



Financial Statements
December 31, 2019
Billings County

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Joseph L. Kessel
Mike Kasian
Jim Arthaud

Commissioner
Commissioner
Commissioner



Independent Auditor's Report

Board of County Commissioners
Billings County
Medora, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, discretely presented component units, each major fund, and the aggregate remaining fund information of Billings County, Medora, 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 the modified cash basis of accounting described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, discretely presented component units, each major fund, and the aggregate remaining fund information of Billings County, Medora, North Dakota, as of and for the year ended December 31, 2019, and the respective changes in modified cash financial position for the year then ended in accordance with the basis of accounting as described in Note 1 to the financial statements.

Basis of Accounting

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

Restatement

As discussed in Note 8 to the financial statements, the County evaluated several funds that were previously reported as other governmental funds and agency funds. These funds should have been reported as General Fund, Road & Bridge or Discretely Presented Component Unit. In addition, the County changed the method of accounting from modified accrual to a modified cash basis. In addition, the County has added infrastructure assets and related depreciation. Our opinions are not modified with respect to that matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Billings County's financial statements. The county officials listing, schedule of employer's share of net pension liability and employer contributions and schedule of employer's share of net other post-employment liability and employer's contributions are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the financial statements.

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

The county officials listing 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 a report dated January 7, 2022 on our consideration of Billings County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 of the effectiveness of Billings 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 Billings County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eric Sully LLP".

Bismarck, North Dakota
January 7, 2022

Billings County
 Statement of Net Position – Modified Cash Basis
 December 31, 2019

	<u>Governmental Activities</u>	<u>Component Units</u>
Assets		
Cash and investments	\$ 45,408,530	\$ 124,821
Capital assets not being depreciated		
Land	58,670	-
Capital assets, net of accumulated depreciation		
Buildings	2,729,618	-
Infrastructure	7,150,193	
Improvements	47,590	-
Machinery and equipment	4,307,440	-
	<u>\$ 59,702,041</u>	<u>\$ 124,821</u>
Net position		
Net investment in capital assets	\$ 14,293,511	\$ -
Restricted for:		
Other Restricted	26,215,399	-
Assigned	-	124,821
Unrestricted	19,193,131	-
	<u>\$ 59,702,041</u>	<u>\$ 124,821</u>
Total net position	<u>\$ 59,702,041</u>	<u>\$ 124,821</u>

Billings County
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Grants and Contributions	Governmental Activities	Component Units
Primary government					
Governmental activities					
General government	\$ 1,607,064	\$ 545,726	\$ -	\$ (1,061,338)	\$ -
Public safety	1,812,891	20,954	-	(1,791,937)	-
Public Works	8,684,049	42,055	-	(8,641,994)	-
Public Health	1,067,385	-	-	(1,067,385)	-
Culture and recreation	247,002	-	-	(247,002)	-
Conservation of natural resources	42,392	-	-	(42,392)	-
Total primary government	<u>\$ 13,460,783</u>	<u>\$ 608,735</u>	<u>\$ -</u>	<u>(12,852,048)</u>	<u>-</u>
Discretely presented component units					
Billings County Weed Board	\$ 321,080	\$ 34,153	\$ -		(286,927)
Billings County Water Resource Board	23,295	-	-		(23,295)
Billings County Human Service	179,507	-	-		(179,507)
Billings County Public Library	53,052	-	-		(53,052)
Total component units	<u>\$ 576,934</u>	<u>\$ 34,153</u>	<u>\$ -</u>		
General revenues					
Taxes					
Property taxes				1,053,563	138,838
Licenses and permits				127,629	-
Unrestricted Federal/State shared revenues				15,496,972	216,515
Miscellaneous				476,899	139,955
Total general revenues				<u>17,155,063</u>	<u>495,308</u>
Change in net position				4,303,015	(47,473)
Net position - January 1, as restated see note 8				<u>55,399,026</u>	<u>172,294</u>
Net position - December 31				<u>\$ 59,702,041</u>	<u>\$ 124,821</u>

Billings County
Balance Sheet – Governmental Funds – Modified Cash Basis
December 31, 2019

