

**BENSON COUNTY  
MINNEWAUKAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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**BENSON COUNTY**  
COUNTY OFFICIALS  
AS OF DECEMBER 31, 2019

Ron Carlson	Commissioner- Chairman
Ron Stadum	Commissioner- Vice Chairman
David Davidson	Commissioner
Doris Griffin	Commissioner
Michael Steffan	Commissioner
Bonnie Erickson	Auditor/Treasurer
Steve Rohrer	Sheriff
Rhoda Pfeifer	Register of Deeds
James Wang	State's Attorney
Lucia Jacobson	Superintendent of Schools

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Benson County  
Minnewaukan, 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 Benson County, Minnewaukan, North Dakota, as of and for the year ended December 31, 2019, 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 includes 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 County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Benson County, as of December 31, 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of employer contributions to the NDPERS retirement fund, the schedule of employer and non-employer proportionate share of the net pension liability, the schedule of employer contributions to the OPEB fund, and the schedule of employer and non-employer proportionate share of the net OPEB liability as listed in the table of contents 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 requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of fund activity as listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The roster of county officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021 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 the 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 Benson County's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

February 19, 2021

**BENSON COUNTY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
<b>ASSETS</b>		
Cash and investments	\$ 3,611,936	\$ 111,169
Accounts receivable	31,625	-
Taxes receivable	95,165	19,729
Road receivables	16,877	-
Intergovernmental receivable	30,185	-
Capital assets (net of accumulated depreciation):		
Land	180,636	-
Infrastructure	12,934,276	-
Buildings	94,572	-
Machinery and vehicles	2,317,342	-
Furniture and equipment	43,681	-
Total capital assets	15,570,507	-
Total assets	19,356,295	130,898
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Cost sharing defined benefit pension plan-NDPERS main	842,630	-
Cost sharing defined benefit pension plan-NDPERS law enforcement	65,670	-
Cost sharing defined benefit OPEB plan	31,065	-
Total deferred outflows of resources	939,365	-
<b>LIABILITIES</b>		
Accounts payable	41,961	-
Unearned income	86,677	-
Long-term liabilities:		
Due within one year:		
Compensated absences payable	73,006	-
Due after one year:		
Net pension liability - main	1,964,264	-
Net pension liability - law enforcement	53,699	-
Net OPEB liability	138,570	-
Total liabilities	2,358,177	-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes levied - subs. years	366,790	-
Cost sharing defined benefit pension plan-NDPERS main	1,090,514	-
Cost sharing defined benefit pension plan-NDPERS law enforcement	63,931	-
Cost sharing defined benefit OPEB plan	11,587	-
Total deferred inflows of resources	1,532,822	-
<b>NET POSITION</b>		
Net investment in capital assets	15,570,507	-
Restricted for:		
Public safety	49,951	-
Highways	1,259,519	-
Health and welfare	161,157	-
Culture and recreation	177	-
Conservation of natural resources	40,945	130,898
Economic development	349	-
Special purposes	60,849	-
Unrestricted	(738,793)	-
Total net position	\$ 16,404,661	\$ 130,898

See Notes to the Basic Financial Statements



**BENSON COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Water Resource District
<b>Governmental Activities:</b>						
General government	\$ 2,086,986	\$ 147,467	\$ 467,631	\$ -	\$ (1,471,888)	\$ -
Public safety	805,374	29,769	19,720	-	(755,885)	-
Highways	2,228,228	387,949	-	760,276	(1,080,003)	-
Health and welfare	924,515	-	968,248	-	43,733	-
Conser. of natural resources	208,070	-	9,483	-	(198,587)	-
Economic development	-	-	1,428	-	1,428	-
Other	216,101	4,864	48,072	-	(163,165)	-
Debt Service	40,939	-	-	-	(40,939)	-
<b>Total governmental activities</b>	<b>\$ 6,510,213</b>	<b>\$ 570,049</b>	<b>\$ 1,514,582</b>	<b>\$ 760,276</b>	<b>(3,665,306)</b>	<b>-</b>
<b>Component Unit:</b>						
Water Resource Board	\$ 146,526	\$ 42,435	\$ -	\$ -		\$ (104,091)
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes; levied for general purposes					2,003,048	\$ 113,409
Non restricted grants and contributions					422,657	-
Earnings on investments					59,540	14
Miscellaneous revenue					99,224	-
<b>Total general revenues</b>					<b>2,584,469</b>	<b>113,423</b>
<b>Change in net position</b>					<b>(1,080,837)</b>	<b>9,332</b>
<b>Net position - January 1</b>					<b>17,485,498</b>	<b>121,566</b>
<b>Net position - December 31</b>					<b>\$ 16,404,661</b>	<b>\$ 130,898</b>

