EDDY COUNTY
NEW ROCKFORD, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Eddy County
New Rockford, North Dakota

Report on the Financial Statements

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

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Human Services Fund	Unmodified
County Road and Bridge Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities

Prior to December 31, 2003, the County did not maintain capital asset records. Therefore, we were not able to obtain sufficient, appropriate audit evidence about the amounts at which capital assets are recorded for the governmental activities in the accompanying statement of net position at December 31, 2018.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of the governmental activities of Eddy County, as of December 31, 2018, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, the discretely presented component unit and the aggregate remaining fund information of Eddy County, North Dakota as of December 31, 2018, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Also discussed in Note 1 to the financial statements, the County adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits 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 budgetary comparison information, schedule of employer's share of net pension liability, schedule of employer's share of net OPEB liability and schedule of employer contributions to pension and OPEB 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 the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated July 12, 2019 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Eddy County'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 Eddy County's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

July 12, 2019

EDDY COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and cash equivalents	$ 1,880,375	$ 163,809
Accounts receivable	49,032	-
Taxes receivable	29,998	-
Loans receivable	9,732	-
Capital assets:		
Construction in progress	371,725	-
Infrastructure	7,693,426	-
Building	158,507	-
Equipment	1,397,302	-
Less: Accumulated depreciation	(3,525,517)	-
Total capital assets	6,095,443	-
Total assets	8,064,580	163,809
DEFERRED OUTFLOWS OF RESOURCES		
Cost sharing defined benefit pension plan	632,660	-
Cost sharing defined benefit OPEB plan	14,783	-
Total deferred outflows of resources	647,443	-
LIABILITIES		
Accounts payable and accrued expenses	32,048	-
Unearned revenue	3,053	-
Accrued interest	2,427	-
Long-term liabilities:		
Due within one year:		
Current portion of capital leases	7,160	-
Compensated absences	9,000	-
Due in more than one year:		
Capital leases	83,451	-
Net pension liability	1,539,234	-
Net OPEB liability	67,440	
Compensated absences	13,964	-
Total liabilities	1,757,777	-
DEFERRED INFLOWS OF RESOURCES		
Property taxes collected - subs. years	379,234	-
Cost sharing defined benefit pension plan	94,918	-
Cost sharing defined benefit OPEB plan	2,844	
Total deferred inflows of resources	476,996	-
NET POSITION		
Net invested in capital assets	6,004,832	-
Restricted for:		
Health and welfare	77,694	-
Highways	642,572	-
Culture and recreation	1,239	-
Economic development	20,104	-
Special purposes	114,248	163,809
Unrestricted	(383,439)	-
Total net position	$ 6,477,250	$ 163,809

See Notes to the Financial Statements

EDDY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government – Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit – Water Resource District
Governmental Activities:						
General government	$ 1,129,770	$ 34,387	$ -	$ -	$ (1,095,383)	
Public safety	435,506	169,215	45,719	-	(220,572)	
Highways	1,570,377	114,194	-	205,869	(1,250,314)	
Health and welfare	401,653	2,282	363,221	-	(36,150)	
Culture and recreation	12,742	-	-	-	(12,742)	
Conservation of natural resources	83,493	-	-	-	(83,493)	
Interest and other charges	6,344	-	-	-	(6,344)	
Other	60,026	-	-	-	(60,026)	
Total governmental activities	$ 3,699,911	$ 320,078	$ 408,940	$ 205,869	(2,765,024)	
Component Unit:						
Water Resource District	$ 37,560	$ -	$ -	$ -		$ (37,560)
General revenues:						
Taxes:						
Property taxes; levied for general purposes					723,993	36,601
Property taxes; other					318,684	-
State aid distribution not restricted to specific programs					671,020	-
Investment earnings					8,374	126
Miscellaneous					102,202	150
Gain on sale of asset					10,103	-
Total general revenues					1,834,376	36,877
Change in net position					(930,648)	(683)
Net position - beginning of year, originally stated					7,465,811	164,492
GASB 75 implementation - see Note 15					(57,913)	-
Net position - beginning of year, restated					7,407,898	164,492
Net position - end of year					$ 6,477,250	$ 163,809

