376,877	\$ 372,483	\$ 345,820
Contribution deficiency (excess)	\$ 11,129	\$ 5,201	\$ 8,525	\$ -
County's covered-employee payroll	\$ 5,616,216	\$ 5,277,442	\$ 4,925,916	\$ 4,857,028
Contributions as a percentage of covered-employee payroll	7.05%	7.14%	7.56%	7.12%

**RICHLAND COUNTY**

## Pension &amp; OPEB Schedules - Continued

<b>Water Resource District - ND PERS - Pension</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutory required contribution	\$ 9,062	\$ 7,545	\$ 6,972	\$ 6,328
Contributions in relation to the statutory required contribution	\$ 8,814	\$ 7,443	\$ 6,816	\$ 6,328
Contribution deficiency (excess)	\$ 248	\$ 103	\$ 156	\$ -
District's covered-employee payroll	\$ 124,971	\$ 104,218	\$ 90,133	\$ 88,872
Contributions as a percentage of covered-employee payroll	7.05%	7.14%	7.56%	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\***

<b>County - ND PERS - OPEB</b>	<b>2017</b>
County's proportion of the net OPEB liability (asset)	0.519135%
County's proportionate share of the net OPEB liability (asset)	\$ 410,641
County's covered-employee payroll	\$ 5,616,216
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%

<b>Water Resource District - ND PERS - OPEB</b>	<b>2017</b>
District's proportion of the net OPEB liability (asset)	0.011552%
District's proportionate share of the net OPEB liability (asset)	\$ 9,138
District's covered-employee payroll	\$ 124,971
District'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\***

<b>County - ND PERS - OPEB</b>	<b>2017</b>
Statutory required contribution	\$ 65,284
Contributions in relation to the statutory required contribution	\$ 63,424
Contribution deficiency (excess)	\$ 1,861
District's covered-employee payroll	\$ 5,616,216
Contributions as a percentage of covered-employee payroll	1.13%

<b>Water Resource District - ND PERS - OPEB</b>	<b>2017</b>
Statutory required contribution	\$ 1,453
Contributions in relation to the statutory required contribution	\$ 1,411
Contribution deficiency (excess)	\$ 41
District's covered-employee payroll	\$ 124,971
Contributions as a percentage of covered-employee payroll	1.13%

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

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RICHLAND COUNTY  
Wahpeton, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2017

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NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

**RICHLAND COUNTY**

## Notes to the Required Supplementary Information - Continued

**NOTE 3: LEGAL COMPLIANCE - BUDGETS****BUDGET AMENDMENTS**

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

<b>Fund</b>	<b>EXPENDITURES</b>		
	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
<b><u>Major Funds</u></b>			
General Fund	\$ 5,514,845	\$ 182,000	\$ 5,696,845
15 Mill Road	1,261,180	1,155,000	2,416,180
Social Service	1,730,896	60,000	1,790,896
FEMA	80,000	315,000	395,000
<b><u>Nonmajor Special Revenue Funds</u></b>			
Road & Bridge Equipment	301,151	32,000	333,151
NDIRN Fees	9,060	200	9,260
Veteran's Service Officer	60,326	5,600	65,926
Weed Control Levy	206,032	48,600	254,632
Public Health Program	713,296	60,600	773,896
Home Health	353,864	29,000	382,864
WIC Program Fund	73,863	3,300	77,163
Hazardous Chemicals Fund	2,000	1,100	3,100
Sobriety Test	18,200	5,300	23,500