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Road & Bridge		
Assets				
Cash and investments	\$ 19,193,131	\$ 26,086,090	\$ 129,309	\$ 45,408,530
Total assets	<u>\$ 19,193,131</u>	<u>\$ 26,086,090</u>	<u>\$ 129,309</u>	<u>\$ 45,408,530</u>
Fund Balances				
Restricted	\$ -	\$ 26,086,090	\$ 129,309	\$ 26,215,399
Unassigned	<u>19,193,131</u>	<u>-</u>	<u>-</u>	<u>19,193,131</u>
Total fund balances	<u>\$ 19,193,131</u>	<u>\$ 26,086,090</u>	<u>\$ 129,309</u>	<u>\$ 45,408,530</u>

Total fund balances for governmental funds	\$ 45,408,530
Total net position reported for government activities in the statement of net position is different because	
Capital Assets used in governmental activities are not financial resources and are not reported in the governmental funds.	
Cost of capital assets	29,553,147
Less accumulated depreciation	<u>(15,259,636)</u>
Net capital assets	<u>14,293,511</u>
Total net position of governmental activities	<u><u>\$ 59,702,041</u></u>

Billings County

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis

Year Ended December 31, 2019

	Major Funds		Other	Total
	General	Road & Bridge	Governmental Funds	Governmental Funds
Revenues				
Taxes/assessments	\$ 514,929	\$ 487,662	\$ 50,972	\$ 1,053,563
Licenses, permits, fines	4,107	123,522	-	127,629
Intergovernmental revenues	3,794,071	11,680,820	22,081	15,496,972
Charges for services	545,726	42,055	20,954	608,735
Miscellaneous revenues	412,137	60,001	4,761	476,899
Total revenues	<u>5,270,970</u>	<u>12,394,060</u>	<u>98,768</u>	<u>17,763,798</u>
Expenditures				
Current				
General government	1,467,717	-	66,897	1,534,614
Public safety	1,455,846	-	20,752	1,476,598
Public Works	-	7,125,071	-	7,125,071
Health and Welfare	1,054,385	-	13,000	1,067,385
Culture and recreation	247,002	-	-	247,002
Conservation of natural resources	9,500	-	-	9,500
Capital outlay	1,050,160	723,830	-	1,773,990
Total expenditures	<u>5,284,610</u>	<u>7,848,901</u>	<u>100,649</u>	<u>13,234,160</u>
Net change in fund balances	<u>(13,640)</u>	<u>4,545,159</u>	<u>(1,881)</u>	<u>4,529,638</u>
Fund balance - January 1, as restated, see note 8	<u>19,206,771</u>	<u>21,540,931</u>	<u>131,190</u>	<u>40,878,892</u>
Fund balance - December 31	<u>\$ 19,193,131</u>	<u>\$ 26,086,090</u>	<u>\$ 129,309</u>	<u>\$ 45,408,530</u>

Billings County

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis Year Ended December 31, 2019

Net change in fund balances - total governmental funds	<u>\$ 4,529,638</u>
The change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	1,631,872
Depreciation Expense	<u>(1,704,419)</u>
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to increase net position	<u>(154,076)</u>
Change in net position of governmental activities	<u><u>\$ 4,303,015</u></u>

Billings County
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds – Modified Cash Basis
December 31, 2019

	<u>Agency Funds</u>
Assets	
Cash and investments **	<u>\$ 13,484</u>
Liabilities	
Due to other governments	<u>\$ 13,484</u>

**The County evaluated several funds that were previously reported as other governmental funds and agency funds. The County restated agency funds cash reducing the January 1, 2019 cash balance by \$80,130 due to the fund reorganization.

Note 1 - Summary of Significant Accounting Policies

The financial statements of Billings County, Medora, North Dakota, have been prepared in conformity with the modified cash basis of accounting. 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.

Financial Reporting Entity

The accompanying financial statements present the activities of Billings 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 criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Billings 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 Billings County.

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

Component Units

In conformity with a modified cash basis, the financial statements of the component units have been included in the financial reporting entity as discretely presented component units.

Discretely Presented Component Units – The component unit column in the government-wide financial statements includes the financial data of the County's four component units, Billings County Water Resource Board, Billings County Public Library, Billings County Weed Board and Roughrider North Human Services Zone. These units are reported in a separate column to emphasize that it is legally separate from the County.

Billings County Water Resource Board – The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget.

Billings County Public Library – The members of the governing board are appointed in connection with the Dickinson Public Library. The Billings County Board of Commissioners has the authority to approve the budget of the Public Library.