See Notes to the Financial Statements

EDDY COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2018

	General Fund	Human Services	County Road and Bridge	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 917,921	$ 36,086	$ 683,659	$ 242,709	$ 1,880,375
Accounts receivable	20,734	-	22,778	5,520	49,032
Taxes receivable	20,500	1,474	3,653	4,371	29,998
Loans receivable	-	-	9,732	-	9,732
Total assets	$ 959,155	$ 37,560	$ 719,822	$ 252,600	$ 1,969,137
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	$ 10,266	$ -	$ 17,450	$ 4,332	$ 32,048
Unearned revenue	-	-	-	3,053	3,053
Total liabilities	10,266	-	17,450	7,385	35,101
Deferred Inflows of Resources					
Property taxes collected - subs. years	261,639	-	48,835	68,760	379,234
Property taxes collected - delinquent	20,500	1,474	3,653	4,371	29,998
Total deferred inflows of resources	282,139	1,474	52,488	73,131	409,232
Fund Balances:					
Nonspendable - loan receivable	-	-	9,732	-	9,732
Restricted for:					
Health and welfare	-	36,086	-	40,528	76,614
Highways	-	-	640,152	-	640,152
Culture and recreation	-	-	-	492	492
Economic development	-	-	-	20,104	20,104
Special purposes	-	-	-	110,960	110,960
Unassigned	666,750	-	-	-	666,750
Total fund balances	666,750	36,086	649,884	172,084	1,524,804
Total liabilities, deferred inflows of resources and fund balances	$ 959,155	$ 37,560	$ 719,822	$ 252,600	$ 1,969,137

See Notes to the Financial Statements

EDDY COUNTY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

Total *Fund Balances* for Governmental Funds		$ 1,524,804
Total *net position* reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Costs of Capital Assets	$ 9,620,959	
Less Accumulated Depreciation	(3,525,516)	
Net Capital Assets		6,095,443
Property taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		29,998
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit pension plans and OPEB plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.		549,681
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest in long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities- both current and long-term- are reported in the statement of net position.		
Capital Lease Payable	(90,611)	
Interest Payable	(2,427)	
Net Pension Liability	(1,539,234)	
Net OPEB Liability	(67,440)	
Compensated Absences	(22,964)	
Total Long-Term Liabilities		(1,722,676)
Total Net Position of Governmental Activities		$ 6,477,250

See Notes to the Financial Statements

EDDY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Human Services	County Road and Bridge	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	$ 717,918	$ 4,315	$ 131,121	$ 184,777	$ 1,038,131
Licenses and permits	1,541	-	-	-	1,541
Intergovernmental	418,301	363,221	503,510	797	1,285,829
Charges for services	202,060	2,282	114,195	-	318,537
Investment earnings	8,374	-	-	-	8,374
Miscellaneous	25,283	18,665	3,588	54,666	102,202
Total revenues	1,373,477	388,483	752,414	240,240	2,754,614
Expenditures:					
Current:					
General government	918,068	-	-	-	918,068
Public safety	323,752	-	-	83,592	407,344
Highways	-	-	519,602	-	519,602
Health and welfare	-	352,816	-	49,440	402,256
Culture and recreation	9,467	-	-	3,176	12,643
Conservation of natural resources	-	-	-	85,507	85,507
Other	-	-	-	60,025	60,025
Debt service:					
Principal	-	-	6,807	-	6,807
Interest and other charges	-	-	3,917	-	3,917
Capital outlay	26,578	-	303,165	-	329,743
Total expenditures	1,277,865	352,816	833,491	281,740	2,745,912
Excess (deficiency) of revenues over expenditures	95,612	35,667	(81,077)	(41,500)	8,702
Other Financing Sources (uses)					
Sale of capital assets	10,103	-	-	-	10,103
Other use					
Transfers in	-	-	-	56,056	56,056
Transfers out	(56,056)	-	-	-	(56,056)
Total other financing sources (uses)	(45,953)	-	-	56,056	10,103
Net change in fund balances	49,659	35,667	(81,077)	14,556	18,805
Fund balances - beginning	617,091	419	730,961	157,528	1,505,999
Fund balances - ending	$ 666,750	$ 36,086	$ 649,884	$ 172,084	$ 1,524,804

