

**BILLINGS COUNTY  
MEDORA, NORTH DAKOTA**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**JAMES J. WOSEPKA, PC  
CERTIFIED PUBLIC ACCOUNTANT  
BEACH, NORTH DAKOTA**

**BILLINGS COUNTY  
MEDORA, NORTH DAKOTA  
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Licensed in North Dakota and Montana

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Billings County  
Medora, North Dakota 58645

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Billings County, Medora, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Billings County, Medora, North Dakota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (omitted), budgetary comparison information, and pension schedules on pages 28 - 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Billings County, Medora, North Dakota's basic financial

statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

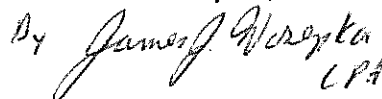
The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019, on our consideration of Billings County, Medora, North Dakota'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 the effectiveness of Billing County, Medora, North Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Billings County, Medora, North Dakota's internal control over financial reporting and compliance.

June 13, 2019  
Beach, North Dakota

James J. Wosepka, PC

By  CPA

**BILLINGS COUNTY**  
**STATEMENT OF NET POSITION**  
**December 31, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 40,970,573
Taxes/Assessments receivable	22,227
Due from other governments	841,829
Other receivables	27,491
Inventories	3,004,372
Capital assets not being depreciated	
Land	58,670
Infrastructure	570,525
Capital assets being depreciated (net of accumulated depreciation)	6,736,873
<b>Total Assets</b>	<b>52,232,560</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <b>2,021,780</b>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	192,389
Noncurrent liabilities:	
Due within one year	-
Due in more than one year	4,885,556
<b>Total Liabilities</b>	<b>5,077,945</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <b>146,929</b>
<b>NET POSITION</b>	
Net investment in capital assets	7,366,068
Restricted for:	
Inventory	3,004,372
Other Restricted	965,744
Unrestricted	37,693,282
<b>Total Net Position</b>	<b>\$ 49,029,466</b>

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

**BILLINGS COUNTY  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services, Fines, Forfeitures, etc.	Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
General government	\$ 2,096,342	\$ -	\$ -	\$ (2,096,342)
Public safety	2,491,710	46,990	-	(2,444,720)
Public works	7,882,167	559,987	-	(7,322,180)
Public health	198,955	-	-	(198,955)
Social and economic services	13,000	-	-	(13,000)
Culture and recreation	54,806	-	-	(54,806)
Conservation of natural resources	457,973	234,795	-	(223,178)
Interest on long-term debt	7,207	-	-	(7,207)
<b>Total governmental activities</b>	<b>\$ 13,202,160</b>	<b>\$ 841,772</b>	<b>\$ -</b>	<b>(12,360,388)</b>
<b>General revenues:</b>				
Property taxes				1,154,188
Licenses and permits				545,837
Unrestricted Federal/State shared revenues				12,799,002
Unrestricted investment earnings				264,653
Miscellaneous				510,206
				<u>15,273,886</u>
				Change in net position 2,913,498
				Total net position - January 1, 2018 46,115,968
				<u>Total net position - December 31, 2018 \$ 49,029,466</u>

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

**BILLINGS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2018**

Description	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	General	Road & Bridge		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,621,984	\$ 17,749,610	\$ 5,598,979	\$ 40,970,573
Tax/assessment receivable	8,571	3,655	10,001	22,227
Other receivables	27,491	-	-	27,491
Due from other governments	648,880	48,895	144,054	841,829
Inventories	-	3,004,372	-	3,004,372
<b>Total Assets</b>	<b>18,306,926</b>	<b>20,806,532</b>	<b>5,753,034</b>	<b>44,866,492</b>
<b>LIABILITIES</b>				
Accounts payable	33,019	159,370	-	192,389
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	8,571	3,655	10,001	22,227
<b>FUND BALANCES</b>				
Nonspendable	-	3,004,372	-	3,004,372
Restricted	-	-	964,419	964,419
Committed	-	-	149,592	149,592
Assigned	-	17,639,135	4,629,022	22,268,157
Unassigned	18,265,336	-	-	18,265,336
<b>Total fund balances</b>	<b>18,265,336</b>	<b>20,643,507</b>	<b>5,743,033</b>	<b>44,651,876</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 18,306,926</b>	<b>\$ 20,806,532</b>	<b>\$ 5,753,034</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>7,366,068</u>
Certain long-term assets are not available to pay current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	<u>(124,702)</u>
Long-term liabilities, including bonds and pensions payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,863,776)</u>
<b>Net Position of Governmental Funds</b>	<b><u>\$ 49,029,466</u></b>