Billings County Human Services– The members of the governing board are appointed by multiple county human services. The Billings County Board of Commissioners has the authority to approve the budget of the annual budget.

Billings County Weed Board - The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The Billings County Board of Commissioners has the authority to approve the budget of the.

Complete financial statements for the Component Units may be obtained from Billings County Auditor.

Government-Wide and Fund Financial Statements

Government-wide Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report on all of the nonfiduciary activities of the primary government and its component units. Governmental activities are normally supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

Governmental funds are reported using the current financial resources measurement focus and the cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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.

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

Additionally, the County reports the following fund types:

Fiduciary funds – These funds account for assets held by the County in a custodial capacity as an agent on behalf of others. The County’s agency funds are used to account for property taxes collected on behalf of other governments.

The County follows the pronouncements of the Governmental Accounting Standards Board (GASB) which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for all governmental entities. For the government-wide financial statements, the County follows all applicable GASB pronouncements to the extent they are applicable to the modified cash basis of accounting.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Equity Classifications

Government-wide statements

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classification Policies and Procedures

The County classifies governmental fund balances as follows:

- **Nonspendable** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- **Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- **Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management.
- **Unassigned** – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The County uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit and commercial paper, with maturity dates in excess of 90 days. The certificates of deposit are stated at cost and the commercial paper is stated at market.

Budget

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

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

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

Budgets/Variances

Capital Assets

Capital assets, which include property, infrastructure and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 1980 are reported at historical cost using deflated replacement cost. 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:

<u>Assets</u>	<u>Years</u>
Buildings	30 to 50 years
Infrastructure	20 to 40 years
Vehicles	3 to 10 years
Equipment other than vehicles	10 to 20 years
Office equipment	5 years

Tax Revenues

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.

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.

Pension

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS's fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 4, is shown as additional information to the users of the financial statements.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net OPEB liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 5, is shown as additional information to the users of the financial statements.

Note 2 - Cash 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.

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.

As of the year ended December 31, 2019, the carrying amount of the County's deposits for all county funds, fiduciary funds, Billings County Weed Board, Billings County Water Resource Board, Billings County Human Service, Billings County Public Library was \$45,546,835 and the bank balance was \$45,918,838. Of the bank balances at December 31, 2019, \$750,000 covered by Federal Depository Insurance. As of December 31, 2019, the remaining balance was covered by pledged collateral held by a joint agent of the depository and the County, jointly in the name of the depository and the County.

Interest Rate Risk – The County does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates, nor do the fiduciary funds or component units. All investments are certificates of deposit

Concentration of Credit Risk

The County does not have a limit on the amount the County may invest in any one issuer. All deposits and investments are held with the following three financial institutions: Bank of the West, First National Bank of Omaha and Choice Financial.

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 \$2,480,000. The certificates of deposit are all considered deposits and are included in the above amount of total deposits.

As of December 31, 2019, the County held the following investments:

	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>Thereafter</u>	<u>Total</u>	<u>Fair Value Hierarchy</u>
Certificates of Deposit	\$ 1,500,000	\$ 980,000	\$ -	\$ 2,480,000	Level 2
Commercial Paper	16,756,375	-	-	16,756,375	Level 2
	<u>\$ 18,256,375</u>	<u>\$ 980,000</u>	<u>\$ -</u>	<u>\$ 19,236,375</u>	

Fair Value Measurement

Commercial papers are stated at fair value based on quoted market prices.

The fair value measurements are categorized by the fair value hierarchy based on the generally accepted accounting principles. Valuation inputs are used measure the fair value of the asset to determine the appropriate category. The categories range from level 1 which is the highest priority to level 3 which is the lowest priority and are based on the following categories:

Level 1 Unadjusted quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in the active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The fair value leveling of the City's investment portfolio were as of December 31, 2019.

The Level 1 securities are valued using the quoted prices in active markets for identical assets. Level 2 and Level 3 securities are valued based on methodologies such as bid evaluations, market averages, and other matrix pricing techniques as well as values derived from associated traded securities or last trade data. In instances where inputs used to measure fair value fall into different levels, the fair value is categorized based on the lowest level input that is significant to the valuation.