See Notes to the Financial Statements

EDDY COUNTY

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in *Fund Balances* - Total Governmental Funds		$ 18,805
The change in net position reported for governmental activities in the statement of activities is different because:		
Contributions of capital assets are reported on the Statement of Activities as capital grants and contributions and on the Statement of Net Assets as construction in progress. These amounts are not reported on the governmental funds statements.		
Current Year Capital Outlay	$ 329,743	
Current Year Depreciation Expense	(1,112,759)	
		(783,016)
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 increase in taxes receivable.		4,546
Change in Net Pension Liability		(123,419)
Change in Net OPEB Liability		(1,693)
Changes in deferred outflows and inflows of resources related to the net pension liability		(66,421)
Changes in deferred outflows and inflows of resources related to the net OPEB liability		4,105
The proceeds of debt issuance are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of Debt		6,807
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:		
Net Decrease in Compensated Absences	12,063	
Net Increase in Interest Payable	(2,425)	
		9,638
Change in Net Position of Governmental Activities		$ (930,648)

See Notes to the Financial Statements

EDDY COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2018

	Agency Funds
Assets:	
Cash and cash equivalents	$ 767,939
Liabilities:	
Due to other governments	$ 767,939

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Eddy County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of Eddy County. The County has considered all potential component units for which the County is financially accountable and other organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. The County is financially accountable for an organization if the County appoints a voting majority of an organization’s governing body and (1) the County is able to significantly influence the programs or services performed or provided by the organization or (2) the County is legally entitled to or can otherwise access the organization’s resources. Component units may also include organizations that are fiscally dependent on the County. Fiscal dependence can include the County’s approval of the budget, issuance of debt, and/or levy of taxes for the organization.

Based on these criteria, the component unit discussed below is included within the County's reporting entity because of the significance of its operational or financial relationships with the County.

Component Unit

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

Discretely Presented Component Units: The component unit column in the government-wide financial statements includes the financial data of the county's one component unit. The unit is reported in separate columns to emphasize that it is legally separate from the County.

Eddy County Water Resource District - The Eddy County Water Resource District governing board is appointed by the County’s governing body. The County’s governing body has the authority to disapprove, amend, or approve the Water Resource District budget.

Complete financial statements of the Eddy County Water Resource District are included in these financial statements. Additional information may be obtained from the Eddy County Auditor, 524 Central Ave, New Rockford, ND 58356.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, Eddy County and its component unit, Eddy County Water Resource District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds including its fiduciary funds. Separate statements for each fund category-governmental and fiduciary- are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Human Services Fund. This is the County’s fund used for the costs of providing human services to the residents of the county.

County Road and Bridge Fund. This is the County’s fund used for the costs of maintaining roads and bridges.

Additionally, the County reports the following fund types:

Agency Funds. These funds account for assets held by the County in a custodial capacity as an agent on behalf of others. The County’s agency fund is used to account for various deposits of other governments.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the programs. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

Budgets

Annually, the Board of County Commissioners provides each office a departmental budget. The departments complete their budget and file it with the County Auditor. Based upon the departmental budget requests and other financial information, the County Auditor prepares the preliminary County budget. The budget is prepared for the general and special revenue funds on the modified accrual basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

No expenditure shall be made or liability incurred in excess of the total appropriation by fund except for transfers as authorized by the North Dakota Century Code Section 11-23-07. However, the Board of County Commissioners may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the Board and the approval must be noted in the proceedings of the Board.

A formal budget is also prepared by Eddy County Water Resource District, a component unit of Eddy County.

Cash and Cash Equivalents

Cash includes amounts in demand deposits, money market accounts, and short-term certificates of deposit with a maturity date within three months of the date acquired.