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



**BILLINGS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED DECEMBER 31, 2018**

Description	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	General	Road & Bridge		
<b>REVENUES</b>				
Taxes/assessments	\$ 463,055	\$ 191,030	\$ 483,220	\$ 1,137,305
Licenses and permits	132,690	413,147	-	545,837
Intergovernmental revenues	4,048,368	7,425,160	1,325,474	12,799,002
Charges for services	26,409	559,987	255,376	841,772
Miscellaneous	492,986	-	17,220	510,206
Investment and royalty earnings	264,653	-	-	264,653
<b>Total Revenues</b>	<b>5,428,161</b>	<b>8,589,324</b>	<b>2,081,290</b>	<b>16,098,775</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,830,501	-	3,123	1,833,624
Public safety	2,122,157	-	22,277	2,144,434
Public works	-	7,417,537	-	7,417,537
Public health	195,399	-	3,556	198,955
Social and economic services	-	-	13,000	13,000
Culture and recreation	-	-	54,806	54,806
Conservation of natural resources	9,500	-	409,106	418,606
<b>Total Expenditures</b>	<b>4,157,557</b>	<b>7,417,537</b>	<b>505,868</b>	<b>12,080,962</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,270,604</b>	<b>1,171,787</b>	<b>1,575,422</b>	<b>4,017,813</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	-	-	-	-
Transfers in	301,901	-	70,000	371,901
Transfers out	(70,000)	-	(301,901)	(371,901)
<b>Total other financing sources (uses)</b>	<b>231,901</b>	<b>-</b>	<b>(231,901)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,502,505</b>	<b>1,171,787</b>	<b>1,343,521</b>	<b>4,017,813</b>
<b>Fund balances - January 1, 2018</b>	<b>16,762,831</b>	<b>19,471,720</b>	<b>4,399,512</b>	<b>40,634,063</b>
<b>Fund balances - December 31, 2018</b>	<b>\$ 18,265,336</b>	<b>\$ 20,643,507</b>	<b>\$ 5,743,033</b>	<b>\$ 44,651,876</b>

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

**BILLINGS COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED DECEMBER 31, 2018**

<b>Net change in fund balances - total governmental funds (page 9)</b>	<b>\$ 4,017,813</b>
Amounts reported for governmental activities in the statement of activities (page 7) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	440,876
Depreciation expense	<u>(1,153,694)</u>
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
Gain (loss) on the disposal of capital assets	<u>-</u>
Proceeds from the sale of capital assets	<u>-</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable property taxes	<u>16,883</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
Capital lease payments	<u>187,520</u>
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 governmental funds:	
Accrued compensated absences	<u>(12,490)</u>
Pension expense - GASB 68	<u>(583,410)</u>
<b>Change in Net Position in Governmental Activities</b>	<b>\$ 2,913,498</b>

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

**BILLINGS COUNTY**  
**STATEMENT OF ASSETS AND LIABILITIES FIDUCIARY FUNDS**  
**FIDUCIARY FUNDS**  
**December 31, 2018**

Description		
<b>ASSETS</b>		
Cash and cash equivalents	\$	96,897
<b>Total Assets</b>	\$	96,897
 <b>LIABILITIES</b>		
Due to other governments	\$	96,897
<b>Total Liabilities</b>	\$	96,897

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

**BILLINGS COUNTY  
MEDORA, NORTH DAKOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. Summary of Significant Accounting Policies**

The financial statements of Billings County (County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The County's significant accounting policies are described below.

**Reporting Entity**

The County is governed by an elected three-member Board of County Commissioners and is considered a legally independent separate governmental organization able to sue or be sued, buy, sell, or lease property, approve or modify their budget, set its own taxes or rates, and issue bonded debt.