Note 3 - Capital Assets

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

	Balance 1/1/2019 (as restated)	Increases	Decreases	Balance 12/31/2019
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 58,670	\$ -	\$ -	\$ 58,670
Capital assets being depreciated				
Buildings	4,933,656	-	-	4,933,656
Infrastructure	11,487,957	-	-	11,487,957
Improvements	134,911	-	-	134,911
Machinery and equipment	12,121,271	1,631,872	(815,190)	12,937,953
Total capital assets, being depreciated	<u>28,677,795</u>	<u>1,631,872</u>	<u>(815,190)</u>	<u>29,494,477</u>
Less accumulated depreciation for				
Buildings	(2,087,292)	(116,746)	-	(2,204,038)
Infrastructure	(3,763,366)	(574,398)	-	(4,337,764)
Improvements	(78,327)	(8,994)	-	(87,321)
Machinery and equipment	(8,287,346)	(1,004,281)	661,114	(8,630,513)
Total accumulated depreciation	<u>(14,216,331)</u>	<u>(1,704,419)</u>	<u>661,114</u>	<u>(15,259,636)</u>
Total capital assets being depreciated, net	<u>14,461,464</u>	<u>(72,547)</u>	<u>(154,076)</u>	<u>14,234,841</u>
Governmental activities - capital assets, net	<u>\$ 14,520,134</u>	<u>\$ (72,547)</u>	<u>\$ (154,076)</u>	<u>\$ 14,293,511</u>

Depreciation expense for the year ended December 31, 2019 was charged to functions/programs of the County as follows:

Governmental Activities	
General government	\$ 72,450
Public safety	336,293
Public Works	1,262,784
Conservation	<u>32,892</u>
Total depreciation expenses - governmental activities	<u>\$ 1,704,419</u>

Note 4 - Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At December 31, 2019, the Employer had a liability of \$3,246,125 for its proportionate share of the net pension liability. 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 Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the Employer's proportion was 0.276956 percent, which was an increase of 0.011199 from its proportion measured as of June 30, 2018. The Employer's proportionate share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

For the year ended December 31, 2019 the Employer recognized pension expense of \$618,464. The Employer's deferred outflows of resources and deferred inflows of resources related to pensions is not reported in the financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%		
Salary Increases (Payroll Growth)		Service at Beginning of Year	Increase Rate
		<u>0</u>	<u>15.00%</u>
		1	10.00%
		2	8.00%
		<u>Age</u>	
		Under 36	8.00%
		36 - 40	7.50%
		40 - 49	6.00%
		50+	5.00%

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

Investment Rate of Return	7.75%, net of investment expenses, including inflation
Cost-of-living adjustments	None

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31%	6.25%
International Equity	21%	6.95%
Private Equity	5%	10.15%
Domestic Fixed Income	19%	2.11%
International Fixed Income	5%	0.00%
Global Real Assets	20%	5.41%
Cash equivalents	1%	0.00%

Discount Rate

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

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
County's proportionate share of the NDPERS net pension liability	\$ 4,654,244	\$ 3,246,125	\$ 2,063,058

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 5 - Other Postemployment Benefits

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

At December 31, 2019, the Employer had a liability of \$207,359 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 Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the Employer's proportion was 0.258170 percent, which was a decrease of .008223 percent from its proportion measured as June 30, 2019. The Employer's proportionate share of the net OPEB liability is not reported in financial statements shown under the modified cash basis of accounting.

For the year ended December 31, 2019, the Employer recognized OPEB expense of \$28,144. The Employer's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits is not reported in the financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases (Payroll Growth)	Not Applicable
Investment Rate of Return	7.25%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of June 30, 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%	7.31%
Small Cap Domestic Equities	6%	10.40%
International Equities	21%	7.32%
U.S. High Yield	4%	6.13%
Emerging Markets Debt	4%	7.45%
Core-Plus Fixed Income	32%	4.26%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the June 30, 2019, and June 30, 2018, 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 7.250%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
County's proportionate share of the net OPEB liability	\$ 264,666	\$ 207,359	\$ 158,304

Note 6 - Risk Management

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

Note 7 - Commitment

The County extended the commitment to the Theodore Roosevelt Expressway for 2020 and 2021 to pay \$8,000 each year.

Note 8 - Restatement

The County evaluated several funds that were previously reported as other governmental funds and agency funds. These funds should have been reported as General Fund, Road & Bridge or Component Units. In addition, the County changed the method of accounting from modified accrual to a modified cash basis. This method was adopted to more accurately reflect how the county is managed. The County previously did not record infrastructure and related depreciation prior to January 1, 2019.