Capital Assets

Capital assets include equipment and infrastructure. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Infrastructure	5-50 years
Equipment	5-7 years
Buildings	5-40 years

Compensated Absences

Full time employees are granted vacation benefits from 12 to 24 days per year depending on tenure with the County. Regular part time and seasonal employees accrue vacation on a pro-rated basis. An employee is not allowed to use vacation until after six months of service to the County. Employees may carry over no more than 120 or 240 hours of vacation into a new fiscal year. Employees under the Social Service Department accrue vacation from 96 to 192 hours per year depending on tenure with the County. Social Service employees may carry over no more than 240 hours into a new fiscal year. Upon termination of employment, employees will be paid for vacation benefits that have accrued. Sick leave benefits accrue at eight hours per month with no maximum accumulation. Part time and seasonal employees accrue sick leave on a pro-rated basis based on the amount of hours worked. Upon termination of employment, unused sick leave will not be paid except in the case of re-employment within a year of termination in good standing.

Unearned Revenue

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

On the governmental fund financial statements, receivables that will not be collected during the availability period have been reported as unearned revenue.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities Statement of Net Position. Bond premiums and discounts are recognized in the current period since the amounts are not material.

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

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's 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.

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 expenses, information about the fiduciary net position of the North Dakota Public Employee 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.

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

> *Nonspendable* – consists of amounts that are not in spendable form, such as inventory and prepaid items, and loans receivable.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

Committed – consists of internally imposed constraints. These constraints are established by the Board of County Commissioners.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the County's intended use. These constraints are established by the Board of County Commissioners and/or management.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the County's policy to first use restricted resources, and then use unrestricted resources as they are needed. The County does not have a minimum fund balance policy.

The County considers the spendable fund balance to have been spent when expenditures are incurred.

When committed, assigned, or unassigned resources are available for use, it is the County's policy to use resources in the following order; 1) committed, 2) assigned, and 3) unassigned.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the County’s financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Deferred Outflows/Inflows 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(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The County has two items reported on the statement of net position as *cost sharing defined benefit pension plan and cost sharing defined benefit OPEB plan*, which represents actuarial differences within the NDPERS pension and OPEB plans as well as contributions to the plans made after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of* *resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has three types of items which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, *property taxes – delinquent*, and *property taxes levied – subs. years* are reported only in the governmental funds balance sheet. The County also has two items reported on the statement of net position as *cost sharing defined benefit pension plan and cost sharing defined benefit OPEB plan*, which represents the actuarial differences within the NDPERS pension and OPEB plans.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Implementation of New Accounting Principle

The County implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* during the year ended December 31, 2018. GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to state and local government employers. This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. In addition, for defined benefit plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

NOTE 2 CASH AND CASH EQUIVALENTS

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

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

The County does have a deposit policy. All deposits of the County are insured by using the pooling method, a collateral pool. Under this method, all uninsured deposits are collateralized with securities held by the County's agent under a pledge pool agreement between the County and local financial institutions through the Bank of North Dakota, as allowed by state law. Depositories using the pooling method report the adequacy of their pooled collateral covering uninsured deposits to the Bank of North Dakota. The financial institutions confirm the adequacy of the pledge for the pool. However, they do not confirm the County's deposits included in the pool. Because of the inability to measure the exact deposits included for the County in the pool, the potential exists for under-collateralization.

At December 31, 2018, the County's bank balance totaled approximately $2,751,000. Of the bank balance, approximately $750,000 was covered by federal depository insurance. The

County's remaining deposits were covered by pledged collateral under the pooling method. State statute requires the market value of collateral pledged to equal 110% of the deposits not covered by federal depository insurance.

At December 31, 2018, the Eddy County Water Resource District's (a discretely presented component unit of Eddy County) bank balance totaled approximately $164,000. The bank balance at December 31, 2018 was fully covered by Federal Depository Insurance.

Credit Risk

The County may invest idle funds as authorized in North Dakota Statutes, as follows:

(a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.

(b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

(c) Certificates of Deposit fully insured by the federal deposit insurance corporation.

(d) Obligations of the state.