The primary government (County) is financially accountable for a component unit if it appoints a voting majority of the unit's governing body and if it has the ability to impose its' will on the component unit or if there is an affirmative potential financial benefit or burden.

**Basic Financial Statements**

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The Government-wide financial statements (Statement of Net Position and Statement of Activities) report on the County as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in the financial statements. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Government-wide Statement of Net Position reports all financial and capital resources of the County, excluding fiduciary funds. It is displayed in a format of assets less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity.

1. **Summary of Significant Accounting Policies – cont.**

**Basic Financial Statements – cont.**

Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by any outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position is those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position, not otherwise classified as restricted, is shown as unrestricted. Generally, the County would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the County are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use, or directly benefit from goods, services, or privileges provided by a particular function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income, and other revenues, not identifiable with particular functions or programs, are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

The County reports the following major governmental funds:

General – This fund is the primary fund of the County. This fund is used to account for all financial resources not reported in other funds.

1. **Summary of Significant Accounting Policies – cont.**  
**Basic Financial Statements – cont.**

Road & Bridge – This fund is used to build and maintain the County's roads. Revenue is from oil and gas royalties.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits, and penalties and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an other financing source.

With this measurement focus, operating statements present increases and decreases in net current position and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the County's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

**Capital Assets**

Capital assets which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, curbs, etc.) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial cost of more than \$5,000 with a useful life of one year or more.

1. **Summary of Significant Accounting Policies – cont.**  
**Capital Assets – cont.**

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Vehicles	3 - 10
Equipment other than vehicles	10 - 20
Office equipment	5

No provision is being made to capitalize interest on debt to finance construction of assets.

Infrastructure is not being depreciated as the County has a plan to maintain the road.

**Taxes and Assessments**

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Compensated Absences**

The County's policy on vacation days is that an employee earns vacation days during each 12 month period beginning with the anniversary date of employment. The vacation days vest at the end of each 12 month period and must be taken during the next 12 month period.

Sick leave is also accrued with a maximum of 120 days.

1. **Summary of Significant Accounting Policies – cont.**  
**Compensated Absences – cont.**

As of December 31, 2018, accrued vacation approximated \$613,969. The amount applicable to the General Fund was \$247,702 and to the Special Revenue Funds was \$366,267.

Compensated Absences

<u>12/31/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2018</u>
\$ <u>601,480</u>	\$ <u>12,489</u>	\$ <u>-</u>	\$ <u>613,969</u>

The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

**Encumbrances**

Encumbrance accounting is used for the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year, but are carried forward as reserved fund balance until liquidated. The County had encumbrances of \$0 for the year ended December 31, 2018.

**Estimates**

Management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

**Fund Balances – Governmental Funds**

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the County Commission. The County Commission is the highest level of decision making authority for the County. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the County Commission.



1. **Summary of Significant Accounting Policies – cont.**  
**Fund Balances – Governmental Funds – cont.**

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the County’s adopted policy, only the County Commission may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the County Commission has provided otherwise in its commitment or assignment actions.

	<u>General</u>	<u>Road &amp; Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>	\$ -	\$ 3,004,372	\$ -	\$ 3,004,372
<b>Restricted for:</b>				
General Government	-	-	14,274	14,274
Public Safety	-	-	38,349	38,349
Public Works	-	-	788,372	788,372
Social & Economic	-	-	37,148	37,148
Conservation	-	-	86,276	86,276
<b>Committed to:</b>				
Social & Economic	-	-	7,181	7,181
Culture & Recreation	-	-	66,905	66,905
Conservation	-	-	75,506	75,506
<b>Assigned for:</b>				
Public Works	-	17,639,135	3,137,350	20,776,485
Public Safety	-	-	1,491,672	1,491,672
<b>Unassigned:</b>	18,265,336	-	-	18,265,336
<b>Total Fund Balance:</b>	<u>\$ 18,265,336</u>	<u>\$ 20,643,507</u>	<u>\$ 5,743,033</u>	<u>\$ 44,651,876</u>

Reported with the General Fund unassigned fund balance is \$4,828,895 from the Operating & Maintenance Reserve Fund.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

1. **Summary of Significant Accounting Policies – cont.**  
**Deferred Outflows/Inflows of Resources – cont.**

In addition to liabilities, the statement of financial 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.