See Notes to the Basic Financial Statements

**BENSON COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	General	County Road and Bridge	Social Service	Highway Tax Distribution	Federal Aid 6 Mill	Law Enforcement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and investments	\$ 1,716,001	\$ -	\$ 133,390	\$ 425,318	\$ 449,811	\$ -	\$ 887,416	\$ 3,611,936
Accounts receivable	1,811	-	-	-	-	-	29,814	31,625
Taxes receivable	38,263	7,347	-	-	5,883	10,959	32,713	95,165
Road receivables	-	16,877	-	-	-	-	-	16,877
Intergovernmental receivable	8,584	21,601	-	-	-	-	-	30,185
Due from other funds	141,941	-	-	-	-	-	-	141,941
<b>Total assets</b>	<b>\$ 1,906,600</b>	<b>\$ 45,825</b>	<b>\$ 133,390</b>	<b>\$ 425,318</b>	<b>\$ 455,694</b>	<b>\$ 10,959</b>	<b>\$ 949,943</b>	<b>\$ 3,927,729</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<u>Liabilities:</u>								
Accounts payable	\$ 4,962	\$ 17,492	\$ 3,020	\$ -	\$ -	\$ -	\$ 16,487	\$ 41,961
Due to other funds	-	116,386	-	-	-	25,555	-	141,941
Unearned revenue	-	-	-	-	-	-	86,677	86,677
<b>Total liabilities</b>	<b>4,962</b>	<b>133,878</b>	<b>3,020</b>	<b>-</b>	<b>-</b>	<b>25,555</b>	<b>103,164</b>	<b>270,579</b>
<u>Deferred Inflows of Resources</u>								
Property taxes collected - subs. years	108,134	33,392	-	-	25,045	66,780	133,439	366,790
Property taxes collected - delinquent	38,263	7,347	-	-	5,883	10,959	32,713	95,165
<b>Total deferred inflows of resources</b>	<b>146,397</b>	<b>40,739</b>	<b>-</b>	<b>-</b>	<b>30,928</b>	<b>77,739</b>	<b>166,152</b>	<b>461,955</b>
<u>Fund Balances:</u>								
Restricted for:								
Public safety	-	-	-	-	-	-	42,604	42,604
Highways	-	-	-	425,318	424,766	-	544,170	1,394,254
Health and welfare	-	-	130,370	-	-	-	30,786	161,156
Culture and recreation	-	-	-	-	-	-	177	177
Conservation of natural resources	-	-	-	-	-	-	33,155	33,155
Economic development	-	-	-	-	-	-	349	349
Special purposes	-	-	-	-	-	-	60,178	60,178
Unassigned	1,755,241	(128,792)	-	-	-	(92,335)	(30,792)	1,503,322
<b>Total fund balances</b>	<b>1,755,241</b>	<b>(128,792)</b>	<b>130,370</b>	<b>425,318</b>	<b>424,766</b>	<b>(92,335)</b>	<b>680,627</b>	<b>3,195,195</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,906,600</b>	<b>\$ 45,825</b>	<b>\$ 133,390</b>	<b>\$ 425,318</b>	<b>\$ 455,694</b>	<b>\$ 10,959</b>	<b>\$ 949,943</b>	<b>\$ 3,927,729</b>

See Notes to the Basic Financial Statements

**BENSON COUNTY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

Total <i>Fund Balances</i> for Governmental Funds		\$ 3,195,195
Total <i>Net Position</i> reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	\$ 62,197,261	
Less Accumulated Depreciation	<u>(46,626,754)</u>	
Net Capital Assets		15,570,507
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit 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.		
		(226,667)
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.		
		95,165
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities- both current and long-term- are reported in the statement of net position. Balances at December 31, 2019 are:		
Compensated Absences	(73,006)	
Net Pension Liability	(2,017,963)	
Net OPEB Liability	<u>(138,570)</u>	
Total Long-Term Liabilities		<u>(2,229,539)</u>
Total Net Position of Governmental Activities		<u>\$ 16,404,661</u>

See Notes to the Basic Financial Statements

**BENSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	County Road and Bridge	Social Service	Highway Tax Distribution	Federal Aid 6 Mill	Law Enforcement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>								
Taxes	\$ 743,574	\$ 161,850	\$ -	\$ -	\$ 127,464	\$ 226,718	\$ 736,525	\$ 1,996,131
Licenses, permits and fees	500	-	-	-	-	-	-	500
Intergovernmental	866,664	-	907,534	502,752	-	-	420,567	2,697,517
Charges for services	177,236	361,094	-	-	-	-	31,719	570,049
Interest income	59,540	-	-	-	-	-	-	59,540
Miscellaneous	22,622	31,609	2,959	-	-	-	41,534	98,724
Total revenues	<u>1,870,136</u>	<u>554,553</u>	<u>910,493</u>	<u>502,752</u>	<u>127,464</u>	<u>226,718</u>	<u>1,230,345</u>	<u>5,422,461</u>
<u>Expenditures:</u>								
Current:								
General government	1,178,862	-	-	-	-	-	120,670	1,299,532
Public safety	321,229	-	-	-	-	248,700	209,860	779,789
Highways	-	1,101,938	-	-	20,930	-	432,528	1,555,396
Health and welfare	22,201	-	887,742	-	-	-	14,059	924,002
Conser. of natural resources	-	-	-	-	-	-	208,070	208,070
Other	74,027	-	-	-	-	-	142,074	216,101
Capital outlay	-	610,271	-	-	-	-	-	610,271
Debt service:								
Principal retirement capital lease	-	40,939	-	-	-	-	-	40,939
Total expenditures	<u>1,596,319</u>	<u>1,753,148</u>	<u>887,742</u>	<u>-</u>	<u>20,930</u>	<u>248,700</u>	<u>1,127,261</u>	<u>5,634,100</u>
Excess (deficiency) of revenues over expenditures	<u>273,817</u>	<u>(1,198,595)</u>	<u>22,751</u>	<u>502,752</u>	<u>106,534</u>	<u>(21,982)</u>	<u>103,084</u>	<u>(211,639)</u>
<u>Other financing sources (uses):</u>								
Transfers in	6,666	1,132,191	-	-	-	-	49,600	1,188,457
Transfers out	(661,791)	-	-	(420,000)	-	-	(106,666)	(1,188,457)
Total other financing sources and uses	<u>(655,125)</u>	<u>1,132,191</u>	<u>-</u>	<u>(420,000)</u>	<u>-</u>	<u>-</u>	<u>(57,066)</u>	<u>-</u>
Net change in fund balances	<u>(381,308)</u>	<u>(66,404)</u>	<u>22,751</u>	<u>82,752</u>	<u>106,534</u>	<u>(21,982)</u>	<u>46,018</u>	<u>(211,639)</u>
Fund balance - January 1	<u>2,136,549</u>	<u>(62,388)</u>	<u>107,619</u>	<u>342,566</u>	<u>318,232</u>	<u>(70,353)</u>	<u>634,609</u>	<u>3,406,834</u>
Fund balance - December 31	<u>\$ 1,755,241</u>	<u>\$ (128,792)</u>	<u>\$ 130,370</u>	<u>\$ 425,318</u>	<u>\$ 424,766</u>	<u>\$ (92,335)</u>	<u>\$ 680,627</u>	<u>\$ 3,195,195</u>

See Notes to the Basic Financial Statements

**BENSON COUNTY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Change in *Fund Balances* - Total Governmental Funds \$ (211,639)

The change in *Net Position* reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$ 610,271	
Current Year Depreciation Expense	<u>(844,073)</u>	(233,802)

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

Net Book Value of Disposed Asset		(539,695)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded debt repayment.