As of December 31, 2018, the County held certificates of deposit in the amount of approximately $1,297,000, which are all considered deposits.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of money due from the highway department for roadwork performed for townships, cities, etc. and fees collected by other offices. No allowance has been established for estimated uncollectible amounts receivable.

NOTE 4 TAXES RECEIVABLE

Taxes receivable represent the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Any material collections are distributed after the end of each month. Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments.

The first installment includes one-half of the real estate taxes and 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 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 in a single payment on or before February 15 and receive the 5% discount on property taxes.

NOTE 5 LOANS RECEIVABLE

Loan receivables represent the amounts the County loaned to the following entities:

Receivable Fund	Loaned to	Balance at 12/31/18
County Road & Bridge	Hillsdale Township	$ 9,732

This loan will be repaid in annual installments of $2,000.

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	Balance 1/1/2018	Additions	Deletions	Transfers	Balance 12/31/2018
Governmental Activities:					
Capital assets not being depreciated					
Construction in Progress	$ 93,810	$ 277,915	$ -	$ -	$ 371,725
Capital assets being depreciated					
Infrastructure	7,693,426	-	-	-	7,693,426
Buildings	158,507	-	-	-	158,507
Equipment	1,381,024	51,828	(35,550)	-	1,397,302
Total capital assets being depreciated	9,232,956	51,828	(35,550)	-	9,249,234
Less accumulated depreciation					
Infrastructure	2,009,929	927,288	-	-	2,937,217
Buildings	51,869	19,561	-	-	71,430
Equipment	386,510	165,909	(35,550)	-	516,869
Total accumulated depreciation	2,448,308	1,112,758	(35,550)	-	3,525,516
Net capital assets being depreciated	6,784,648	(1,060,930)	-	-	5,723,718
Net capital assets for governmental activities	$ 6,878,458	$ (783,015)	$ -	$ -	$ 6,095,443

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

Governmental Activities:	
Public safety	$ 27,880
Highway	1,053,204
General	26,483
Health and welfare	5,191
Total	$ 1,112,758

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of amounts on open account for goods and services received prior to December 31, 2018, but paid for subsequent to that date.

NOTE 8 LONG-TERM DEBT

During the year ended December 31, 2018, the following changes occurred in long-term debt:

	Balance 1/1/18	Additions	Retired	Balance 12/31/18	Due Within One Year
Capital leases	$ 97,418	$ -	$ 6,807	$ 90,611	$ 7,160

The capital lease bears an interest rate of 4.024% and matures in May 2022. Future maturities for the years ended December 31 are as follows:

Year Ending	Capital Leases Principal	Interest	Total
2019	$ 7,160	$ 3,640	$ 10,800
2020	7,448	3,352	10,800
2021	7,748	3,052	10,800
2022	68,255	2,740	70,995
TOTALS	$ 90,611	$ 12,784	$ 103,395

The piece of equipment for which this capital lease is under has a total cost of $108,142 and accumulated depreciation of $ 36,047 as of December 31, 2018.

NOTE 9 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 plan that covers substantially all employees of the state of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through 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. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

1 to 12 months of service – Greater of one percent of monthly salary or \$25

13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

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

At December 31, 2018, the County reported a liability of $1,539,234 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the County's proportion was 0.091208 percent which was an increase of 0.003123 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the County recognized pension expense of $258,848. At December 31, 2018, the County 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	$ 4,074	$ (52,368)
Changes of assumptions	555,632	(21,970)
Net difference between projected and actual earnings on pension plan investments	-	(7,489)
Changes in proportion and differences between employer contributions and proportionate share of contributions	44,490	(13,092)
Employer contributions subsequent to the measurement date	28,464	-
Total	$ 632,660	$ (94,918)

$28,464 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 ending December 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 December 31:		
2019	$	163,343
2020		142,971
2021		125,449
2022		71,195
2023		6,320

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%			
Salary Increases		Service at Beginning of Year	State Employee	Non-State Employee
		0	12.00%	15.00%
		1	9.50%	10.00%
		2	7.25%	8.00%
		Age*		
		Under 30	7.25%	10.00%
		30-39	6.50%	7.50%
		40-49	6.25%	6.75%
		50-59	5.75%	6.50%
		60+	5.00%	5.25%

* Age-based salary increase rate 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	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
Global Real Assets	19%	5.11%

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).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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 (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease 5.32%	Current Discount Rate 6.32%	1% Increase 7.32%
Employer's proportionate share of the net pension liability	$ 2,091,534	$ 1,539,234	$ 1,078,359

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS

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, 2018, the County reported a liability of $67,440 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on the County's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018 the County's proportion was 0.085631 percent.