2. **Cash and Cash Equivalents**

Certificates of Deposit bearing interest at .10% - 1.75% are included as cash. State statutes authorize local governments to invest in: a) 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, b) 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, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state, d) Obligations of the state, e) Certificates of deposit, savings deposits, or other deposits fully insured or guaranteed by the federal deposit insurance corporation and placed for the benefit of the public depositor by a public depository through an appropriate deposit placement service as determined by the commissioner of financial institutions, f) State and local securities, and g) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

Cash and investments are consolidated for balance sheet presentation because a portion of the investments are purchased from the checking account and are not designated to any particular fund.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned or the County will not be able to recover collateral securities in the possession of an outside party.

At December 31, 2018, the carrying amount of the County's deposits was \$40,970,573 and the bank balance was \$41,605,239. Of the bank balance, \$750,000 was covered by Federal Depository Insurance and \$40,855,239 was covered by pledged collateral held by a joint agent of the depository and the County, jointly in the name of the depository and the County. As of December 31, 2018, \$0 was unsecured.

Interest rate risk is the risk that changes in interest rates will adversely affect the value of investments. The County has no interest rate risk, since the Government Securities are held to maturity.

3. **Taxes Receivable**

Taxes receivable consist of delinquent uncollected taxes at December 31. Property tax revenue is recognized in compliance with National Council on Government Accounting (NCGA) Interpretation 3 "Revenue Recognition-Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means then due, or past due and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Since no material taxes are collected within the time period, taxes receivable are recorded as deferred inflows of resources.

Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1<sup>st</sup> unless the first half of the taxes has been paid. Additional penalties are added October 15<sup>th</sup> if not paid.

4. **Unearned Revenues**

Unearned revenue consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

5. **Pension Plan**

**Notes to the Financial Statements for the Year Ended December 31, 2018**

**Summary of Significant Accounting Policies**

*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.

**General Information about the Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and

5. **Pension Plan – cont.**

various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

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

***Pension Benefits***

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

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

***Death and Disability Benefits***

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

5. **Pension Plan – cont.**

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

***Refunds of Member Account Balance***

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

***Member and Employer Contributions***

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

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

- 1 to 12 months of service – Greater of 1% of monthly salary or \$25
- 13 to 24 months of service – Greater of 2% of monthly salary or \$25
- 25 to 36 months of service – Greater of 3% of monthly salary or \$25
- Longer than 36 months of service – Greater of 4% of monthly salary or \$25

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

At 12/31/2018, the Employer reported a liability of \$4,271,587 for its proportionate share of the net pension liability. The net pension liability was measured as of 06/30/2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At 06/30/2017, the Employer's proportion was 0.265757 percent, which was an increase of 0.012792 from its proportion measured as of 06/30/2016.

5. **Pension Plan – cont.**

For the year ended 12/31/2018, the Employer recognized pension expense of \$655,919. At 12/31/2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,390	\$ 20,812
Changes of assumptions	1,751,639	96,344
Net difference between projected and actual earnings on pension plan investments	57,449	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	78,133	29,773
Employer contributions subsequent to the measurement date	109,169	-
Total	<u>\$ 2,021,780</u>	<u>\$ 146,929</u>

\$2,021,780 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 12/31/2019.

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

**Year ended June 30:**

2018	\$381,722
2019	460,549
2020	400,897
2021	336,921
2022	185,593
Thereafter	-

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

5. **Pension Plan – cont.**

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
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%

5. **Pension Plan – cont.**

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

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

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

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

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employer's proportionate share of the net pension liability	\$ 5,798,810	\$ 4,271,587	\$ 3,001,001

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



6. **Inventory**  
 Inventories consist of gravel and scoria on hand at year end and are stated at cost, including crushing and royalties. The inventory is expensed as used.

7. **Risk Management**  
 The County participates in the North Dakota Insurance Reserve Fund, North Dakota Fire and Tornado Fund, and the North Dakota Worker's Compensation Bureau to control their risk of loss. There have been no settled claims that exceeded the insurance coverage in any of the past three fiscal years.