Repayment of Debt		40,939
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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		40,231
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Changes in deferred outflows and inflows of resources related to net pension liability		(1,226,066)
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Change in net pension liability		1,039,431
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Change in net OPEB liability		2,849
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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:

Net increase in taxes receivable		<u>6,915</u>
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Change in Net Position of Governmental Activities		<u>\$ (1,080,837)</u>
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See Notes to the Basic Financial Statements

**BENSON COUNTY**  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
DECEMBER 31, 2019

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	\$ 946,324
	<u>                    </u>
<u>Liabilities:</u>	
Due to other governments	\$ 946,324
	<u>                    </u>

See Notes to the Basic Financial Statements

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Benson 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 governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The accompanying financial statements present the activities of Benson 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. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of Benson County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Benson County.

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 relationship 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 either as a blended component unit or as a discretely presented component unit.

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

Benson County Water Resource District: The Benson County Water Resource District governing board is appointed by the County's governing body. The County's governing body has the County to disapprove, amend, or approve the water resource district budget.

**B. Basis of Presentation**

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government, Benson County and its component unit, Benson 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.

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

*County Road and Bridge Fund.* This is the County's primary road maintenance fund. It accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund.

*Social Service Fund.* This is the County's primary health and welfare fund. It accounts for all financial resources related to health and welfare, except property taxes and those required to be accounted for in another fund.

*Highway Tax Distribution Fund.* This is the County's fund used for the Highway Tax Distribution from the state to be used for the maintenance and repair of roads within the county.

*Federal Aid 6 Mill Fund.* This is the County's fund used to account for graveling expenditures for county roadway maintenance, repairs and improvements.

*Law Enforcement Fund.* This is the County's fund used to account for law enforcement expenditures for public safety purposes.

Additionally, the County reports the following fund type:

The County reports the following fiduciary fund:

*Agency Fund.* This fund accounts 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.



**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

**D. Cash and Investments**

Cash includes amounts in demand deposits and money market accounts. The investments consist of certificates of deposits.

**E. Capital Assets**

Capital assets include plant and equipment. 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings and Infrastructure	99 years
Machinery, Vehicles, Furniture and Equipment	5 – 30 years

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**F. Compensated Absences**

Full time regular County employees are granted vacation benefits from 1 to 1.75 days per month depending on tenure with the County. Part time employees are granted vacation on the same scale, prorated for average hours worked per week. Vacation benefits may accrue to a total of 21 days. All unused vacation will be paid out to all employees upon termination of employment. Unused sick leave benefits for regular County employees are allowed to accumulate up to 120 days. Once an employee has reached their maximum sick leave level, they are eligible to trade any additional sick leave awarded at a rate of one day of vacation for six days of sick leave. Upon termination of employment, sick leave will be converted to one fully compensated day for six sick leave days and paid to the employee. Vested or accumulated leave is reported in the government-wide statements.

**G. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

**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 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 (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 expense, 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 to NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**H. 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.

**I. 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.

*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 Resolution of 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. Pursuant to Board Resolution, the County's management is authorized to establish assignments of fund balance.

*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.

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.

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**J. 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.

**K. 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 plan, as well as amounts paid to the plans 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, one which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, *property taxes levied -subs. years* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. 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 plan and is reported on the statement of net position.

**NOTE 2 DEPOSITS AND INVESTMENTS**

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

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

At the year ended December 31, 2019, the County's carrying amount of deposits was \$4,558,259 and the bank balance was \$4,614,874. The bank balances at December 31, 2019 consisted of \$851,745 that was covered by Federal Depository Insurance. The remaining balance of \$3,727,992 was collateralized with securities held by the pledging financial institution's agent in the County's name.

At the year ended December 31, 2019, the Benson County Water Resource District's (a discretely presented component unit of Benson County) carrying amount of deposits was \$111,169 and the bank balance was \$116,789. The bank balance at December 31, 2019 was 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 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, 2019, the County held certificates of deposit in the amount of \$1,505,861, which are all considered deposits.

**Concentration of Credit Risk**

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

**NOTE 3 ACCOUNTS RECEIVABLE**

Accounts receivable consists of money due from charges for services provided by various County offices and interest earned on bank deposits. No allowance has been established for estimated uncollectible accounts receivable.

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 4 ROAD RECEIVABLE**

Road receivables consist of money due to the highway department for roadwork performed for townships, cities, etc. No allowance has been established for estimated uncollectible road receivables.

**NOTE 5 TAXES RECEIVABLE**

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for estimated uncollectible taxes receivable.

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

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

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

**NOTE 6 INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various welfare and emergency management programs. These amounts consist of a mix of state and federal dollars.

