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Tri-Cities Joint JDA

Audit Report

December 31, 2017

Tri-Cities Joint JDA
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For The Year Ended December 31, 2017

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Tri-Cities Joint JDA

List of Officials
December 31, 2017

Aaron Levorsen	Chairman
Mark Stelter	Vice Chairman/Board Representative
Wayne Nagel	Treasurer/Board Representative
Donna VandenBurg	Secretary
Misty Nagel	Board Member
Reva Weekes	Board Member
John Schmid	Board Member
Kenneth Roth	Board Member
Ron Bartz	Board Member
Roxann Tietz	Board Member
Kent Roehl	Board Member
Rueben Pastian	Board Member
Michelle Psyck	Lake Recreation Manager

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tri-Cities Joint JDA
Elgin, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, and the major fund of the Tri-Cities Joint JDA, Elgin, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Organization'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, and the major fund of the Tri-Cities Joint JDA as of December 31, 2017, and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tri-Cities Joint JDA's basic financial statements. The budgetary comparison information on page 17, the employer's share of net pension liability and employer contributions on page 18 and the notes to the supplementary information on page 19, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by Government Audit Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, on our consideration of the Tri-Cities Joint JDA'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 the Tri-Cities Joint JDA's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
May 31, 2018

Tri-Cities Joint JDA
Statement of Net Position and Governmental Funds Balance Sheet - Modified Cash Basis
December 31, 2017

	Governmental Funds Balance Sheet		Statement of Net Position
	General Fund	Adjustments	
ASSETS			
Cash and Cash Equivalents	\$ 415,007	\$ -	\$ 415,007
Total Assets	\$ 415,007	-	415,007
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions		80,056	80,056
LIABILITIES			
Due to Other Governments	\$ 3,000	-	3,000
Payroll Liabilities	4,377	-	4,377
Credit Card Payable	104	-	104
Sales Tax Payable	132	-	132
Long-Term Liabilities:			
Net Pension Liability	-	134,270	134,270
Total Liabilities	7,613	134,270	141,883
DEFERRED INFLOWS OF RESOURCES			
Derived from Pensions		7,914	7,914
FUND BALANCES/NET POSITION			
Fund Balances:			
Assigned	407,394	(407,394)	-
Total Fund Balances	407,394	(407,394)	-
Total Liabilities and Fund Balances	\$ 415,007		
Net Position:			
Unrestricted		345,266	345,266
Total Net Position		\$ 345,266	\$ 345,266

Explanation of adjustments between the governmental funds balance sheet and the government-wide statement of net position:

Total Fund Balances - Governmental Funds		\$ 407,394
Deferred outflows of resources are not a financial resource available in the current period and, therefore, are not reported in the governmental funds balance sheet.		80,056
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.		(134,270)
Deferred inflows of resources are not due and payable in the current period and, therefore are not reported in the governmental funds balance sheet.		(7,914)
Net Position - Governmental Activities		\$ 345,266

Tri-Cities Joint JDA
Statement of Activities and Governmental Fund Statement
of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
For the Year Ended December 31, 2017

	Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances		
	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Operations & Maintenance	\$ 462,865	\$ 18,041	\$ 480,906
Total Expenditures/Expenses	462,865	18,041	480,906
Program Revenues:			
Fees & Licenses	437,814	-	437,814
Souvenirs	2,670	-	2,670
Reclamation Grant	28,091	-	28,091
Total Program Revenues	468,575	-	468,575
Net Program Revenue			(12,331)
General Revenues:			
Interest Income	448	-	448
Miscellaneous Income	1,476	-	1,476
Total General Revenues	1,924	-	1,924
Excess of Revenues Over Expenditures	7,634	(7,634)	-
Change in Net Position	-	(10,407)	(10,407)
Fund Balance/Net Position:			
Beginning of the Year	399,760	(44,087)	355,673
End of the Year	\$ 407,394	\$ (62,128)	\$ 345,266

Explanation of the adjustments between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

Governmental Funds - Excess of Revenues Over Expenditures	\$	7,634
Governmental funds report the pension expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.		(18,041)
Statement of Activities - Change in Net Position	\$	(10,407)

Tri-Cities Joint JDA
Notes to the Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The Tri-Cities Joint JDA is involved in a cooperative agreement with the Bureau of Reclamation which includes operations and project management of the Lake Tschida recreation area. The Organization was formed and took over the operations of the recreation area after the Grant County JDA disbanded. The Tri-Cities Joint JDA is made up of the cities of Carson, Elgin and New Leipzig. The Organization was also formed to use their financial and other resources to encourage and assist in the development of employment opportunities within the cities and surrounding areas.

Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the Organization's financial statements include all accounts of the Organization's operations. The criteria for including entities as component units within the Organization's reporting entity include whether:

- the entity is legally separate (can sue and be sued in their own name)
- the Organization holds the corporate powers of the entity
- the Organization appoints a voting majority of the entity's board
- the Organization is able to impose its will on the entity
- the entity has the potential to impose a financial benefit/burden on the Organization
- there is a fiscal dependency by the entity on the Organization

The Organization receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the Organization as a reporting entity and the Organization is not includable as a component unit within another reporting entity.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the Organization does not classify any activities as business-type.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Tri-Cities Joint JDA
Notes to the Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The Organization has no proprietary or fiduciary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Organization has presented the following major fund:

General Fund: The General Fund is the main operating fund of the Organization and the only major fund at this time. This fund is used to account for all operating and financial resources of the Lake Tschida Recreation area.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the modified cash basis of accounting, the Organization recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The current financial resources measurement focus differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the Organization's financial statements include the reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Tri-Cities Joint JDA
Notes to the Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Organization utilized the basis of accounting recognized as generally accepted, the fund financial statements would use modified accrual. All government-wide financials would be presented on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents includes non-interest bearing demand deposits.

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Organization. Those committed amounts cannot be used for any other purpose unless the Organization removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the Organization’s “intent” to be used for special purposes, but are neither restricted nor committed. The Organization members have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Organization’s preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Tri-Cities Joint JDA
Notes to the Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 3 for additional information.

Pensions

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

NOTE 2 – DEPOSITS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions 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 deposits, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the state of North Dakota, its boards, agencies, or instrumentalities, or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing entity, and bonds issued by any other state of the United States or such other securities approved by the banking board.

At December 31, 2017, the carrying amount of deposits was \$415,007. The bank balance of these deposits as of December 31, 2017 was \$389,287. The difference results from checks outstanding or deposits not yet processed. Of the bank balances, \$56,844 was not covered by Federal Depository Insurance or guaranteed by the State of North Dakota. The Organization's deposits were not adequately covered in accordance with state statutes.

Tri-Cities Joint JDA
Notes to the Financial Statements
December 31, 2017

NOTE 2 – DEPOSITS (CONTINUED)

Credit Risk: The Organization 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.

Concentration of credit risk: The Organization does not have a limit on the amount the Organization may invest in any one issuer.

NOTE 3 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of December 31, 2017 are as follows:

Deferred Outflows of Resources	
Derived from pension	<u>\$ 80,056</u>
Deferred Inflows of Resources	
Derived from pension	<u>\$ 7,914</u>

Note 4 of the financial statements contains details of the pension plan.

NOTE 4 – PENSION PLANS

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

NOTE 4 – PENSION PLAN (CONTINUED)

Pension Benefits

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

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

Death and Disability Benefits

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

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

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.

Tri-Cities Joint JDA
Notes to the Financial Statements
December 31, 2017

NOTE 4 – PENSION PLAN (CONTINUED)

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 Organization reported a liability of \$134,270 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization’s proportion of the net pension liability was based on the Organization’s share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2016, the Organization’s proportion was 0.013777 percent which was an increase of .004159 percent from its proportion measured as of July 1, 2015.

For the year ended December 31, 2017, the Organization recognized pension expense of \$26,425. At December 31, 2017, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,017	\$ 1,243
Changes of assumptions	12,378	6,671
Net difference between projected and actual earnings on pension plan investments	18,733	-
Changes in proportion and differences between employer contributions and proportionate share of contributions.	38,557	-
Employer contributions subsequent to the measurement date (see below)	8,371	-
Total	<u>\$ 80,056</u>	<u>\$ 7,914</u>

\$8,371 reported as deferred outflows of resources related to pensions resulting from Organization contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

Tri-Cities Joint JDA
Notes to the Financial Statements
December 31, 2017

NOTE 4 – PENSION PLAN (CONTINUED)

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

For the year ended December 31,		
2018	\$	13,147
2019		13,147
2020		17,234
2021		14,065
2022		6,178
Thereafter		-

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

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

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

Tri-Cities Joint JDA
Notes to the Financial Statements
December 31, 2017

NOTE 4 – PENSION PLAN (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Employer's proportionate share of the net pension liability	\$ 190,460	\$ 134,270	\$ 86,928

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

Tri-Cities Joint JDA
Notes to the Financial Statements
December 31, 2017

NOTE 5 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

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

The Organization also carries commercial insurance for other risks of loss, including North Dakota Fire and Tornado fund, and worker's compensation.

