



Cass County Vector Control District

Fargo, North Dakota

(A Component Unit of Cass County)

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

CASS COUNTY VECTOR CONTROL DISTRICT
WEST FARGO, ND

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For the Year Ended December 31, 2017

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CASS COUNTY VECTOR CONTROL DISTRICT
West Fargo, ND

District Officials

Tim Mahoney
Clay Whittlesey
Joe Rinehart

Chairman
Board Member
Board Member



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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Cass County Vector Control District
West Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of Cass County Vector Control District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District'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, and the major fund of Cass County Vector Control District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 11 to the financial statements, Cass County Vector Control District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, the schedules of the proportionate share of the net pension & OPEB liability, and schedules of employer pension & OPEB contributions* on pages 4-10 and 34-37 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018 on our consideration of Cass County Vector Control District'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 Cass County Vector Control District's internal control over financial reporting and compliance.

/s/
Joshua C. Gallion
State Auditor

Fargo, North Dakota
June 26, 2018

CASS COUNTY VECTOR CONTROL DISTRICT

Management's Discussion and Analysis

The District's management discussion and analysis offer readers of the District's financial statements a narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements.

Financial Highlights

- The net position of Cass County Vector Control District exceeded its liabilities at December 31, 2017 by \$265,833. Net investment in capital assets (net of depreciation and related debt) had a value of \$281,114. Of the remaining net position, \$(15,282) may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- At December 31, 2017, the District's governmental funds reported combined ending fund balances of \$167,566, an increase of \$75,836 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Position and the Statement of Activities.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during fiscal year 2017. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Items such as uncollected taxes will be included in the statement of activities as revenue and expenses, even though the cash associated with these items will not be received or distributed in 2017.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include conservation and economic development.

The government-wide financial statements include only the District itself (known as the primary government). The Cass County Vector Control District is a component unit of Cass County Government.

The government-wide financial statements can be found on pages 11-12 of this report.

The table below, summarizes the major features of the district's financial statements, including portions of the district's activities covered and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Major Features of the Government-Wide and Fund Financial Statements		
	Government-Wide Statements	Fund Financial Statements Governmental
Scope	Entire District	The activities of the district
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance
Accounting Basis and Measurement Focus	Accrual Accounting and Economic Resource Focus	Modified accrual accounting and current financial resource focus
Type of Asset/Liability information	All assets and deferred outflows of resources, and liabilities and deferred inflows of resources, both financial and capital, short term and long term	Generally assets expected to be consumed and liabilities paid during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the District is categorized as a governmental fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-33 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$265,833 at the close of the fiscal year ended December 31, 2017.

Statement of Net Position
December 31, 2017 and 2016

	Governmental Activities	
	2017	2016
Current and Other Assets	\$ 413,600	\$ 299,666
Capital Assets	281,114	281,274
Total Assets	<u>\$ 694,744</u>	<u>\$ 580,940</u>
Deferred Outflows of Resources	<u>\$ 106,289</u>	<u>\$ 35,119</u>
Liabilities		
Other Liabilities	<u>\$ 253,620</u>	<u>\$ 142,977</u>
Deferred Inflows of Resources	<u>\$ 281,580</u>	<u>\$ 252,726</u>
Net Position:		
Net Investment in Capital Assets	\$ 281,114	\$ 281,274
Unrestricted	<u>(15,282)</u>	<u>(60,919)</u>
Total Net Position	<u><u>\$ 265,833</u></u>	<u><u>\$ 220,355</u></u>

The largest portion of the District's net position reflects its investment in capital assets (e.g. equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Changes in Net Position

Governmental activities increased the District's net position by \$59,360. Key elements in changes in net position are shown in the following table.

Statement of Activities
For the Years Ended December 31, 2017 and 2016

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues:		
Charges for Services	\$ 409,990	\$ 364,637
Operating Grants and Contributions		
General Revenues:		
Property Taxes	740,547	591,115
Other	62,379	32,879
Total Revenues	\$ 1,212,916	\$ 988,631
Expenses:		
Conservation & Economic Development	\$ 1,153,555	\$ 1,048,194
Changes in Net Position	\$ 59,360	\$ (59,563)
Net Position – January 1, as previously stated	\$ 220,355	\$ 279,918
Cumulative Effect of Change in Accounting Principal	\$ (13,883)	\$ -
Net Position – January 1, as restated	\$ 206,472	\$ 279,918
Net Position – December 31	\$ 265,833	\$ 220,355

Total revenues for 2017 were \$1,212,916. Property taxes revenue accounted for 61% of total revenue sources; the remaining 39% was from charges for services, and miscellaneous income.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2017, the District's governmental fund reported ending fund balance of \$167,566, an increase of \$75,836 in comparison with the prior year. The general fund is reported as a major fund.