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 7 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2019:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 180,636	\$ -	\$ -	\$ 180,636
Capital assets being depreciated				
Infrastructure	57,640,200	-	-	57,640,200
Buildings	316,300	-	-	316,300
Machinery and vehicles	4,035,648	610,271	(894,920)	3,750,999
Furniture and equipment	309,126	-	-	309,126
Total capital assets being depreciated	<u>62,301,274</u>	<u>610,271</u>	<u>(894,920)</u>	<u>62,016,625</u>
Less accumulated depreciation				
Infrastructure	(44,123,752)	(582,172)	-	(44,705,924)
Buildings	(219,967)	(1,761)	-	(221,728)
Machinery and vehicles	(1,536,640)	(252,242)	355,225	(1,433,657)
Furniture and equipment	(257,547)	(7,898)	-	(265,445)
Total accumulated depreciation	<u>(46,137,906)</u>	<u>(844,073)</u>	<u>355,225</u>	<u>(46,626,754)</u>
Net capital assets being depreciated	<u>16,163,368</u>	<u>(233,802)</u>	<u>(539,695)</u>	<u>15,389,871</u>
Net capital assets for governmental activities	<u>\$ 16,344,004</u>	<u>\$ (233,802)</u>	<u>\$ (539,695)</u>	<u>\$ 15,570,507</u>

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

General government	\$ 684,838
Public safety	25,585
Highways	133,137
Health and welfare	513
	<u>\$ 844,073</u>

**NOTE 8 ACCOUNTS PAYABLE**

Accounts payable consists of amounts on open accounts for goods and services received prior to December 31, 2019 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 9 UNEARNED REVENUE**

Unearned revenue consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Amounts unearned were for grant revenues in excess of grant expenditures in Flood funds.

**NOTE 10 LONG-TERM DEBT**

**Changes in Long-Term Liabilities**

During the year ended December 31, 2019, the following changes occurred in liabilities for Benson County:

	Balance 1/1/2019	Additions	Retired	Balance 12/31/2019	Due Within One Year
Compensated absences	\$ 113,237	\$ -	\$ (40,231)	\$ 73,006	\$ 73,006
Capital lease	40,939	-	(40,939)	-	-
Totals	<u>\$ 154,176</u>	<u>\$ -</u>	<u>\$ (81,170)</u>	<u>\$ 73,006</u>	<u>\$ 73,006</u>

Compensated absences are typically liquidated from the general fund.

The capital lease was paid in full in 2019.

The piece of equipment for which this capital lease was under has a total cost of \$49,889 and accumulated depreciation of \$9,978 as of December 31, 2019.

**NOTE 11 RELATED ORGANIZATION**

Benson County is also responsible for levying a property tax for the Benson County Council on Aging and Benson County Job Authority but the County's accountability for these entities does not extend beyond the levying of the tax. In 2019, the County remitted \$44,384 to the Benson County Council on Aging and \$49,682 to the Benson County Job Authority.

**NOTE 12 RISK MANAGEMENT**

Benson 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Benson County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of four million dollars per occurrence for general liability, four million dollars per occurrence for automobile, and \$5,869,354 for public assets.



**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

Benson County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Benson 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 \$250,000,000 dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Benson 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. Benson County has workers compensation with the North Dakota Workforce Safety and Insurance. The County provides health insurance benefits for all regular full and part-time employees. The County contributes up to \$734 per month per employee for insurance.

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

**NOTE 13 DEFINED BENEFIT PENSION PLAN – STATEWIDE**

Substantially, all employees of the County are required by state law to belong to a pension plan administered by the North Dakota Public Employees Retirement System (NDPERS), which is administered on a statewide basis.

Disclosures relating to this plan follow:

**North Dakota Public Employees Retirement System**

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

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. 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 of the Law

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

Enforcement 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 (55) with three or more years of service. 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 50-55 with three or more years of service.

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

### **Death and Disability Benefits**

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

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

### **Refunds of Member Account Balance**

Upon termination, if a member is not vested (is not 65 for the Main System or 55 for the Law Enforcement system 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. Main System Plan members are required to contribute 7% and employers contribute 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Contribution rates for the Law Enforcement System are established as follows:

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Plan</u>	<u>Member Contribution Rate</u>	<u>Employer Contribution Rate</u>
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

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, 2019, the County reported a liability of \$2,017,963 for its proportionate share of the net pension liability. The net pension liability consisted of \$1,964,264 to the Main System pension plan and \$53,699 to the Law Enforcement pension plan with prior Main System Service. The net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of covered payroll in the Main System and Law Enforcement pension plan relative to the covered payroll of all participating Main System and Law Enforcement employers. At July 1, 2019, the County's proportion was 0.167589 percent for the Main System and 0.451524 percent for the Law Enforcement plan, which was a decrease of 0.006539 and a decrease of 0.058228, respectively, from the prior year.

For the year ended December 31, 2019, the County recognized pension expense of \$325,227 for the Main System plan and \$22,910 for the Law Enforcement plan. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**BENSON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

For the Main System plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,163	\$ 356,477
Changes of assumptions	733,994	630,197
Net difference between projected and actual earnings on pension plan investments	34,222	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,193	103,840
Employer contributions subsequent to the measurement date	62,058	-
Total	<u>\$ 842,630</u>	<u>\$ 1,090,514</u>

For the Main System plan, \$62,058 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

For the Law Enforcement plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,865	\$ 6,567
Changes of assumptions	38,491	39,094
Net difference between projected and actual earnings on pension plan investments	1,517	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,874	18,270
Employer contributions subsequent to the measurement date	8,923	-
Total	<u>\$ 65,670</u>	<u>\$ 63,931</u>

For the Law Enforcement plan, \$8,923 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

**BENSON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 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:

For the Main System plan:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ 33,117
2021	1,002
2022	(89,052)
2023	(195,582)
2024	(59,427)

For the Law Enforcement plan:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ 10,809
2021	(960)
2022	(223)
2023	(7,818)
2024	(8,992)

**Actuarial Assumptions**

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%		
Salary Increases		Service at <u>Beginning of Year</u>	<u>State Employee</u> <u>Non-State Employee</u>
		0	12.00%      15.00%
		1	9.50%      10.00%
		2	7.25%      8.00%
		Age*	
		Under 30	7.00%      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 rates apply for employees with three or more years of service

Investment rate of return      7.50%, net of investment expenses

Cost-of-living adjustments      None

**BENSON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages 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 Retiree Mortality Table set back one year for males (no set back 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.00%	6.25%
International Equity	21.00%	6.95%
Private Equity	7.00%	10.15%
Domestic Fixed Income	23.00%	2.11%
Global Real Assets	19.00%	5.41%

**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 7.50%; the municipal bond rate is 3.13%; and the resulting single discount rate is 7.5%.