NOTE 6 – RELATED PARTY TRANSACTIONS

Aaron Levorsen is the chairman of the board for the Tri-Cities Joint JDA. His wife Julie Levorsen is the accountant for the organization as an independent contractor.

Mark Stelter is the vice chairman of the board and a board representative. He owns a trailer included in the Lake Tschida operations. Mark is also the owner of Stelter Repair, which does various repairs and other work for the organization.

Reva Weekes is the daughter of Rueben Pastian. Both are board members for the Tri-Cities Joint JDA. Rueben Pastian is also an employee of Stelter Repair.

Wayne Nagel is the father-in-law of Misty Nagel. Wayne is the treasurer of the board and a board representative and Misty is a board member for the Tri-Cities Joint JDA. Wayne is the owner of ACE Coating, which does work for the organization.

Jade Seibel is an employee of the organization. His wife Michelle Seibel is the contact for the organization's insurance with Farmers Union.

Roxann Tietz is Bruce Tietz's wife. Roxann is a board member and Bruce was hired to work maintenance.

NOTE 7 – BUREAU AGREEMENT

The Tri-Cities Joint JDA has a cooperative agreement with the Bureau of Reclamation for any projects related to the Lake Tschida operations. Any capital assets brought over from the previous entity, the Grant County JDA who was then involved in the agreement with the Bureau, are considered to be Bureau property. This remains true for the current agreement between the Tri-Cities Joint JDA and the Bureau of Reclamation. All purchases whether from grant money received from the Bureau or from the operations of the lake would be turned back over to the Bureau should the management contract end between the two organizations.

Tri-Cities Joint JDA
Notes to the Financial Statements
December 31, 2017

NOTE 8 – COMMITMENTS

The Organization has entered into an agreement for the lease of two pickups. This is a three-year lease beginning in March of 2015. Monthly payments for the two vehicles are \$823 and \$966 for a total payment of \$1,789. Expenses incurred for this lease for the year ended December 31, 2017 were \$21,469. Future payments are \$3,578 for 2018.

NOTE 9 – LINE OF CREDIT

The Organization entered into a line of credit with Dakota Community Bank and Trust during 2016. The credit limit was \$50,100 with an interest rate of 5 percent. The line of credit had a maturity date of April 17, 2017 and it was closed at that time.

Tri-Cities Joint JDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Modified Cash Basis - Comparison to Budget - General Fund
For the Year Ended December 31, 2017

	Budget Original	Budget Amended	Actual	Favorable (Unfavorable) Variance
Revenues:				
Fees & Licenses	\$ 459,759	\$ 431,444	\$ 437,814	\$ 6,370
Souvenirs	2,500	2,675	2,670	(5)
Reclamation Grant	73,000	28,100	28,091	(9)
Interest Income	-	-	448	448
Miscellaneous	1,500	1,500	1,476	(24)
Total Revenues	<u>536,759</u>	<u>463,719</u>	<u>470,499</u>	<u>6,780</u>
Expenditures:				
Accounting	7,500	7,500	7,219	281
Advertising	2,500	2,500	1,124	1,376
Audit	5,500	5,500	5,250	250
Bank & Credit Card Fees	4,350	4,700	4,644	56
Board Pay & Mileage	7,000	9,018	7,018	2,000
Campground Improvements	100,000	64,000	63,345	655
Equipment-Machinery, Vehicle & Office	34,300	37,150	32,340	4,810
Fishing License Expense	2,200	2,200	1,386	814
Gas, Fuel & Oil	11,000	11,000	7,638	3,362
Interest Expense	100	100	26	74
Miscellaneous Expense	1,200	1,290	387	903
Office Expense	7,000	12,450	12,537	(87)
Property & Liability Insurance	5,500	5,500	1,893	3,607
Repairs-Equipment, Vehicles, Campgrounds	9,500	10,700	8,652	2,048
Salaries	202,000	208,500	204,267	4,233
Sheriff Contract	27,000	27,000	27,000	-
Souvenirs	1,825	1,825	2,589	(764)
Supplies & Tools	23,300	23,550	15,635	7,915
Travel	-	-	1,633	(1,633)
Utilities	57,700	59,525	57,963	1,562
Vehicle Insurance & License	2,000	2,000	319	1,681
Total Expenditures	<u>511,475</u>	<u>496,008</u>	<u>462,865</u>	<u>33,143</u>
Excess of Revenues Over (Under) Expenditures	25,284	(32,289)	7,634	39,923
Fund Balance - Beginning of Year	<u>399,760</u>	<u>399,760</u>	<u>399,760</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 425,044</u>	<u>\$ 367,471</u>	<u>\$ 407,394</u>	<u>\$ 39,923</u>