General Fund Budgetary Highlights

Difference between the General Fund's original budget and the final amended budget was \$52,310 in expenditures. The budget increase was for the purchase of data collection software.

The General Fund's actual revenue was \$90,927 under the final budget. The actual expenditures were \$28,874 less than the final budget.

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$281,114 (net of accumulated depreciation). This investment in capital assets includes equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$160.

The following is a schedule of capital assets net of accumulated depreciation as of December 31, 2017:

	Governmental Activities	
	2017	2016
Machinery and Equipment	\$ 281,114	\$ 281,274

Additional information on the District's capital assets can be found in Note 5 on page 22 of this report.

Economic Factors and Next Year's Budgets and Rates

- The taxable value of all property located in the county has increased by over 3 percent in each year for the last five years.
- The threat of west nils virus will affect the operations of the Vector Control District.

Requests for Information

This financial report is designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the County Auditor's Office, Box 2806, Fargo, ND 58103.

Cass County Vector Control District

Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 334,700
Receivables:	
Accounts Receivable	11,096
Taxes Receivable	6,185
Inventory	55,246
Prepaid Item	6,402
Capital Assets - Net of Accumulated Depreciation	<u>281,114</u>
Total Assets	<u>\$ 694,744</u>
<u>Deferred Outflows of Resources:</u>	
Deferred Outflows of Resources Related to Pensions & OPEB	\$ 99,415
Pension & OPEB Contributions Made Subsequent to Measurement Date	<u>6,874</u>
Total Deferred Outflows of Resources	<u>\$ 106,289</u>
<u>Liabilities</u>	
Accounts Payable	\$ 1,749
Long-Term Liabilities:	
Due within one year	17,411
Net OPEB Liability	14,810
Net Pension Liability	<u>219,650</u>
Total Liabilities	<u>\$ 253,620</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes Levied for Subsequent Year	\$ 238,128
Deferred Inflows of Resources Related to Pensions & OPEB	<u>43,452</u>
Total Deferred Inflows of Resources	<u>\$ 281,580</u>
<u>Net Position</u>	
Net Investment in Capital Assets	\$ 281,114
Unrestricted	<u>(15,282)</u>
Total Net Position	<u><u>\$ 265,833</u></u>

The accompanying notes are an integral part of the financial statements.

Cass County Vector Control District

Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues			Net(Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>				Governmental Activities	
Governmental activities:					
Conservation & Economic Development	\$1,153,555	\$ 409,990	\$ -	\$ -	\$ (743,565)
Total primary government	<u>\$1,153,555</u>	<u>\$ 409,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (743,565)</u>
			General Revenues:		
			Property Taxes		\$ 740,547
			State Shared Revenues		32,385
			Miscellaneous Revenues		29,146
			Unrestricted Interest Earnings		848
			Total General Revenues		<u>\$ 802,925</u>
			Changes in Net Position		<u>\$ 59,360</u>
			Net Position - January 1 as previously stated		220,355
			Cumulative Effect of Change in Accounting Principal		<u>(13,883)</u>
			Net Position - January 1		206,472
			Net Position - December 31		<u><u>\$ 265,833</u></u>

The accompanying notes are an integral part of the financial statements.