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

For the Main System plan:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Employer's proportionate share of the net pension liability	<u>\$ 2,816,332</u>	<u>\$ 1,964,264</u>	<u>\$ 1,248,378</u>

For the Law Enforcement plan:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Employer's proportionate share of the net pension liability	<u>\$ 104,988</u>	<u>\$ 53,699</u>	<u>\$ 11,640</u>

**Pension Plan Fiduciary Net Position**

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

**NOTE 14 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.

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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, 2019, the County reported a liability of \$138,570 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the County's proportion was 0.172525 percent, which was a decrease of 0.007039 percent from the prior year.

For the year ended December 31, 2019, the County recognized OPEB expense of \$17,481. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



**BENSON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,422	\$ 4,329
Changes of assumptions	16,515	-
Net difference between projected and actual earnings on pension plan investments	154	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	7,258
Employer contributions subsequent to the measurement date	10,974	-
Total	\$ 31,065	\$ 11,587

\$10,974 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 ending December 31, 2020.

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

<b>Year ending December 31:</b>	<b>Pension Expense Amount</b>
2020	\$ 1,189
2021	1,189
2022	2,479
2023	2,242
2024	874
Thereafter	531

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2019 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	7.25%, net of investment expenses
Cost-of-living adjustments	None

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33.00%	6.00%
Small Cap Domestic Equities	6.00%	7.30%
International Equities	21.00%	6.95%
Domestic Fixed Income	40.00%	2.07%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.25%. 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, 2019, calculated using the discount rate of 7.25%, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employer's proportionate share of the net OPEB liability	<u>\$ 176,866</u>	<u>\$ 138,570</u>	<u>\$ 105,788</u>

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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 15 DEFICIT BALANCES**

The following funds were in a deficit position at December 31, 2019:

County Road and Bridge	\$ (128,792)
Law Enforcement	(92,335)
Emergency Disaster	(15,836)
Comprehensive Health	(7,470)
Senior Citizens	(1,543)
Emergency Admin - 2011	(5,282)
Emergency Admin - 2013	(661)
Total	<u>\$ (251,919)</u>

Benson County plans to eliminate these deficits with transfers from another fund and future revenues.

**NOTE 16 NEW PRONOUNCEMENTS**

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, 2019.

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 June 15, 2021. 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

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

of this Statement are effective for reporting periods beginning after December 15, 2020. 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, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 17 CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**NOTE 18 TAX ABATEMENTS**

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

At December 31, 2019, the local governments within the County provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria.

**New Business**

Under NDCC §40-57.1-03, a municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements used in or necessary to the operation of a project for a period not exceeding five years from the date of commencement of project operations. A municipality may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations. As of December 31, 2019, the County has not valued exempt properties.

**Charitable Organization**

Under NDCC §57-02-08(8), buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to NDCC §23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit is exempt.

**BENSON COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 19 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	County Road	\$ 116,386
General	Law Enforcement	25,555

Interfund loans were made to compensate for funds with negative cash balances.

Interfund transfers for the year ended December 31, 2019 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 6,666
County Road and Bridge	General	612,191
County Road and Bridge	Highway Tax Distribution	420,000
County Road and Bridge	Other Governmental Funds	100,000
Other Governmental Funds	General	49,600
	Total	<u>\$ 1,188,457</u>

Interfund transfers were made to pay for road and bridge repair projects and to close out old funds no longer in use.

**NOTE 20 SUBSEQUENT EVENTS**

During 2020, the County was billed \$248,150 by a contractor regarding past services performed between 2017 and 2019. The County was not anticipating these billings and is investigating the validity of the invoices as of February 19, 2021, the date these financial statements were issued. If the invoices are determined to be valid and expenditures made, the County Road and Bridge Fund's Net Position would be affected by that amount.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. While the County's operations have continued, the restrictions and government social distancing recommendations have dramatically impacted the volume of work, as well the County's employees' ability to come to work. While the County expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain. The County intends to pursue any financial assistance potentially available under the CARES Act. No other significant events occurred subsequent to the County's year end. Subsequent events have been evaluated through February 19, 2021, which is the date these financial statements were available to be issued.

**BENSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 746,713	\$ 746,713	\$ 743,574	\$ (3,139)
Licenses, permits and fees	-	-	500	500
Intergovernmental	696,825	696,825	866,664	169,839
Charges for services	178,550	178,550	177,236	(1,314)
Interest income	18,000	18,000	59,540	41,540
Miscellaneous	<u>17,500</u>	<u>17,500</u>	<u>22,622</u>	<u>5,122</u>
Total revenues	<u>1,657,588</u>	<u>1,657,588</u>	<u>1,870,136</u>	<u>212,548</u>
<u>Expenditures:</u>				
Current:				
General government	1,236,624	1,236,624	1,178,862	57,762
Public safety	336,745	336,745	321,229	15,516
Health and welfare	22,728	22,728	22,201	527
Other	<u>70,500</u>	<u>70,500</u>	<u>74,027</u>	<u>(3,527)</u>
Total expenditures	<u>1,666,597</u>	<u>1,666,597</u>	<u>1,596,319</u>	<u>70,278</u>
Excess (deficiency) of revenues over expenditures	<u>(9,009)</u>	<u>(9,009)</u>	<u>273,817</u>	<u>282,826</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	-	6,666	6,666
Transfers out	<u>-</u>	<u>-</u>	<u>(661,791)</u>	<u>(661,791)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(655,125)</u>	<u>(655,125)</u>
Net change in fund balances	<u>(9,009)</u>	<u>(9,009)</u>	<u>(381,308)</u>	<u>(372,299)</u>
Fund balance - January 1	<u>2,136,549</u>	<u>2,136,549</u>	<u>2,136,549</u>	<u>-</u>
Fund balance - December 31	<u>\$ 2,127,540</u>	<u>\$ 2,127,540</u>	<u>\$ 1,755,241</u>	<u>\$ (372,299)</u>