Tri-Cities Joint JDA
 Supplementary Information
 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 *

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.013777%	0.009618%	0.006659%
Employer's proportionate share of the net pension liability (asset)	\$ 134,270	\$ 65,401	\$ 42,266
Employer's covered-employee payroll	\$ 138,836	\$ 85,689	\$ 56,102
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.34%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

* Complete data for this schedule is not available prior to 2015.

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

	2017	2016	2015
Statutorily required contribution	\$ 10,052	\$ 6,508	\$ 3,994
Contributions in relation to the statutorily required contribution	\$ 8,271	\$ (6,724)	\$ (3,994)
Contribution deficiency (excess)	\$ 1,781	\$ (216)	\$ -
Employer's covered-employee payroll	\$ 138,836	\$ 85,689	\$ 56,102
Contributions as a percentage of covered-employee payroll	5.96%	7.60%	7.12%

* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of 7/1/2016, 7/1/2015 and 7/1/2014.

Tri-Cities Joint JDA
Notes to Supplementary Information
December 31, 2017

NOTE 1 CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2016 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.

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Tri-Cities Joint JDA
Elgin, 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, and the major fund of the Tri-Cities Joint JDA, Elgin, North Dakota as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Tri-Cities Joint JDA's basic financial statements and have issued our report thereon dated May 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tri-Cities Joint JDA'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 the Tri-Cities Joint JDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tri-Cities Joint JDA'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. We consider deficiencies 2017-001 and 2017-002 to be significant deficiencies.

INDEPENDENT AUDITOR'S 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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tri-Cities Joint JDA'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*.

Tri-Cities Joint JDA's Response to Findings

The Tri-Cities Joint JDA's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Tri-Cities Joint JDA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
May 31, 2018

Tri-Cities Joint JDA
Schedule of Findings
For the Year Ended December 31, 2017

Current Year Findings

Finding 2017-001: Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the Organization’s auditors.

Criteria – Complete and accurate presentation of the financial statements in conformity with the modified cash basis of accounting is required.

Cause – Ongoing changes in the reporting and disclosure requirements make it difficult to maintain knowledge of current accounting standards with limited time available to the bookkeepers.

Effect – The Organization has elected to have the auditors complete the full disclosure financial statements.

Recommendation – The preparation of financial statements by the Organization’s auditors is not unusual in an entity of your size; however, the bookkeepers should acquire knowledge of current accounting principles and required financial statement disclosures and prepare monthly and annual financial statements.

Management’s Response – The Organization has decided to accept the degree of risk associated with the Organization not preparing its own financial statements.

Finding 2017-002: Segregation of Duties

Condition – The Organization has a lack of segregation of duties due to a limited number of individuals involved. Considering the size of the Organization, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Criteria – A good system of internal control contemplates adequate segregation of duties so that no individual has control of a transaction from inception to completion.

Cause – There is a limited number of staff members available for these duties.

Effect – Inadequate segregation of duties could affect the Organization’s ability to timely detect misstatements in amounts that would be material to the financial statements. There are a limited number of individuals available to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements.

Recommendation – This is not unusual in organizations of your size, but the Board should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the Organization's operations.

Management’s Response – The Organization is aware of the limitations and has determined additional staff is not feasible. The Organization will monitor the condition.