8. **Interfund Transactions**  
 Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund are recorded as disbursements in the reimbursing.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

9. **Transfers**  
 Interfund operating transfers for 2018 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 301,901	\$ -
Human Services	-	301,901
Weed	70,000	-
Operating and Maintenance Reserve	-	70,000
	<u>\$ 371,901</u>	<u>\$ 371,901</u>

All transfers were normal operating transfers.

10. **Tax Abatements**  
 The County has no tax abatements for the year ended December 31, 2018.

11. **Other Post-employment Benefits**  
 The County is required to implement GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. The effect of this statement is not material to the County's financial statements.

**12. Capital Assets**

Capital assets activity for the fiscal year ended December 31, 2018.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 58,670	\$ -	\$ -	\$ 58,670
Infrastructure	570,525	-	-	570,525
Total capital assets not being depreciated	<u>629,195</u>	<u>-</u>	<u>-</u>	<u>629,195</u>
Capital assets being depreciated				
Buildings	4,933,656	-	-	4,933,656
Improvements	134,911	-	-	134,911
Machinery and equipment	<u>11,794,049</u>	<u>480,606</u>	<u>(153,384)</u>	<u>12,121,271</u>
Total capital assets being depreciated	<u>16,862,616</u>	<u>480,606</u>	<u>(153,384)</u>	<u>17,189,838</u>
Less accumulated depreciation for:				
Buildings	(1,970,542)	(116,750)	-	(2,087,292)
Improvements	(69,334)	(8,993)	-	(78,327)
Machinery and equipment	<u>(7,373,049)</u>	<u>(1,027,951)</u>	<u>113,654</u>	<u>(8,287,346)</u>
Total accumulated depreciation	<u>(9,412,925)</u>	<u>(1,153,694)</u>	<u>113,654</u>	<u>(10,452,965)</u>
Net capital assets being depreciated	<u>7,449,691</u>			<u>6,736,873</u>
Governmental activities capital assets net	<u>\$ 8,078,886</u>			<u>\$ 7,366,068</u>
Depreciation expense:				
General Government	\$ 62,003			
Public Safety	324,577			
Public Works	727,747			
Conservation	<u>39,367</u>			
	<u>\$ 1,153,694</u>			

**13. Commitment**

During 2008, the County committed \$40,000 to the Theodore Roosevelt Expressway and \$8,000 has been paid for five years. In 2011, the County extended the commitment for an additional five years for the same amount. The County again extended the commitment for two more years to pay \$8,000 in 2018 and 2019.

During January 2010, the County committed \$150,000 to the State Historical Society for the Chateau Interpretative Center. The County will pay \$15,000 per year for one more year. The first payment was made in 2010.

The County entered into a road contract in 2018 for \$1,367,071. With a change order of \$281,038, the total cost is \$1,648,109. To date, \$414,733 has been paid in 2019. The project is near completion.

**14. Subsequent Events**

Subsequent events have been evaluated through the date of these financial statements.

15. **Long-term Debt**

The County entered into six capital lease agreements in October of 2014 for trucks and trailers. The total cost of the equipment was \$904,208, with \$194,720 paid down. The balance of the debt is \$709,488. The payment of \$194,720 is due in October of each year starting in 2015, for four years. The interest rate on the leases is 3.84%. The payments are paid by the Road and Bridge Fund. Interest paid in 2018 was \$7,207.

Long-term debt activity for 2018:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Paid</u>	<u>Ending Balance</u>
\$ <u>187,520</u>	\$ <u>-</u>	\$ <u>187,520</u>	\$ <u>-</u>

Final payment on the leases was made in 2018.