Cass County Vector Control District

Balance Sheet - Governmental Funds

December 31, 2017

	Governmental Fund Type
	<u>General Fund</u>
<u>Assets:</u>	
Cash and Cash Equivalents	\$ 334,700
Receivables:	
Accounts Receivable	11,096
Taxes Receivable	6,185
Inventory	55,246
Prepaid Item	<u>6,402</u>
 Total Assets	 <u>\$ 413,629</u>
 <u>Liabilities:</u>	
Accounts Payable	<u>\$ 1,749</u>
 Total Liabilities	 <u>\$ 1,749</u>
 <u>Deferred Inflows of Resources:</u>	
Taxes Receivable	\$ 6,185
Property Taxes Levied for Subsequent Year	<u>238,128</u>
 Total Deferred Inflows of Resources	 <u>\$ 244,313</u>
 <u>Fund Balances</u>	
Unassigned	\$ 105,918
Nonspendable	<u>61,648</u>
Total Fund Balances	<u>\$ 167,567</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 413,629</u>

The accompanying notes are an integral part of the financial statements.

Cass County Vector Control District

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

Fund balance - total governmental funds	\$	167,567
Amounts reported for governmental activities in the statement of net position are different because:		
Add - Capital Assets	\$ 699,216	
Deduct - accumulated depreciation	<u>(418,102)</u>	
Net Capital Assets		281,114
Property taxes receivable 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 unavailable revenues in the funds		
		6,185
Net pension & OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds		
Net Pension Liability	\$ (219,650)	
Net OPEB Liability	<u>(14,810)</u>	
		(234,460)
Deferred outflows and inflows of resources related to pensions & OPEB are not due and payable in the current period and, therefore, are not reported in the funds		
Deferred Outflows of Resources Related to Pensions & OPEB	\$ 99,415	
Pension & OPEB Contributions Made Subsequent to Measurement Date	6,874	
Deferred Inflows of Resources related to pensions & OPEB	<u>(43,452)</u>	
		62,837
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences Payable		<u>(17,411)</u>
Net position of governmental activities	\$	<u><u>265,833</u></u>

The accompanying notes are an integral part of these financial statements.

Cass County Vector Control District

Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>Actual</u>
<u>Revenues:</u>	
Taxes	\$ 738,809
Intergovernment Revenues	32,385
Charges for Services	409,990
Miscellaneous Revenues	<u>848</u>
Total Revenues	<u>\$ 1,182,031</u>
<u>Expenditures:</u>	
Current:	
Conservation & Economic Development	<u>\$ 1,135,340</u>
Total Expenditures	<u>\$ 1,135,340</u>
Excess of Revenues Over (Under)	
Expenditures	<u>\$ 46,691</u>
<u>Other Financing Sources</u>	
Sale of Property	<u>\$ 29,146</u>
Total Other Financing Sources	<u>\$ 29,146</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ 75,836</u>
Fund Balance-January 1	<u>\$ 91,730</u>
Fund Balance-December 31	<u><u>\$ 167,566</u></u>

The accompanying notes are an integral part of the financial statements.

Cass County Vector Control District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in fund balances - total governmental funds	\$	75,836
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Capital Asset Additions	\$ 125,114	
Current Year Depreciation	<u>(89,716)</u>	
		35,398

The effect of various miscellaneous transaction involving capital (i.e. sales, trade-ins, and donations) assets.

In the statement of activities, only the loss on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or disposed:

Retired Assets	\$ (128,063)	
Accumulated Depreciation on Retired Assets	<u>92,506</u>	
		(35,557)

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. This consists of the decrease in taxes receivable.

1,738

The net pension & OPEB liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Increase in Net Pension Liability	\$ (100,702)	
Increase in Net OPEB Liability	(928)	
Increase in Deferred Outflows of Resources	71,170	
Increase in Deferred Inflows of Resources	<u>6,661</u>	
		(23,798)

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

Net Increase in Compensated Absences		<u>5,743</u>
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Change in net position of governmental activities	\$	<u><u>59,360</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Cass County Vector Control District