For the year ended December 31, 2018, the County recognized OPEB expense of $8,622. At December 31, 2018, the County 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	$ 2,019	$ (1,393)
Changes of assumptions	5,534	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,451)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,804	-
Employer contributions subsequent to the measurement date	5,426	-
Total	$ 14,783	$ (2,844)

There is $5,426 reported as deferred outflows of resources related to OPEB resulting from the County’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

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

Year ended December 31:		
2019	$	853
2020		853
2021		853
2022		1,493
2023		1,376
Thereafter		1,085

***Actuarial assumptions*.**

The total OPEB liability in the July 1, 2018 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

***Discount rate*.**

The discount rate used to measure the total OPEB liability was 7.5%. 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, 2018, and July 1, 2017, 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, 2018, 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%
Employer's proportionate share of the net OPEB liability	$ 85,328	$ 67,440	$ 52,106

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 11 RISK MANAGEMENT

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

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

Eddy 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 buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Eddy County has workers compensation coverage with the North Dakota Workforce Safety and Insurance. The County provides health coverage for employees who work 20 hours a week or more.

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

NOTE 12 JOINT VENTURES

Lake Region Law Enforcement Center

Under authorization of state statutes, Eddy County joined Ramsey County, Benson County, Towner County, Nelson County, and the City of Devils Lake to establish and operate the Lake Region Law Enforcement Center. The County is required to pay a per diem and medical related expenses for the cost of each prisoner they have incarcerated in the Center.

Complete financial information can be obtained from Lake Region Enforcement Center, 222 Walnut Street West, Devils Lake, ND 58301.

Lake Region District Health Unit

Under authorization of state statutes, Eddy County joined Ramsey County, Benson County, and Pierce County to establish and operate the Lake Region District Health Unit. Two members of the directors for the joint venture are appointed by each government. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity is 25%.

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

Public Library

Under authorization of state statutes, Eddy County joined the City of New Rockford to operate the public library. The public library will be governed by a Joint Library Board, which is comprised of two members appointed by the City of New Rockford, and two members are appointed from Eddy County. A fifth member at-large is appointed by the Joint Library Board. The operating and capital expenses are funded by a one mill contribution from Eddy County. The City of New Rockford shall cover all additional expenses not covered by Eddy County's share of funds.

Complete financial information can be obtained from the City of New Rockford, 117 1st Street South, New Rockford, ND 58356.

NOTE 13 TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires them to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) use unrestricted revenues collected in the human services fund that are used to finance programs accounted for in the social services fund.

	General Fund	Human Services	County Road and Bridge	Other Governmental Funds	Total
Transfer In	$ -	$ -	$ -	$ 56,056	$ 56,056
Transfer Out	(56,056)	-	-	-	(56,056)
	$ (56,056)	$ -	$ -	$ 56,056	$ -

NOTE 14 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Management has not yet determined the effect these Statements will have on the County's financial statements.

NOTE 15 PRIOR PERIOD ADJUSTMENT

The County has recorded a prior period adjustment to its December 31, 2017 government wide financial statements due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which required a prior period adjustment to net OPEB liability and related deferred outflows as of January 1, 2018. The cumulative effect of implementing this GASB statement was an increase in net OPEB liability of $65,747, and increase in deferred outflows – OPEB $11,924, and an increase in deferred inflows – OPEB of $4,090, on the Statement of Net Position. The adjustments resulted in a decrease of $57,913 in net position.