**REQUIRED**

**SUPPLEMENTARY INFORMATION**

**BILLINGS COUNTY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>				
Taxes	\$ 450,200	\$ 450,200	\$ 463,055	\$ 12,855
Licenses, Permits, Fees	35,000	35,000	132,690	97,690
Intergovernmental Revenue	1,044,000	1,044,000	4,048,368	3,004,368
Charges for Services	20,000	20,000	26,409	6,409
Miscellaneous Revenue	<u>206,700</u>	<u>206,700</u>	<u>492,986</u>	<u>286,286</u>
<b>TOTAL REVENUES</b>	<u>1,755,900</u>	<u>1,755,900</u>	<u>5,163,508</u>	<u>3,407,608</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	2,506,473	2,506,473	1,830,501	675,972
Public Safety	2,625,270	2,625,270	2,122,157	503,113
Public Health	305,500	305,500	195,399	110,101
Conservation and Economic Development	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>5,446,743</u>	<u>5,446,743</u>	<u>4,157,557</u>	<u>1,289,186</u>
Excess of Revenues Over/ (Under) Expenditures	<u>(3,690,843)</u>	<u>(3,690,843)</u>	<u>1,005,951</u>	<u>4,696,794</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers - In	-	-	301,901	301,901
Operating Transfers - Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>-</u>	<u>-</u>	<u>301,901</u>	<u>301,901</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses	<u>\$ (3,690,843)</u>	<u>\$ (3,690,843)</u>	<u>1,307,852</u>	<u>\$ 4,998,695</u>
<b>Fund balance - January 1, 2018</b>			<u>12,128,589</u>	
<b>Fund balance - December 31, 2018</b>			<u>\$ 13,436,441</u>	

See notes to Required Supplementary Information

**BILLINGS COUNTY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ROAD AND BRIDGE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	ORIGINAL <u>BUDGET</u>	FINAL <u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	\$ 185,816	\$ 185,816	\$ 191,030	\$ 5,214
Licenses, Permits, Fees	63,000	63,000	413,147	350,147
Intergovernmental Revenue	2,505,000	2,505,000	7,425,160	4,920,160
Charges for Services	107,000	107,000	559,987	452,987
Miscellaneous Revenue	44,000	44,000	-	(44,000)
	<u>2,904,816</u>	<u>2,904,816</u>	<u>8,589,324</u>	<u>5,684,508</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
Public Works	7,159,296	7,159,296	7,417,537	(258,241)
	<u>7,159,296</u>	<u>7,159,296</u>	<u>7,417,537</u>	<u>(258,241)</u>
TOTAL EXPENDITURES				
Excess of Revenues Over/ (Under) Expenditures	<u>(4,254,480)</u>	<u>(4,254,480)</u>	1,171,787	5,426,267
OTHER FINANCING SOURCES (USES):				
Operating Transfers - In	480,000	480,000	-	(480,000)
Operating Transfers - Out	-	-	-	-
	<u>480,000</u>	<u>480,000</u>	<u>-</u>	<u>(480,000)</u>
TOTAL OTHER FINANCING USES				
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses	<u>\$ (3,774,480)</u>	<u>\$ (3,774,480)</u>	1,171,787	<u>\$ 4,946,267</u>
<b>Fund balance - January 1, 2018</b>			<u>19,471,720</u>	
<b>Fund balance - December 31, 2018</b>			<u>\$ 20,643,507</u>	

See notes to Required Supplementary Information

**BILLINGS COUNTY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**OPERATING AND MAINTENANCE RESERVE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	ORIGINAL <u>BUDGET</u>	FINAL <u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, Permits, Fees	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Investment Earnings	60,000	60,000	264,653	204,653
Miscellaneous Revenue	-	-	-	-
	<u>60,000</u>	<u>60,000</u>	<u>264,653</u>	<u>204,653</u>
TOTAL REVENUES	<u>60,000</u>	<u>60,000</u>	<u>264,653</u>	<u>204,653</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways	-	-	-	-
Health and Sanitation	-	-	-	-
Culture and Recreation	-	-	-	-
Conservation and Economic Development	-	-	-	-
Miscellaneous	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over/ (Under) Expenditures	<u>60,000</u>	<u>60,000</u>	<u>264,653</u>	<u>204,653</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers - In	-	-	-	-
Operating Transfers - Out	<u>(70,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(70,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	194,653	<u>\$ 204,653</u>
Fund balance - January 1, 2018			<u>4,634,242</u>	
Fund balance - December 31, 2018			<u>\$ 4,828,895</u>	

See notes to Required Supplementary Information

**BILLINGS COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

**Budgets/Variances**

The County adopted an annual budget for the General and Special Revenue funds.

Each officer must prepare a departmental budget. The County Auditor then prepares an annual budget. The final budget must be adopted on or before the October meeting. The budget may be amended during the year, except no amendment changing the taxes levied can be made after the October meeting. A notice of meeting to act on the County budget must be published in at least one issue of the official county newspaper.