RICHLAND COUNTY  
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-17
<b>Major Funds:</b>							
General Fund	\$ 3,606,211.90	\$ 7,039,903.85	\$ 624,319.61	\$ -	\$ 1,799,505.00	\$ 5,660,440.43	\$ 3,810,489.93
<b>Special Revenue Funds:</b>							
Highway Fund	\$ 288,047.15	\$ 2,741,181.11	\$ 15,005.00	\$ -	\$ -	\$ 2,902,091.67	\$ 142,141.59
15 Mill Road	2,334,403.43	1,647,766.17	-	-	-	2,377,161.12	1,605,008.48
Social Services Fund	691,697.93	1,573,318.76	-	-	24,300.00	1,775,117.37	465,599.32
FEMA Disaster Reimb. Fund	276,132.72	243,153.09	-	-	-	394,260.78	125,025.03
Job Development Authority	209,189.75	230,796.38	-	-	-	288,619.76	151,366.37
<b>Total Major Special Revenue Funds</b>	<b>\$ 3,799,470.98</b>	<b>\$ 6,436,215.51</b>	<b>\$ 15,005.00</b>	<b>\$ -</b>	<b>\$ 24,300.00</b>	<b>\$ 7,737,250.70</b>	<b>\$ 2,489,140.79</b>
<b>Total Major Funds</b>	<b>\$ 7,405,682.88</b>	<b>\$ 13,476,119.36</b>	<b>\$ 639,324.61</b>	<b>\$ -</b>	<b>\$ 1,823,805.00</b>	<b>\$ 13,397,691.13</b>	<b>\$ 6,299,630.72</b>
<b>Nonmajor Special Revenue Funds:</b>							
Bridge Replacement	\$ 10,057.29	\$ 93,798.85	\$ 280,000.00	\$ -	\$ -	\$ 381,860.50	\$ 1,995.64
Road and Bridge Equipment	472.14	50,329.53	280,000.00	-	-	329,521.37	1,280.30
Emergency Assistance Fund	2,999.15	3,178.04	-	-	-	2,746.23	3,430.96
Emergency Fund	225,574.38	-	-	-	-	-	225,574.38
911 Communications	521.34	249,896.02	581,000.00	-	-	831,250.43	166.93
911 Wireless	561.60	192,846.68	-	-	179,000.00	14,405.93	2.35
NDIRN Fees	76.60	20,555.25	-	-	4,900.00	9,189.64	6,542.21
Capital Projects Fund	98.45	251,955.53	367,000.00	-	619,000.00	-	53.98
Special Assessments-Co. Property	297.84	-	-	-	-	-	297.84
Drug Court	283.10	31,125.92	30,000.00	-	-	61,281.42	127.60
Water Rescue Team Fund	224.27	200.00	1,000.00	-	-	1,138.07	286.20
Special Response	33.92	-	2,500.00	-	-	2,128.59	405.33
County Agent	126,619.49	156,227.98	-	-	-	147,187.18	135,660.29
Veteran's Service Officer	11,252.70	67,966.72	-	-	-	64,160.51	15,058.91
Weed Control Levy	245,121.66	199,431.33	-	-	-	252,586.22	191,966.77
Public Health Fund	184,600.87	456,167.18	299,300.00	-	-	772,405.61	167,662.44
Home Health Care Holding Fund	69,669.55	233,066.55	125,000.00	-	-	382,841.39	44,894.71
Family Planning Fund	15,228.72	113,463.02	22,000.00	-	-	139,393.36	11,298.38
WIC Program Fund	602.47	75,992.98	-	-	-	76,104.73	490.72
Hazardous Chemicals Fund	9,901.52	3,237.50	-	-	-	3,091.95	10,047.07
Jail Concession Fund	66,611.63	39,215.25	-	-	-	20,023.49	85,803.39
Sobriety Test Fund	14,752.12	29,344.00	-	-	-	23,490.64	20,605.48
County Park	-	419.61	-	-	419.61	-	-
County Agent Special Account	1,710.08	2,298.87	-	-	-	3,054.76	954.19
<b>Total Nonmajor Special Revenue Funds</b>	<b>\$ 987,270.89</b>	<b>\$ 2,270,716.81</b>	<b>\$ 1,987,800.00</b>	<b>\$ -</b>	<b>\$ 803,319.61</b>	<b>\$ 3,517,862.02</b>	<b>\$ 924,606.07</b>
<b>Total Governmental Funds</b>	<b>\$ 8,392,953.77</b>	<b>\$ 15,746,836.17</b>	<b>\$ 2,627,124.61</b>	<b>\$ -</b>	<b>\$ 2,627,124.61</b>	<b>\$ 16,915,553.15</b>	<b>\$ 7,224,236.79</b>
<b>Agency Funds:</b>							
State Medical Center	\$ 266.83	\$ 84,214.44	\$ -	\$ -	\$ -	\$ 84,170.38	\$ 310.89
Three Rivers Crisis Center	-	3,666.00	-	-	-	3,666.00	-
Garrison Diversion	266.83	89,753.77	-	-	-	89,709.71	310.89
Domestic Violence	175.00	2,555.00	-	-	-	2,590.00	140.00
Township Share Gas & Oil Taxes	-	240,380.84	-	-	-	240,380.84	-
Telecommunications Tax Fund	-	185,292.44	-	-	-	185,292.44	-
State Aid Distribution	-	136,694.55	-	-	-	136,694.55	-
SEMCA Program Fund	11,773.71	209,462.82	-	-	-	221,231.72	4.81
ND State Income Tax W/H Fund	11,517.79	49,624.44	-	-	-	48,146.12	12,996.11
Senior Citizens	266.83	159,863.40	-	-	-	159,819.34	310.89
Historical Society	66.70	36,073.33	-	-	-	36,062.29	77.74
Soil Conservation District	266.83	86,464.18	-	-	-	86,420.12	310.89
Water Management Levy	1,067.40	355,842.42	-	-	-	355,666.13	1,243.69
Red River Joint Water Resource	533.72	173,365.47	-	-	-	173,277.35	621.84
Estimated Real Estate Tax	12,924.75	21,624.96	-	-	-	29,859.54	4,690.17
Taxes Paid in Advance	7,449,399.02	7,086,142.48	-	-	-	7,449,399.02	7,086,142.48
Total Cities	16,382.50	4,249,639.59	-	-	-	4,237,615.09	28,407.00
Total Park Districts	2,162.33	687,834.35	-	-	-	686,175.25	3,821.43