NOTE 16 SUBSEQUENT EVENTS

Effective January 1, 2019, Central Prairie Social Services District was formed. The Social Services/Social Service fund employees of the County were moved over to this District. The County no longer has a financial obligation with the District and the District is funded by the state so the County does not levy anything. A check was written in 2019 to the District from the Social Service fund for the cash remaining at that point in the amount of $36,089. Subsequent events have been evaluated through July 12, 2019, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

EDDY COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original /Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	$ 749,217	$ 717,918	$ (31,299)
Licenses and permits	1,516	1,541	25
Intergovernmental	445,209	418,301	(26,908)
Charges for services	185,576	202,060	16,484
Investment earnings	5,500	8,374	2,874
Miscellaneous	6,500	25,283	18,783
Total revenues	1,393,518	1,373,477	(20,041)
EXPENDITURES			
Current:			
General government	1,190,162	918,068	272,094
Public safety	411,234	323,752	87,482
Culture and recreation	15,000	9,467	5,533
Capital outlay	-	26,578	(26,578)
Total expenditures	1,616,396	1,277,865	338,531
Excess (deficiency) of revenues over expenditures	(222,878)	95,612	318,490
OTHER FINANCING SOURCES (USES)			
Sale of capial assets	2,500	10,103	7,603
Transfers out	-	(56,056)	(56,056)
Total other financing sources and uses	2,500	(45,953)	(48,453)
Net change in fund balances	(220,378)	49,659	
Fund balances - beginning	617,091	617,091	
Fund balances - ending	$ 396,713	$ 666,750	

See Notes to the Required Supplementary Information

EDDY COUNTY
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original /Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	$ 6,098	$ 4,315	$ (1,783)
Intergovernmental	364,955	363,221	(1,734)
Charges for services	3,165	2,282	(883)
Miscellaneous	15,700	18,665	2,965
Total revenues	389,918	388,483	(1,435)
EXPENDITURES			
Current:			
Health and welfare	481,748	352,816	128,932
Debt Service:			
Capital outlay	500	-	500
Total expenditures	482,248	352,816	129,432
Net change in fund balances	(92,330)	35,667	
Fund balances - beginning	419	419	
Fund balances - ending	$ (91,911)	$ 36,086	

EDDY COUNTY
BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGES FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original /Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	$ 137,761	$ 131,121	$ (6,640)
Intergovernmental	277,112	503,510	226,398
Charges for services	150,000	114,195	(35,805)
Miscellaneous	207,869	3,588	(204,281)
Total revenues	772,742	752,414	(20,328)
EXPENDITURES			
Current:			
Highways and roads	1,272,500	519,602	752,898
Debt service:			
Principal	-	6,807	(6,807)
Interest and other charges	-	3,917	(3,917)
Capital outlay	-	303,165	(303,165)
Total expenditures	1,272,500	833,491	439,009
Net change in fund balances	(499,758)	(81,077)	
Fund balances - beginning	730,961	730,961	
Fund balances - ending	$ 231,203	$ 649,884	

See Notes to the Required Supplementary Information

EDDY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.091208%	$ 1,539,234	$ 936,993	164.27%	62.80%
2017	0.088085%	1,415,815	899,207	157.45%	61.98%
2016	0.085741%	835,630	864,069	96.71%	70.46%
2015	0.083183%	565,630	741,056	76.33%	77.15%

*The County implemented GASB Statements No. 68 and 71 for its fiscal year ending December 31, 2015. Information for the prior years is not available.

EDDY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.085631%	$ 67,440	$ 936,993	7.20%	59.78%

*The County implemented GASB Statement No. 75 for its fiscal year ending December 31, 2018. Information for prior periods is not available.

EDDY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	$ 68,896	$ (68,896)	$ -	$ 967,646	7.12%
2017	67,962	(67,962)	-	954,525	7.12%
2016	62,945	(62,945)	-	884,065	7.12%
2015	57,926	(57,926)	-	813,574	7.12%

*The County implemented GASB Statements No. 68 and 71 for its fiscal year ending December 31,2015. Information for prior years is not available.

EDDY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED DECEMBER 31, 2018

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	$ 11,031	$ (11,031)	$ -	$ 967,646	1.14%

*The County implemented GASB Statement No. 75 for its fiscal year ending December 31, 2018. Information for prior periods is not available.