On or before the October meeting, the Board of County Commissioners shall determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts.

The budgets are prepared on a cash basis, which is not materially different from the modified accrual basis. All annual appropriations lapse at year end.

**Overspent Budget**

Expenditures exceeded budgetary appropriations for the year ended December 31, 2018 as follows:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Road & Bridge	\$ 7,159,296	\$ 7,417,537	\$ (258,241)
Human Services	\$ -	\$ 304,752	\$ (304,752)

The excess of expenditures in the Road & Bridge fund resulted from the use of inventory on hand from the prior year. The Human Services fund was not budgeted for during the year.

**Reporting**

The Statement of Revenues, Expenditures, and Changes in Fund Balances, on page 9, combines the General and Operating & Maintenance Reserve Funds.

	<u>General</u>	<u>Operating &amp; Maintenance Reserve</u>	<u>Total</u>
Fund balance, beginning	\$ 12,128,589	\$ 4,634,242	\$ 16,762,831
Revenues	5,465,409	264,653	5,730,062
Expenditures	4,157,557	70,000	4,227,557
Fund balance, ending	<u>\$ 13,436,441</u>	<u>\$ 4,828,895</u>	<u>\$ 18,265,336</u>



**Notes to Required Supplementary Information – cont.**

**ND Public Employees Retirement System**

**Schedule of Employer's Share of Net Pension Liability  
Last 10 Fiscal Years\***

	2015	2016	2017	2018
Employer's proportion of the net pension liability (asset)	0.260948%	0.257702%	0.252965%	0.265757%
Employer's proportionate share of the net pension liability (asset)	\$1,656,293	\$1,752,330	\$2,465,391	\$4,271,587
Employer's covered-employee payroll	\$156,510	\$2,295,812	\$2,549,286	\$2,712,967
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.58%	0.763%	96.71%	157.45%
Plan fiduciary net position as a percentage of the total pension liability	78.18%	77.70%	93.62%	152.96%

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

**Schedule of Employer Contributions  
Last 10 Fiscal Years\***

	2015	2016	2017	2018
Statutorily required contribution	\$156,510	\$174,385	\$184,564	\$196,723
Contributions in relation to the statutorily required contribution	(\$156,510)	(\$172,478)	(\$193,752)	(\$190,917)
Contribution deficiency (excess)	-	\$1,907	(\$9,188)	\$5,806
Employer's covered-employee payroll	\$2,198,175	\$2,295,812	\$2,549,286	\$2,712,967
Contributions as a percentage of covered-employee payroll	7.12%	7.6%	7.60%	7.04%

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

***Changes of assumptions.***

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

## **SUPPLEMENTARY INFORMATION**

**BILLINGS COUNTY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NON - MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	\$ 467,591	\$ 467,591	\$ 483,220	\$ 15,629
Intergovernmental Revenue	340,711	340,711	1,325,474	984,763
Charges for Services	252,000	252,000	255,376	3,376
Miscellaneous Revenue	55,611	55,611	17,220	(38,391)
Investment Earnings	-	-	-	-
	<u>1,115,913</u>	<u>1,115,913</u>	<u>2,081,290</u>	<u>965,377</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
General Government	10,000	10,000	3,123	6,877
Public Safety	20,000	22,277	22,277	-
Public Works	-	-	-	-
Social and Economic	14,500	14,500	13,000	1,500
Public Health	-	-	3,556	(3,556)
Culture & Recreation	54,807	54,807	54,806	1
Conservation and Economic Development	509,388	513,648	409,106	104,542
	<u>608,695</u>	<u>615,232</u>	<u>505,868</u>	<u>109,364</u>
TOTAL EXPENDITURES				
Excess of Revenues Over/(Under) Expenditures	<u>507,218</u>	<u>500,681</u>	<u>1,575,422</u>	<u>1,074,741</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers - In	70,000	70,000	70,000	-
Operating Transfers - Out	(480,000)	(480,000)	(301,901)	178,099
	<u>(410,000)</u>	<u>(410,000)</u>	<u>(231,901)</u>	<u>178,099</u>
TOTAL OTHER FINANCING USES				
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses	<u>\$ 97,218</u>	<u>\$ 90,681</u>	<u>1,343,521</u>	<u>\$ 1,252,840</u>
<b>Fund balance - January 1, 2018</b>			<u>4,399,512</u>	
<b>Fund balance - December 31, 2018</b>			<u>\$ 5,743,033</u>	



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## James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

### 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*

Board of County Commissioners  
Billings County  
Medora, 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, each major fund, and the aggregate remaining fund information of Billings County, Medora, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Billings County, Medora, North Dakota's basic financial statements, and have issued our report thereon dated June 13, 2019.