See Notes to the Required Supplementary Information



**BENSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULE – COUNTY ROAD AND BRIDGE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 166,321	\$ 166,321	\$ 161,850	\$ (4,471)
Charges for services	290,000	290,000	361,094	71,094
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>31,609</u>	<u>19,609</u>
Total revenues	<u>468,321</u>	<u>468,321</u>	<u>554,553</u>	<u>86,232</u>
<u>Expenditures:</u>				
Current:				
Highways	1,811,944	1,811,944	1,101,938	710,006
Capital outlay	-	-	610,271	(610,271)
Debt service	<u>-</u>	<u>-</u>	<u>40,939</u>	<u>(40,939)</u>
Total expenditures	<u>1,811,944</u>	<u>1,811,944</u>	<u>1,753,148</u>	<u>58,796</u>
Excess (deficiency) of revenues over expenditures	<u>(1,343,623)</u>	<u>(1,343,623)</u>	<u>(1,198,595)</u>	<u>145,028</u>
<u>Other financing sources (uses):</u>				
Transfers in	<u>-</u>	<u>-</u>	<u>1,132,191</u>	<u>1,132,191</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>1,132,191</u>	<u>1,132,191</u>
Net change in fund balances	<u>(1,343,623)</u>	<u>(1,343,623)</u>	<u>(66,404)</u>	<u>1,277,219</u>
Fund balance - January 1	<u>(62,388)</u>	<u>(62,388)</u>	<u>(62,388)</u>	<u>-</u>
Fund balance - December 31	<u>\$ (1,406,011)</u>	<u>\$ (1,406,011)</u>	<u>\$ (128,792)</u>	<u>\$ 1,277,219</u>

See Notes to the Required Supplementary Information

**BENSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULE – SOCIAL SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$ 927,265	\$ 927,265	\$ 907,534	\$ (19,731)
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,959</u>	<u>2,959</u>
Total revenues	<u>927,265</u>	<u>927,265</u>	<u>910,493</u>	<u>(16,772)</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>1,064,915</u>	<u>1,064,915</u>	<u>887,742</u>	<u>177,173</u>
Excess (deficiency) of revenues over expenditures	<u>(137,650)</u>	<u>(137,650)</u>	<u>22,751</u>	<u>160,401</u>
Net change in fund balances	<u>(137,650)</u>	<u>(137,650)</u>	<u>22,751</u>	<u>160,401</u>
Fund balance - January 1	<u>107,619</u>	<u>107,619</u>	<u>107,619</u>	<u>-</u>
Fund balance - December 31	<u>\$ (30,031)</u>	<u>\$ (30,031)</u>	<u>\$ 130,370</u>	<u>\$ 160,401</u>

See Notes to the Required Supplementary Information

**BENSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULE – HIGHWAY TAX DISTRIBUTION FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$ 502,752	\$ 502,752	\$ 502,752	\$ -
Total revenues	<u>502,752</u>	<u>502,752</u>	<u>502,752</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>502,752</u>	<u>502,752</u>	<u>502,752</u>	<u>-</u>
<u>Other financing sources (uses):</u>				
Transfers out	<u>-</u>	<u>-</u>	<u>(420,000)</u>	<u>(420,000)</u>
Net change in fund balances	<u>502,752</u>	<u>502,752</u>	<u>82,752</u>	<u>(420,000)</u>
Fund balance - January 1	<u>342,566</u>	<u>342,566</u>	<u>342,566</u>	<u>-</u>
Fund balance - December 31	<u>\$ 845,318</u>	<u>\$ 845,318</u>	<u>\$ 425,318</u>	<u>\$ (420,000)</u>

See Notes to the Required Supplementary Information

**BENSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULE – FEDERAL AID 6 MILL**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 131,087	\$ 131,087	\$ 127,464	\$ (3,623)
Total revenues	<u>131,087</u>	<u>131,087</u>	<u>127,464</u>	<u>(3,623)</u>
<u>Expenditures:</u>				
Current:				
Highways	<u>300,000</u>	<u>300,000</u>	<u>20,930</u>	<u>279,070</u>
Excess (deficiency) of revenues over expenditures	<u>(168,913)</u>	<u>(168,913)</u>	<u>106,534</u>	<u>275,447</u>
Net change in fund balances	<u>(168,913)</u>	<u>(168,913)</u>	<u>106,534</u>	<u>275,447</u>
Fund balance - January 1	<u>318,232</u>	<u>318,232</u>	<u>318,232</u>	<u>-</u>
Fund balance - December 31	<u>\$ 149,319</u>	<u>\$ 149,319</u>	<u>\$ 424,766</u>	<u>\$ 275,447</u>

See Notes to the Required Supplementary Information

**BENSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULE – LAW ENFORCEMENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 230,801	\$ 230,801	\$ 226,718	\$ (4,083)
<u>Expenditures:</u>				
Current:				
Public Safety	<u>263,260</u>	<u>263,260</u>	<u>248,700</u>	<u>14,560</u>
Excess (deficiency) of revenues over expenditures	<u>(32,459)</u>	<u>(32,459)</u>	<u>(21,982)</u>	<u>10,477</u>
Fund balance - January 1	<u>(70,353)</u>	<u>(70,353)</u>	<u>(70,353)</u>	<u>-</u>
Fund balance - December 31	<u>\$ (102,812)</u>	<u>\$ (102,812)</u>	<u>\$ (92,335)</u>	<u>\$ 10,477</u>

See Notes to the Required Supplementary Information

**BENSON COUNTY**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE NDPERS RETIREMENT FUND**  
**LAST 10 YEARS**

**Main System**

For The Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	County's Covered-employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2019	\$ 124,116	\$ 124,116	\$ -	\$ 1,743,207	7.12%
2018	130,283	130,283	-	1,829,821	7.12%
2017	128,176	128,176	-	1,800,226	7.12%
2016	125,090	125,090	-	1,756,875	7.12%
2015	113,496	113,496	-	1,594,046	7.12%

**Law Enforcement**

For The Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	County's Covered-employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2019	\$ 16,988	\$ 16,988	\$ -	\$ 181,928	9.34%
2018	16,188	16,188	-	175,972	9.20%
2017	17,402	17,402	-	177,386	9.81%
2016	14,026	14,026	-	166,053	8.45%
2015	17,270	17,270	-	159,912	10.80%

The County implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for prior years is not available.