See Notes to the Required Supplementary Information

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The county commission adopts an "appropriated budget" on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

- The county auditor prepares an annual budget for the general fund and each special revenue fund of the county. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.

- The county commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04

- The board of county commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05

- Each budget is controlled by the county auditor at the revenue and expenditure function/object level.

- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
  NDCC 57-15-31.1

- All appropriations lapse at year-end.

NOTE 2 CHANGE OF ASSUMPTIONS

NDPERS Pension Plan

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 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.

NDPERS OPEB

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 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.

BradyMartz

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

To the Board of County Commissioners
Eddy County
New Rockford, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Eddy County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Eddy County's basic financial statements and have issued our report thereon dated July 12, 2019. A qualified opinion was expressed on the Governmental Activities due to the County not maintaining capital asset records for their capital assets prior to December 31, 2003.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eddy County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eddy County's internal control. Accordingly, we do not express an opinion on the effectiveness of Eddy County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2018-001, 2018-002, 2018-003, and 2018-004 to be material weaknesses.

Compliance and Other Matters

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

Eddy County's Response to Findings

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

Purpose of this Report

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

July 12, 2019

2018-001 ***Preparation of Financial Statements***

Criteria: An appropriate system of internal controls requires the County to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Condition: The County personnel prepare periodic financial information for internal use that meets the needs of management and the County Commissioners. The County does not have internal resources to prepare full-disclosure financial statements for external reporting. The auditors assist with preparing the financial statements.

Cause: The County does not have the internal expertise to handle all aspects of external financial reporting.

Effect: An appropriate system of internal controls is not present to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the County determine if it is cost effective to obtain the internal knowledge for preparation of full disclosure external financial reporting. The County could also address this by completing a disclosure checklist prior to the finalization of the County's year-end or consider outsourcing of the financial statement preparation and review functions.

Views of responsible officials and planned corrective action:

Due to the small size of the County, it is currently not cost effective for the County personnel to obtain the level of training necessary to completely eliminate this internal control finding. The County will review training options and determine what level of training can be obtained on a cost effective basis.

2018-002 ***Adjusting Journal Entries***

Criteria: The County is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America.

Condition: During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause: The County's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: The County does not maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend that the County review its current training system for its accounting personnel and determine if it is cost effective for the County to obtain this knowledge internally.

Views of responsible officials and planned corrective action:

Due to the small size of the County, it is currently not cost effective for the County personnel to obtain the level of training necessary to completely eliminate this internal control finding. The County will review training options and determine what level of training can be obtained on a cost effective basis.

2018-003 Segregation of Duties

Criteria: An appropriate system of internal controls provides for an adequate segregation of duties.

Condition: All of the accounting functions of the County and Water Resource Board (a component unit of the County) are performed by a limited number of personnel.

Cause: Cost constraints limit the number of accounting personnel that can be economically justified to perform these accounting functions.

Effect: The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: We recommend that the County and its component unit review their internal controls over the accounting functions to determine if additional procedures can be implemented on a cost effective basis. Procedures to consider include separating the custody of assets from the accounting function, as well as implementing and or expanding monitoring controls.

Views of responsible officials and planned corrective action:

The County and the component units will review their current internal controls and determine what monitoring and segregation controls each can implement on a cost effective basis.

2018-004 ***Capital Asset Records***

Criteria: The County is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America.

Condition: The capital asset records do not provide sufficient information for the determination that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America.

Cause: Internal controls have not been effectively designed or implemented to ensure that all required information related to the acquisition, capitalization, depreciation, and disposition of capital assets is captured and reflected in the appropriate accounting records.

Effect: An appropriate system of internal controls is not present to make a determination whether capital assets are properly reflected in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend that the entire accounting for capital assets be reviewed and a process to obtain a current capital asset record be developed. We also recommend that internal controls relating to capital additions, depreciation determination, disposal reporting, and physical inventory inspections be developed and implemented.

Views of responsible officials and planned corrective action:

The County will review its current accounting records and determine how to obtain the required information on a cost effective basis.