#### Internal Control over Financial Reporting

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Billings County, Medora, North Dakota'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*.

### **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.

James J. Wosepka, PC

By   
CVA

June 13, 2019  
Beach, North Dakota

**BILLINGS COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Federal Assistance</u>	<u>Description</u>	<u>Passed Through To Subrecipients</u>	<u>Total Expenditures</u>
<b>DIRECT ASSISTANCE</b>			
US Dept. of Agriculture			
10.666	(Major Program) Schools and Road - Grants to Counties	\$ _____ - \$	\$ <u>5,944,479</u>
 <u>State Administered Assistance</u>			
North Dakota State Treasurer			
US Department of the Interior			
15.437	Mineral Leasing Act		_____ <u>485,894</u>
	Total State Administered Assistance		_____ <u>485,894</u>
	Total Federal Assistance	\$ _____ - \$	\$ <u><u>6,430,373</u></u>

**BILLINGS COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2018**

**1. Purpose of the schedule**

The Schedule of Expenditures of Federal Awards (schedule) is a supplementary schedule to the financial statements and is presented for purposes of additional analysis. The schedule is required by the U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**2. Summary of significant accounting policies**

**A. Basis of presentation**

**Federal financial assistance**

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursements for services rendered to individuals. Accordingly, nonmonetary federal assistance may be included in federal financial assistance and therefore, may be reported on the schedule. Billings County received no nonmonetary federal assistance during 2018. Federal financial assistance does not include direct federal cash assistance to individuals.

**Catalog of federal domestic assistance**

OMB Uniform Guidance requires the schedule to show the total expenditures for each of the federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Federal financial assistance programs which have not been assigned a CFDA number are indicated with an "N/A".

**B. Major programs**

The Uniform Guidance established the levels of expenditures to be used in defining major federal financial assistance programs. The dollar threshold to distinguish type A and type B programs was \$750,000.

**BILLINGS COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**DECEMBER 31, 2018**

**C. Reporting entity**

The schedule includes all federal financial assistance programs administered by the County.

**D. Basis of accounting**

Federal financial assistance expenditures included in the schedule is reported using the same basis of accounting as disclosed in Note 1 of the basic financial statements.

**E. Matching costs**

The schedule does not include matching expenditures.

**F. Indirect Cost Rule**

Billings County has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**3. Funds to sub-recipient**

None

**4. Direct payment to contractors**

None





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## James J. Wosepka, PC – Certified Public Accountant

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the County Commissioners  
Billings County  
Medora, North Dakota

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

We have audited Billings County, Medora, North Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Billings County, Medora, North Dakota's major federal programs for the year ended December 31, 2018. Billings County, Medora, North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### Auditor's Responsibility

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

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

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

In our opinion, Billings County, Medora, North Dakota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### **Report on Internal Control over Compliance**

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

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

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

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

James J. Wosepka, PC

By *James J. Wosepka*  
C.P.A.

June 13, 2019  
Beach, North Dakota

**BILLINGS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018**

**A. SUMMARY OF AUDIT RESULTS**

1. The Auditor's Report expresses an unmodified opinion on the financial statements for Billings County were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Billings County were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs. No material weaknesses are reported.
5. The Auditor's Report on compliance for the major federal award programs for Billings County expresses an unmodified opinion on all major federal programs.
6. Our audit showed no findings relative to the major federal award program required to be reported under the Uniform Guidance for Billings County.
7. The program tested as a major program included: The Schools and Roads-Grants to Counties from the US Department of Agriculture 10.666.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Billings County was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE

**D. COUNTY'S RESPONSE**

N/A