The amounts presented for each fiscal year were determined as of the County's year end which is December 31.

See Notes to the Required Supplementary Information

**BENSON COUNTY**

SCHEDULE OF EMPLOYER AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST 10 YEARS

**Main System**

For The Year Ended <u>December 31</u>	County's Proportion of the Net Pension <u>Liability (Asset)</u>	County's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	County's Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its <u>Covered-employee Payroll</u>	Plan Fiduciary Net Position as a Percentage of the <u>Total Pension Liability</u>
2019	0.167589%	\$ 1,964,264	\$ 1,743,207	112.68%	71.66%
2018	0.174128%	2,938,600	1,788,848	164.27%	62.80%
2017	0.178197%	2,864,211	1,819,111	157.45%	61.98%
2016	0.174334%	1,699,055	1,756,875	96.71%	70.46%
2015	0.178930%	1,216,693	1,594,046	76.33%	77.15%

**Law Enforcement**

For The Year Ended <u>December 31</u>	County's Proportion of the Net Pension <u>Liability (Asset)</u>	County's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	County's Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its <u>Covered-employee Payroll</u>	Plan Fiduciary Net Position as a Percentage of the <u>Total Pension Liability</u>
2019	0.451524%	\$ 53,699	\$ 181,928	29.52%	84.95%
2018	0.509752%	118,794	175,972	67.51%	71.64%
2017	0.608725%	134,018	175,104	76.54%	69.86%
2016	0.588308%	67,411	166,053	40.60%	78.73%
2015	1.091045%	66,287	159,912	41.45%	83.61%

The County implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for prior years is not available.

The amounts presented for each fiscal year were determined as of the measurement date of the County's net pension liability which is June 30, of the previous year for PERS.

See Notes to the Required Supplementary Information

**BENSON COUNTY**  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE OPEB FUND  
 LAST 10 YEARS

**OPEB**

For The Year Ended <u>December 31</u>	Statutorily Required <u>Contribution</u>	Contributions in Relation to the Statutorily <u>Required Contributions</u>	Contribution <u>Deficiency (Excess)</u>	County's <u>Covered-employee Payroll</u>	Contributions as a Percentage of Covered <u>Employee Payroll</u>
2019	\$ 21,947	\$ 21,947	\$ -	\$ 1,925,135	1.14%
2018	22,399	22,399	-	1,964,820	1.14%

The Count implemented GASB Statement No. 75 for its fiscal year ended December 31, 2018. Information for prior years is not available.

The amounts presented for each fiscal year were determined as of the County's year end which is December 31.

See Notes to the Required Supplementary Information



**BENSON COUNTY**  
**SCHEDULE OF EMPLOYER AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**LAST 10 YEARS**

For The Year Ended <u>December 31</u>	County's Proportion of the Net OPEB <u>Liability (Asset)</u>	County's Proportionate Share of the Net OPEB <u>Liability (Asset)</u>	County's Covered <u>Employee Payroll</u>	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its <u>Covered-employee Payroll</u>	Plan Fiduciary Net Position as a Percentage of the <u>Total Pension Liability</u>
2019	0.172525%	\$ 138,570	\$ 1,925,135	7.20%	63.13%
2018	0.179564%	141,419	1,964,820	7.20%	59.78%

The Count implemented GASB Statement No. 75 for its fiscal year ended December 31, 2018. Information for prior years is not available.

The amounts presented for each fiscal year were determined as of the measurement date of the County's net OPEB liability which is June 30, of the previous year for PERS.

See Notes to the Required Supplementary Information

**BENSON COUNTY**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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 PENSION PLAN AND OPEB**

**Changes of Assumptions**

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2019 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.