Continued on next page...

RICHLAND COUNTY  
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-17
CONTINUED							
<u>Agency Funds: Continued</u>							
Total School Districts	\$ 32,148.40	\$ 9,687,488.79	\$ -	\$ -	\$ -	\$ 9,683,369.19	\$ 36,268.00
Total Townships	4,220.43	1,436,884.44	-	-	-	1,436,860.92	4,243.95
County Drain Assessments	2,168.81	1,407,744.78	-	-	-	1,406,371.94	3,541.65
Total Fire Protection Districts	2,152.41	590,989.03	-	-	-	591,023.87	2,117.57
Total Ambulance Districts	537.39	163,973.70	-	-	-	163,778.93	732.16
Total Vector Districts	-	139.17	-	-	-	139.17	-
Total Agency Funds	\$ 7,548,297.68	\$ 27,145,714.39	\$ -	\$ -	\$ -	\$ 27,507,719.91	\$ 7,186,292.16
Total Primary Government	\$ 15,941,251.45	\$ 42,892,550.56	\$ 2,627,124.61	\$ -	\$ 2,627,124.61	\$ 44,423,273.06	\$ 14,410,528.95
<u>Component Unit:</u>							
Water Resource District	\$ 4,556,600.96	\$ 2,351,831.66	\$ -	\$ 515,000.00	\$ -	\$ 2,136,813.84	\$ 5,286,618.78
Total Primary Government	\$ 20,497,852.41	\$ 45,244,382.22	\$ 2,627,124.61	\$ 515,000.00	\$ 2,627,124.61	\$ 46,560,086.90	\$ 19,697,147.73