	General Fund	Road & Bridge	Other Government	Total Governmental Funds	Governmental Activities	Component Unit	Agency Funds
Fund balance/net position/Agency cash, January 1, as previously reported	\$ 18,265,336	\$ 20,643,507	\$ 5,743,033	\$ 44,651,876	\$ 49,029,466	\$ -	\$ 96,897
Restatement due to fund reorganization	1,584,787	3,791,321	(5,508,116)	(132,008)	(91,681)	172,294	(80,130)
Restatement due to change in accounting methods to modified cash basis of accounting	(643,352)	(2,893,897)	(103,727)	(3,640,976)	(692,825)	-	-
Restatement due to reporting infrastructure and related depreciation	-	-	-	-	7,154,066	-	-
Fund balance/net position/Agency cash, January 1, as restated	\$ 19,206,771	\$ 21,540,931	\$ 131,190	\$ 40,878,892	\$ 55,399,026	\$ 172,294	\$ 16,767



Supplementary Information
December 31, 2019

Billings County

Billings County

Schedule of Employer's Share of Net Pension Liability - Pension
Year Ended December 31, 2019

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Employer's Covered-Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS Main System	6/30/2015	0.260948%	\$ 1,656,293	\$ 156,510	1058.27%	78.18%
NDPERS Main System	6/30/2016	0.257702%	\$ 1,752,330	\$ 2,295,812	76.33%	77.70%
NDPERS Main System	6/30/2017	0.252965%	\$ 2,465,391	\$ 2,549,286	96.71%	93.62%
NDPERS Main System	6/30/2018	0.265757%	\$ 4,271,587	\$ 2,712,967	157.45%	152.96%
NDPERS Main System	6/30/2019	2.769560%	\$ 3,246,125	\$ 2,880,812	112.68%	116.37%

Billings County
Schedule of Employer's Share of Employer's Contributions - Pension
Year Ended December 31, 2019

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Employer's Covered- Payroll (d)</u>	<u>Contributions as a Percentage of Covered- Payroll (a/d)</u>
NDPERS Main System	12/31/2015	<u>\$ 156,510</u>	<u>\$ (156,510)</u>	<u>\$ -</u>	<u>\$ 2,198,175</u>	<u>7.12%</u>
NDPERS Main System	12/31/2016	<u>\$ 174,385</u>	<u>\$ (172,478)</u>	<u>\$ 1,907</u>	<u>\$ 2,295,812</u>	<u>7.51%</u>
NDPERS Main System	12/31/2017	<u>\$ 184,564</u>	<u>\$ (193,752)</u>	<u>\$ (9,188)</u>	<u>\$ 2,549,286</u>	<u>7.60%</u>
NDPERS Main System	12/31/2018	<u>\$ 196,723</u>	<u>\$ (190,917)</u>	<u>\$ 5,806</u>	<u>\$ 2,712,967</u>	<u>7.04%</u>
NDPERS Main System	12/31/2019	<u>\$ 209,739</u>	<u>\$ (148,987)</u>	<u>\$ 60,752</u>	<u>\$ 2,880,812</u>	<u>5.17%</u>

Billings County

Schedule of Employer's Share of Net OPEB Liability and Employer's Contributions - OPEB
Year Ended December 31, 2019

Other Post Employment Benefits Plan	Measurement Date	Employer's Proportion (Percentage) of the Net OPEB Liability	Employer's Proportionate Share (Amount) of the Net OPEB Liability (a)	Employer's Covered- Payroll (b)	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered- Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
NDPERS Main System	6/30/2017	<u>0.250773%</u>	<u>\$ 199,115</u>	<u>\$ 2,712,967</u>	<u>7.34%</u>	<u>59.78%</u>
NDPERS Main System	6/30/2018	<u>0.266393%</u>	<u>\$ 209,803</u>	<u>\$ 2,914,919</u>	<u>7.20%</u>	<u>61.89%</u>
NDPERS Main System	6/30/2019	<u>0.258170%</u>	<u>\$ 207,359</u>	<u>\$ 2,880,812</u>	<u>7.20%</u>	<u>63.13%</u>