**BENSON COUNTY**  
**SCHEDULE OF FUND ACTIVITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<b>Major Funds:</b>						
General fund	\$ 2,136,549	\$ 1,870,136	\$ 6,666	\$ 661,791	\$ 1,596,319	\$ 1,755,241
County road and bridge	(62,388)	554,553	1,132,191	-	1,753,148	(128,792)
Social services	107,619	910,493	-	-	887,742	130,370
Highway tax distribution	342,566	502,752	-	420,000	-	425,318
Law Enforcement	(70,352)	226,717	-	-	248,700	(92,335)
Federal aid-6 mills	318,232	127,464	-	-	20,930	424,766
<b>Total Major Funds</b>	<b>2,772,226</b>	<b>4,192,115</b>	<b>1,138,857</b>	<b>1,081,791</b>	<b>4,506,839</b>	<b>2,514,568</b>
<b>Nonmajor Funds:</b>						
Excess flood admin	-	-	34,249	-	15,072	19,177
County Poor Relief	17,705	2,490	-	6,667	-	13,528
Flood - 2014	-	14,135	-	-	14,135	-
Road and bridge unorganized	41,629	15,774	-	-	4,841	52,562
Federal aid-5 mills	200,037	182,653	-	100,000	35,900	246,790
Federal aid-10 mills	1,182	1,202	-	-	-	2,384
Emergency fund	148,132	31,926	-	-	35,098	144,960
Emergency disaster	(37,533)	19,720	50,812	-	48,835	(15,836)
Emergency medical	5,386	161,085	-	-	161,025	5,446
Food pantry	12,322	79	-	-	-	12,401
Insurance reserve	11,781	-	-	-	-	11,781
Comprehensive health	(7,470)	-	-	-	-	(7,470)
Veteran's service officer	(2,057)	20,973	-	-	14,059	4,857
County agent	12,872	91,431	-	-	78,600	25,703
Extension fund	4,775	19	-	-	934	3,860
Noxious weed	19,932	113,130	-	-	129,470	3,592
County fair	177	-	-	-	-	177
Federal aid-4 mills	10,443	129,483	-	-	134,869	5,057
Senior citizens	(1,363)	44,204	-	-	44,384	(1,543)
Hazardous chemical	8,840	750	-	-	20	9,570
UCC maintenance	43,533	4,864	-	-	-	48,397
Homeland security	(15,661)	-	15,661	-	-	-
Job authority	9,253	40,778	-	-	49,682	349
Benson County transportation	99,678	142,803	-	-	172,078	70,403
Emergency disaster matching	1,211	-	-	1,211	-	-
Emergency administration	5,956	-	-	5,956	-	-
Emergency administration - 2009	6,259	-	-	6,259	-	-
Emergency administration - 2010	688	-	-	688	-	-
Emergency administration - 2011	(5,282)	-	-	-	-	(5,282)
Emergency administration - 2013	(661)	-	-	-	-	(661)
Emergency administration - 2014	2,837	-	-	-	-	2,837
Flood - 2017	-	60,713	-	-	60,713	-
Flood - 2005	6,349	1,000	-	4,478	2,871	-
Flood - 2009	-	6,616	-	6,616	-	-
Flood - 2010	-	41,920	-	25,913	16,007	-
Flood 2013	-	77,497	-	-	77,497	-
States Attorney Special	5,191	263	-	-	-	5,454
States Attorney SAAF	15,943	16,340	-	-	24,036	8,247
Sheriff's Scram	465	8,220	-	-	7,135	1,550
Sheriffs grant	5,303	-	-	-	-	5,303
Sheriffs special	6,757	277	-	-	-	7,034
<b>Total nonmajor funds</b>	<b>634,609</b>	<b>1,230,345</b>	<b>100,722</b>	<b>157,788</b>	<b>1,127,261</b>	<b>680,627</b>
<b>Total governmental funds</b>	<b>3,406,835</b>	<b>5,422,460</b>	<b>1,239,579</b>	<b>1,239,579</b>	<b>5,634,100</b>	<b>3,195,195</b>

**BENSON COUNTY**  
**SCHEDULE OF FUND ACTIVITY - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<u>Agency Funds:</u>						
Payroll tax	\$ 60,990	\$ 4,374	\$ -	\$ -	\$ -	\$ 65,364
State tax	17,140	32,967	-	-	32,344	17,763
Domestic violence	70	210	-	-	245	35
Clerk of court special trust	67,972	-	-	-	67,972	-
State sales tax	56	48	-	-	31	73
Soil conservation	15,423	85,189	-	-	83,331	17,281
Airport	23,490	125,163	-	-	122,024	26,629
Advance real estate payments	2,802	170	-	-	2,972	-
District health	20,136	148,708	-	-	146,281	22,563
Water resource	22,009	113,409	-	-	115,687	19,731
Garrison diversion	6,170	37,322	-	-	36,579	6,913
Total cities	62,868	496,818	-	-	499,047	60,639
Total city park districts	6,649	44,272	-	-	43,944	6,977
Total school districts	533,897	2,890,845	-	-	2,837,730	587,012
Total townships	81,067	877,796	-	-	872,289	86,574
Total rural fire protection districts	25,613	141,024	-	-	137,867	28,770
Total agency funds	<u>946,352</u>	<u>4,998,315</u>	<u>-</u>	<u>-</u>	<u>4,998,343</u>	<u>946,324</u>
Total primary government	<u>4,353,187</u>	<u>10,420,775</u>	<u>1,239,579</u>	<u>1,239,579</u>	<u>10,632,443</u>	<u>4,141,519</u>
<u>Component Unit:</u>						
Benson County Water Resource District	<u>121,566</u>	<u>155,858</u>	<u>-</u>	<u>-</u>	<u>146,526</u>	<u>130,898</u>
Total reporting entity	<u>\$ 4,474,753</u>	<u>\$ 10,576,633</u>	<u>\$ 1,239,579</u>	<u>\$ 1,239,579</u>	<u>\$ 10,778,969</u>	<u>\$ 4,272,417</u>

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

Board of County Commissioners  
Benson County  
Minnewaukan, North Dakota

We have audited, 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, the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Benson County, Minnewaukan, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 19, 2021.

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

In planning and performing our audit of the financial statements, we considered Benson 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 that we consider to be material weaknesses.

## **Compliance and Other Matters**

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

## **Benson County's Responses to Findings**

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Benson 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

February 19, 2021

**BENSON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2019-001 Finding    Material Weakness**

**Criteria**

The County does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Condition**

The County's personnel prepare periodic financial information for internal use that meets the needs of management and the County Commissioners. For the year ended December 31, 2019, the County's personnel assisted in the preparation of the year-end journal entries and reviewed a disclosure checklist. However, the County does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements for external reporting. The County Commissioners are aware of this material weakness and address it by obtaining our assistance in the preparation of the County's annual financial statements.

**Cause**

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

**Effect**

The Commissioners are aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

**Recommendation**

We recommend the entity review its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. As a compensating control, the entity should establish an internal control policy to document the annual review of the financial statements and to review a financial statement disclosure checklist.

**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.

**BENSON COUNTY**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**2019-002 Finding    Material Weakness**

**Criteria**

To provide reasonable assurance that segregation of duties takes place while also taking into account the size of the Water Resource District.

**Condition**

The Water Resource District has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the District, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

**Cause**

Size and budget constraints limiting the number of personnel within the accounting department.

**Effect**

Lack of segregation of duties leads to a limited degree of internal control.

**Recommendation**

The areas should be reviewed periodically and consideration given to improving the segregation of duties. As a compensating control, the County should have someone independent of the person performing the duties review and approve work completed.

**Views of responsible officials and planned corrective action:**

Due to the small size of the District, it is currently not cost effective for the Water Resource District to hire additional personnel to effectively separate all necessary duties. The District will consider implementing controls within other County departments to help mitigate the risk.