RICHLAND COUNTY WATER RESOURCE DISTRICT  
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS  
WATER RESOURCE DISTRICT  
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-17
General Fund	\$ 148,063.54	\$ 381,340.83	\$ -	\$ -	\$ 120,000.00	\$ 265,034.47	\$ 144,369.90
<u>Special Revenue Funds:</u>							
Drain #1	\$ 54,638.83	\$ 3,720.54	\$ -	\$ -	\$ -	\$ 2,925.68	\$ 55,433.69
Drain #2	15,527.15	51,948.49	-	-	-	1,725.44	65,750.20
Drain #3	151,417.55	67,532.15	-	-	-	9,432.25	209,517.45
Drain #4	88,531.38	64,341.15	-	-	-	13,334.80	139,537.73
Drain #5	234,742.67	15,302.03	-	-	-	20,132.90	229,911.80
Drain #7	158,656.98	60,749.91	-	-	-	17,868.94	201,537.95
Drain #10	48,166.07	7,541.85	-	-	-	3,538.42	52,169.50
Drain #12	106,770.36	58,622.16	-	-	-	10,471.64	154,920.88
Drain #14	177,082.13	96,642.30	-	-	-	149,257.65	124,466.78
Drain #15	126,099.88	36,622.12	-	-	-	1,612.50	161,109.50
Drain #17	1,153.20	9,555.60	-	-	-	107.55	10,601.25
Drain #18	44,679.13	31,463.58	-	-	-	3,694.59	72,448.12
Drain #19	25,926.28	2,025.93	-	-	-	40.31	27,911.90
Drain #26	33,045.85	13,933.19	-	-	-	31,901.24	15,077.80
Drain #31	434,574.61	133,618.91	-	-	-	121,811.00	446,382.52
Drain #34	14,578.19	10,201.84	-	-	-	1,343.77	23,436.26
Drain #35	21,650.87	4,412.03	-	-	-	6,790.96	19,271.94
Drain #39	33,235.25	61,518.48	-	-	-	2,128.03	92,625.70
Drain #41	9,913.08	14,989.00	-	-	-	318.15	24,583.93
Drain #48	(5,533.89)	6,847.52	-	-	-	197.88	1,115.75
Drain #55	34,161.79	28,957.99	-	-	-	6,821.06	56,298.72
Drain #58	27,598.84	13,275.51	-	-	-	2,637.76	38,236.59
Drain #62	76,044.51	14,370.00	-	-	-	2,039.42	88,375.09
Drain #63	23,308.98	14,193.59	-	-	-	5,423.75	32,078.82
Drain #65	274,664.67	79,578.93	-	-	-	5,357.63	348,885.97
Drain #66	133,237.34	27,751.67	-	-	-	3,737.48	157,251.53
Drain #67-8	214,752.90	43,243.71	-	-	-	4,131.20	253,865.41
Drain #72	85,915.33	78,903.72	-	-	-	24,551.84	140,267.21
Drain #95	308,583.33	157,350.98	-	-	-	40,872.69	425,061.62
Drain #97	31,282.23	4,893.61	-	-	-	1,963.07	34,212.77
Drain RS #1	100,549.03	133,035.53	-	-	-	54,319.61	179,264.95
Drain #SW2	10,418.19	-	-	-	-	321.06	10,097.13
Waterways	430,090.60	53,990.33	120,000.00	-	-	95,997.52	508,083.41
FEMA Administrative Fee	-	144.30	-	-	-	144.30	-
Total Special Revenue Funds	\$ 3,525,463.31	\$ 1,401,278.65	\$ 120,000.00	\$ -	\$ -	\$ 646,952.09	\$ 4,399,789.87
<u>Debt Service Funds:</u>							
Bond #2	\$ 461,343.75	\$ 197,280.31	\$ -	\$ -	\$ -	\$ 626,605.79	\$ 32,018.27
Bond #5	421,730.36	160,340.12	-	-	-	160,819.78	421,250.70
Bond #14	-	211,591.75	-	515,000.00	-	437,401.71	289,190.04
Total Debt Service Funds	\$ 883,074.11	\$ 569,212.18	\$ -	\$ 515,000.00	\$ -	\$ 1,224,827.28	\$ 742,459.01
Total All Funds	\$ 4,556,600.96	\$ 2,351,831.66	\$ 120,000.00	\$ 515,000.00	\$ 120,000.00	\$ 2,136,813.84	\$ 5,286,618.78

RICHLAND COUNTY  
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Award Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>			
<u>Passed Through the State Department of Human Services:</u>			
Promoting Safe and Stable Families	93.556	N/A	\$ 7,067
Temporary Assistance for Needy Families	** 93.558	N/A	109,409
Child Support Enforcement	93.563	N/A	994
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	10,369
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	8,853
Foster Care-Title IV-E	93.658	N/A	86,387
Adoption Assistance	93.659	N/A	1,177
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	29,167
Maternal and Child Health Services Block Grant to the States	93.994	N/A	1,581
<u>Passed Through the State Department of Health:</u>			
Public Health Emergency Preparedness	93.069	N/A	2,318
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	N/A	722
Family Planning-Services	93.217	N/A	36,708
Immunization Cooperative Agreements	93.268	N/A	989
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	N/A	500
Cancer Prevention and Control Programs for State, Territorial, and Trival Organizations financed in part by Prevention and Public Health Funds	93.752	N/A	39,608
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	N/A	22,782
Cancer Prevention and Control Programs for State, Territorial, and Trival Organizations	93.898	N/A	21,441
HIV Care Formula Grants	93.917	N/A	2,258
PPHF Capacity Building Assistance to Strengthen Publi Health Immunization Infrastructure and Performance financed in party by Prevention and Public Health Funds	93.539	N/A	8,901
HIV Prevention Activities-Health Department Based	93.940	N/A	1,291
Maternal and Child Health Services Block Grant to the States	93.994	N/A	15,876
Total U.S. Department of Health and Human Services Pass-Through Programs			\$ 408,398
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>			
<u>Passed Through the State Office of Attorney General:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 42,235
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>			
<u>Passed Through the State Department of Health:</u>			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	N/A	\$ 75,993
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u></b>			
<u>Passed Through the State Department of Emergency Services:</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	** 97.036	N/A	\$ 349,453
Emergency Management Performance Grants	97.042	N/A	35,989
Total U.S. Department of Transportation Pass-Through Programs			\$ 385,442
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 912,068</b>