Other Post Employment Benefits Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered- Payroll (d)	Contributions as a Percentage of Covered- Payroll (a/d)
NDPERS Main System	12/31/2017	<u>\$ 31,536</u>	<u>\$ 30,568</u>	<u>\$ 62,104</u>	<u>\$ 2,712,967</u>	<u>1.13%</u>
NDPERS Main System	12/31/2018	<u>\$ 34,190</u>	<u>\$ 33,501</u>	<u>\$ 67,691</u>	<u>\$ 2,914,919</u>	<u>1.15%</u>
NDPERS Main System	12/31/2019	<u>\$ 33,504</u>	<u>\$ 35,067</u>	<u>\$ 68,571</u>	<u>\$ 2,880,812</u>	<u>1.22%</u>

Note 1 - Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, Billings County will present information for those years for which information is available.

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation.

**Note 2 - Notes to the Schedule of Employer's Share of Net Other Post-Employment Benefits
Liability and Schedule of Employer's Contributions**

GASB Statement No. 75 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Changes of Benefit Terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation.



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

Board of County Commissioners
Billings County
Medora, North Dakota

We have audited, in accordance with 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 modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Billings County, Medora, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Billings County's basic financial statements, and have issued our report thereon dated January 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Billings 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 Billings County's internal control. Accordingly, we do not express an opinion on the effectiveness of Billings 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings, questioned costs and responses as items 2019-001, 2019-002 and 2019-003, that we consider to be material weaknesses.

Compliance and Other Matters

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

Billings County's Responses to Finding

Billings County's responses to the finding identified in our audit are described in the accompanying Schedule of Findings, Questioned Costs and Responses. Billings County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
January 7, 2022



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

Board of County Commissioners
Billings County
Medora, North Dakota

Report on Compliance for the Major Federal Program

We have audited Billings County, Medora, North Dakota's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Billings County's major federal program for the year ended December 31, 2019. Billings County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Billings County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

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

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

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

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



Bismarck, North Dakota
January 7, 2022

Billings County
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>	<u>Total Expenditures</u>
U. S. Department of Agriculture		
<u>Direct Program</u>		
School and Roads - Grant to Counties (Bankhead-Jones)	10.666	<u>\$ 7,848,897</u>
U.S. Department of Interior		
Mineral Leasing Act (Public Domain Royalties)	15.437	<u>641,297</u>
Total Federal Financial Assistance		<u><u>\$ 8,490,194</u></u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Billings County under programs of the federal government for the year ended December 31, 2019. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or fund balance of Billings County. The County received federal awards directly from federal agencies.

Note B - Significant Accounting Policies

Expenditures are reported in the schedule are reported on the modified cash basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The County has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued Financial Statement	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA number</u>
School and Roads - Grants to Counties	10.666
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee	Yes

Section II – Financial Statement Findings

**2019-001 Preparation of Financial Statement and Schedule of Federal Awards
Material Weakness**

Criteria: A good system of internal accounting control contemplates an adequate system for the preparation of the notes to the financial statements.

Condition: The County does not have an internal control system designed to provide for the preparation of the notes to the financial statements being audited.

Cause: The County does not have staff trained in reporting standards for the notes to the financial statements.

Effect: Inadequate control over financial reporting of the County could result in the more than a remote likelihood that the County would not be able to draft accompanying notes to the financial statements without material errors.

Recommendation: Management and the Board should continually be aware of the financial reporting of Billings County and changes in reporting requirements.

Response: Management agrees with the finding. See corrective action plan.

**2019-002 Segregation of Duties
Material Weakness**

Criteria: A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The County has a lack of segregation of duties in certain areas due to a limited staff.

Cause: The County has limited staff to adequately segregate duties.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned function.

Recommendation: All accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the County.

Response: Management agrees with the finding. See corrective action plan.

**2019-003 Restatement
Material Weakness**

Criteria: Proper internal controls include controls that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Condition: During the year ended December 31, 2018, the County did not record infrastructure and the related depreciation. This error in reporting caused a prior period adjustment in the amount of \$7,154,066.

Cause: The error was caused by the county not recording the infrastructure and the related depreciation.

Effect: The January 1, 2019 governmental net position needed to be restated by \$7,154,066.

Recommendation: We recommend infrastructure and the related depreciation be recorded in the financial statements.

Response: Management agrees with the finding. See corrective action plan.