Statement of Budget and Actual
For the Year Ended December 31, 2017

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 745,766	\$ 745,766	\$ 738,809	\$ (6,957)
Intergovernment Revenues	45,092	45,092	32,385	(12,707)
Charges for Services	481,100	481,100	409,990	(71,110)
Miscellaneous Revenues	1,000	1,000	848	(153)
Total Revenues	\$ 1,272,958	\$ 1,272,958	\$ 1,182,031	\$ (90,927)
Expenditures:				
Current:				
Conservation & Economic Development	\$ 1,111,904	\$ 1,164,214	\$ 1,135,340	\$ 28,874
Total Expenditures	\$ 1,111,904	\$ 1,164,214	\$ 1,135,340	\$ 28,874
Excess of Revenues Over (Under) Expenditures	\$ 161,054	\$ 108,744	\$ 46,691	\$ (62,053)
Other Financing Sources				
Sale of Property	\$ 1,000	\$ 1,000	\$ 29,146	\$ 28,146
Total Other Financing Sources	\$ 1,000	\$ 1,000	\$ 29,146	\$ 28,146
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	\$ 162,054	\$ 109,744	\$ 75,836	\$ (33,908)
Fund Balance-January 1	\$ 91,730	\$ 91,730	\$ 91,730	\$ -
Fund Balance-December 31	<u>\$ 253,784</u>	<u>\$ 201,474</u>	<u>\$ 167,566</u>	<u>\$ (33,908)</u>

The accompanying notes are an integral part of the financial statements.

CASS COUNTY VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the Cass County Vector Control District as a reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The General Fund is the government's operating fund. It accounts for all financial resources of the general government.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources, are recorded to reserve that portion of the applicable appropriation, is not utilized in the governmental funds.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market accounts and certificates of deposit. Deposits must be deposited either 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 secured with pledges of securities equal to 110% of the uninsured balance.

The District pools its cash with Cass County Government to maximize investment returns. State statutes authorize the County to invest in:

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

F. Receivables

Receivables in the governmental fund consist primarily of tax revenues and state aid from the North Dakota Treasurer’s Office.

G. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. The inventory is offset within the nonspendable classification of fund balance in the fund financial statements which indicates that inventory does not constitute “available spending resources: even though it is a component of net current assets”.

H. Prepaid Item

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items.

I. Capital Assets

Capital assets, which include machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. The capitalization threshold is \$5,000. Assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Machinery & Equipment	10

J. Accounts Payable

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

K. Deferred Outflows of Resources

In addition to assets, the Statement of Net position will sometimes report a separate section for 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 and so will not be recognized as an outflow of resources (expenditure) until then.

L. Deferred Inflows of Resources

The statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The government has multiple items that qualifies for reporting in this category. The government reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The difference between projected and actual earnings on pension and OPEB plan investments represents changes in the value of pension plan assets due to interest rate and other market fluctuations which are not available until future periods.

M. Compensated Absences

Vested or accumulated vacation leave are payable to employees upon separation from service. All vacation leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported. No liability is recorded for accumulated sick leave as this is a non-vesting benefit. The computed liability is in compliance with GASB Statement No. 16, Accounting for Compensated Absences.

N. 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.

O. 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.

P. Fund Balances

In the governmental fund financial statements, governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the board is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Unassigned – The residual classification for the general fund.

Q. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation. Unrestricted net position consists of activity related to the general fund.

NOTE 2: DISTRICT ESTABLISHMENT

The Cass County Vector Control District was established in October of 1987 under authority of Chapter 23-24 of the North Dakota Century Code. The district's primary responsibility is to control mosquito production on public land. A three-member board appointed by the County Board of Commissioners governs the Vector Control District. The Cass County Engineer, a county department head, provides management responsibilities. The district is located at the Cass County Highway Department.

NOTE 3: LEGAL COMPLIANCE - BUDGETS

The Cass County Vector Control District prepares a preliminary budget, which includes the proposed expenditures and the means of financing them. The preliminary budget is presented to the Cass County Commission for review. The Commission holds public hearings and may add to, subtract from or change appropriations. A final budget, with or without revisions, is approved on or before October 1.

NOTE 4: TAXES RECEIVABLE

The taxes receivable represent the past four years of delinquent uncollected tax levies and billings. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each 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 of the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

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

NOTE 5: CAPITAL ASSETS

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

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital assets being depreciated:				
Machinery & Equipment	\$ 702,165	\$ 125,114	\$ 128,063	\$ 699,216
Less Accumulated Depreciation:				
Machinery & Equipment	420,891	89,716	92,506	418,102
Total Capital Assets Net of Depreciation	<u>\$ 281,274</u>	<u>\$ 35,398</u>	<u>\$ 35,557</u>	<u>\$ 281,114</u>

NOTE 6: LONG-TERM LIABILITIES

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

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017	Due Within One Year
Compensated Absences	\$ 23,154	\$ 14,354	\$ 20,097	\$ 17,411	\$ 17,411
Net OPEB Liability	13,883	928		14,810	
Net Pension Liability	118,948	100,702		219,650	
Total	<u>\$ 155,985</u>	<u>\$ 115,984</u>	<u>\$ 20,097</u>	<u>\$ 251,871</u>	<u>\$ 17,411</u>

NOTE 7: PENSION PLAN

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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 term. Investments are reported at fair value.