\*\* - Major program

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RICHLAND COUNTY  
Wahpeton, North Dakota

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2017

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**NOTE 1: BASIS OF PRESENTATION / ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Richland County under programs of the federal government for the year ended December 31, 2017. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of Richland County, it is not intended to and does not present the financial position or changes in net position of Richland County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are allowable or are limited as to reimbursement.

**NOTE 3: NOT AVAILABLE (N/A)**

Richland County was unable to obtain other identification number.

## 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

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

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#### Independent Auditor's Report

Board of County Commissioners  
Richland County  
Wahpeton, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Richland County's basic financial statements, and have issued our report thereon dated April 12, 2018.

#### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 Richland County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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**RICHLAND COUNTY**

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

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**Richland County's Response to Findings**

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

**Purpose of this Report**

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

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
April 12, 2018

**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

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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Independent Auditor's Report

Board of County Commissioners  
Richland County  
Wahpeton, North Dakota

**Report on Compliance for Each Major Federal Program**

We have audited Richland County's compliance with the types of compliance requirements described in the *OMB Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of Richland County's major federal programs for the year ended December 31, 2017. Richland County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Richland County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Richland County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Richland County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Richland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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## **RICHLAND COUNTY**

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and  
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance - Continued

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### **Report on Internal Control Over Compliance**

Management of Richland County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Richland County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Richland County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Richland County as of and for the year ended December 31, 2017, and have issued our report thereon dated April 12, 2018 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
April 12, 2018

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RICHLAND COUNTY  
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017

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**Section I - Summary of Auditor's Results**

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Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified?        Yes   X   None noted

Significant deficiencies identified not considered to be material weaknesses?   X   Yes        None noted

Noncompliance material to financial statements noted?        Yes   X   None noted

Federal Awards:

Internal control over major programs:

Material weaknesses identified?        Yes   X   None noted

Significant deficiencies identified?        Yes   X   None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516?        Yes   X   No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

**Section II - Financial Statement Findings**

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**2017-001 – LACK OF SEGREGATION OF DUTIES – WATER RESOURCE DISTRICT**

**Condition:**

The Richland County WRD has one Secretary/Treasurer 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.

**Criteria:**

An accounting system should segregate the duties of authorizing transactions, posting of transactions, custody of assets, and reconciliation.

**Effect:**

The lack of segregation of duties in this key control area creates a higher risk that the financial statements could be misstated due to errors or fraud.

**Recommendation:**

Due to the size, complexity and the economic realities of Richland County Water Resource District, 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:**

The Richland County Water Resource District agrees and will segregate duties as it becomes feasible.

**Section III – Federal Award Findings and Questioned Costs**

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No matters reported.

You may obtain audit reports on the internet at:

[www.nd.gov/auditor/](http://www.nd.gov/auditor/)

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



# Richland County

Wahpeton, 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  
Richland County  
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County, Wahpeton, 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 12, 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, AND 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 basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether Richland County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with Uniform Guidance, we examined, on a test basis, evidence about Richland County's compliance with the types of compliance requirements described in the Uniform Guidance applicable to each of its major federal programs for the purpose of expressing an opinion on Richland County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Richland County's compliance with those requirements.

### **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 Richland County are described in Note 1 to the financial statements. 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:

<b>AUDIT ADJUSTMENTS - PRIMARY GOVERNMENT</b>		
Intergovernmental Receivable	504,006	
Accounts Receivable	26,874	
Interest Receivable	7,500	
Revenue		538,380
Revenue	125,025	
Unearned Revenue		125,025
Expenditures	224,769	
Accounts Payable		154,080
Salaries Payable		70,689
<b>AUDIT ADJUSTMENTS - WATER RESOURCE DISTRICT</b>		
Intergovernmental Receivable	4,137	
Due from County	4,785	
Revenue		8,922
Expenditures	8,491	
Accounts Payable		8,491

**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 12, 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.

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

/s/  
Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
April 12, 2018