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

administer the plan is finance 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.

Pension Benefits

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

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition 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 re-employed, 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 contributions rates are 7.12% of covered compensation.

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

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 25 months of service	Greater of two percent of monthly salary or \$25
26 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 district reported a liability of \$219,650 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district'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 district's proportion was .01367 percent, which was an increase of .00147 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the district recognized pension expense of \$24,401. At December 31, 2017, the district 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	\$ 1,306	\$ 1,070
Change of Assumptions	90,071	4,954
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2,954	
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,649	36,463
District Contributions Subsequent to the Measurement Date	5,925	
Total	\$ 103,905	\$ 42,488

\$5,925, reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

CASS COUNTY VECTOR CONTROL DISTRICT Notes to the Financial Statements

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

2018	\$ 10,301
2019	14,355
2020	11,304
2021	10,031
2022	9,502
Total	\$ 55,492

Actuarial Assumptions

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

Inflation	3.50% per annum	
Salary Increases	Service at Beginning of Year	Increase Rate
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36-40	7.50%
	41-49	6.00%
	50+	5.00%

*Age-based salary increase rates apply for employees with three or more years of service

Investment Rate of Return	7.75%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back 2 years for males and 3 years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates are 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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

Discount Rate

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

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

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
District's Proportionate Share of the Net Pension Liability	\$ 298,182	\$ 219,650	\$ 154,315

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued NDPERS financial report. It is located in the North Dakota Public Employees Retirement System Comprehensive Annual Financial report for the fiscal year ended June 30, 2016. The supporting actuarial information is included in the July 1, 2016, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for each retirement plan. Additional financial and actuarial information is available on their website, www.nd.gov/ndpers, or may be obtained by contacting the agency at: North Dakota Public Employees Retirement System, 400 E Broadway Ave Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

NOTE 8: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

At December 31, 2017, the District reported a liability of \$14,810 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total

CASS COUNTY VECTOR CONTROL DISTRICT Notes to the Financial Statements

OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the District's proportion was .01872 percent.

For the year ended December 31, 2017, the District recognized OPEB expense of \$1,778. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 361
Changes of Assumptions	1,434	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	560
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	43
District Contributions Subsequent to the Measurement Date	949	-
Total	\$ 2,383	\$ 965

\$949 reported as deferred outflows of resources related to OPEB resulting from District 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:

2018	\$	21
2019		21
2020		21
2021		21
2022		161
2023		161
Thereafter		63

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 of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

Discount rate

The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District’s Proportionate Share of the Net OPEB Liability	\$ 18,540	\$ 14,810	\$ 11,613

NOTE 9: RISK MANAGEMENT

The District 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.

In 1986 state agencies and political subdivision of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and more than 2,000 political subdivisions. Cass County Vector Control District is insured with Cass County Government, which pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

Cass County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The county pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Estimating replacement cost in consultation with the Fire and Tornado Fund provides replacement cost coverage. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period.

The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$1,500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Cass County also participates in the North Dakota Worker's Compensation Bureau.

NOTE 10: TAX ABATEMENTS

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

Cass 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 40.57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — The governing body of the city or county may grant a partial or complete exemption from ad valorem taxation on all buildings, structure, fixtures, and improvements used in or necessary to the operation of a project for period not exceeding five years from the date of commencement of project operations. The governing body may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations.

Exemption Criteria:

The governing body must have received the certification of the department of commerce division of economic development and finance that the project is a primary sector business.

The governing body must have approval from a majority of the qualified electors to grant property tax exemptions. Additionally the governing body must require:

- Evaluation of the potential positive or adverse consequences for existing retail sector businesses.
- Evaluation of the short-term and long-term effects for other property taxpayers.
- A written agreement with the project operator, including performance requirements for which the exemption may be terminated.
- Evaluation of whether the project operator would locate the project within the boundaries without the exemption.

2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$3,567

Public Charity Exemption:

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

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

Exemption criteria:

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

2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$20,685

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 – Other Entities:

Total Program Reduction in taxes – \$8,770

Childhood Service Exemption:

A governing body may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under NDCC 50-11.1 or used primarily as an adult day care center. (NDCC 57-02-08(36)).

This exemption is not available for property used as a residence.

CASS COUNTY VECTOR CONTROL DISTRICT Notes to the Financial Statements

2017 Reduction in Taxes – Other Entities:
Total Program Reduction in taxes – \$734

Commercial and Residential:

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-05.2-03) and the guidelines stated below. The following criteria are only guidelines.

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 – Other Entities:
Total program reduction in taxes – \$652

NOTE 11: PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle – GASB 75 OPEB Liability:

Net position as of January 1, 2017, has been restated as follows for the implementation of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The result of implementing GASB 75 resulted in a reduction to beginning net position.

Governmental Activities	Amounts
Beginning Net Position, as previously reported	\$220,355
Adjustments to restate January 1, 2017 Net Position:	
Net OPEB Liability	(13,883)
Net Position January 1, as restated	\$206,472

Cass County Vector Control District

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
 ND Public Employees Retirement System
 Last Ten Fiscal Years

As of Measurement date of*	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability(Asset)	Member Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2017	0.01367%	\$ 219,650	\$ 139,504	157.45%	61.98%
6/30/2016	0.01220%	118,948	122,996	96.71%	70.46%
6/30/2015	0.01404%	95,464	125,072	76.33%	77.15%
6/30/2014	0.01462%	92,824	123,192	75.35%	77.70%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Cass County Vector Control District

Schedule of Proportionate Share of the Net OPEB Liability and Related Ratios
 ND Public Employees Retirement System
 Last Ten Fiscal Years

As of Measurement date of*	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability(Asset)	Member Covered Payroll	Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total OPEB Liability
6/30/2017	0.01872%	\$ 14,810	\$ 139,504	10.62%	59.78%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Cass County Vector Control District

Schedule of Employer Contributions
 ND Public Employees Retirement System - Pension
 Last Ten Fiscal Years

Year Ended *	Statutorily Required Contributions	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
12/31/2017	\$ 10,112	\$ 10,112	\$ -	\$ 142,022	7.12%
12/31/2016	9,894	9,894	-	138,962	7.12%
12/31/2015	9,530	9,530	-	133,849	7.12%
12/31/2014	9,087	9,087	-	127,622	7.12%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Cass County Vector Control District

Schedule of Employer Contributions
 ND Public Employees Retirement System - OPEB
 Last Ten Fiscal Years

Year Ended *	Statutorily Required Contributions	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
12/31/2017	\$ 1,619	\$ 1,619	\$ -	\$ 142,022	1.14%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.



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

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

Independent Auditor's Report

Governing Board
Cass County Vector Control District
West Fargo, 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 Cass County Vector Control District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Cass County Vector Control District's basic financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

CASS COUNTY VECTOR CONTROL DISTRICT

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

Compliance and Other Matters

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

Purpose of this Report

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
June 26, 2018

CASS COUNTY VECTOR CONTROL DISTRICT
West Fargo, North Dakota

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

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued?	
Governmental Activities	Unmodified
Major Governmental Fund	Unmodified
Budgetary Statement – General Fund	Unmodified

Internal control over financial reporting:

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

Section II – Financial Statement Findings

No matters were reported.

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

GOVERNANCE COMMUNICATION

Governing Board
Cass County Vector Control District
West Fargo, North Dakota

We have audited the financial statements of the governmental activities, and the major fund of Cass County Vector Control District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, for the year ended December 31, 2017, and have issued our report thereon dated June 26, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards

As stated in our engagement letter dated April 26, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Cass County Vector Control District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cass County Vector Control District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cass County Vector Control District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether Cass County Vector Control District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 June 26, 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 Vector Control District Governing Board and management of Cass County Vector Control District, 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 Cass County Vector Control District 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 Cass County Vector Control District.

/s/
Joshua C. Gallion
State Auditor

Fargo, North Dakota
June 26, 2018

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Division of Local Government Audit

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