

EDDY COUNTY
NEW ROCKFORD, NORTH DAKOTA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Eddy County as of and for the year ended December 31, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Eddy County, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eddy County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eddy County's internal control over financial reporting and compliance.



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

December 15, 2020

EDDY COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Water Resource District</u>
ASSETS		
Cash and cash equivalents	\$ 1,900,545	\$ 191,877
Accounts receivable	20,904	-
Taxes receivable	29,908	-
Loans receivable	7,732	-
Capital assets:		
Construction in progress	68,225	-
Infrastructure	8,076,995	-
Building	158,507	-
Equipment	1,552,386	-
Less: accumulated depreciation	<u>(4,652,098)</u>	<u>-</u>
Total capital assets	<u>5,204,015</u>	<u>-</u>
 Total assets	 <u>7,163,104</u>	 <u>191,877</u>
DEFERRED OUTFLOWS OF RESOURCES		
Cost sharing defined benefit pension plan	424,019	-
Cost sharing defined benefit OPEB plan	<u>14,848</u>	<u>-</u>
 Total deferred outflows of resources	 <u>438,867</u>	 <u>-</u>
LIABILITIES		
Accounts payable and accrued expenses	29,674	-
Unearned revenue	3,053	-
Accrued interest	2,235	-
Long-term liabilities:		
Due within one year:		
Current portion of capital leases	7,448	-
Compensated absences	9,000	-
Due in more than one year:		
Capital leases	76,080	-
Net pension liability	922,597	-
Net OPEB liability	58,935	-
Compensated absences	<u>17,842</u>	<u>-</u>
 Total liabilities	 <u>1,126,864</u>	 <u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes collected - subsequent years	373,664	-
Cost sharing defined benefit pension plan	585,211	-
Cost sharing defined benefit OPEB plan	<u>9,134</u>	<u>-</u>
 Total deferred inflows of resources	 <u>968,009</u>	 <u>-</u>
NET POSITION		
Net invested in capital assets	5,120,487	-
Restricted for:		
Health and welfare	44,128	-
Highways	646,287	-
Culture and recreation	1,127	-
Economic development	20,188	-
Special purposes	99,964	191,877
Unrestricted	<u>(425,083)</u>	<u>-</u>
 Total net position	 <u>\$ 5,507,098</u>	 <u>\$ 191,877</u>

See Notes to the Financial Statements

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

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental Activities	Unit Water Resource District
<u>Governmental Activities:</u>						
General government	\$ 1,058,509	\$ 25,587	\$ -	\$ -	\$ (1,032,922)	
Public safety	476,296	179,192	73,174	-	(223,930)	
Highways	1,548,240	140,366	-	-	(1,407,874)	
Health and welfare	80,430	-	-	-	(80,430)	
Culture and recreation	13,136	-	-	-	(13,136)	
Conservation of natural resources	71,952	-	-	-	(71,952)	
Interest and other charges	3,448	-	-	-	(3,448)	
Other	50,176	-	-	-	(50,176)	
Total governmental activities	<u>\$ 3,302,187</u>	<u>\$ 345,145</u>	<u>\$ 73,174</u>	<u>\$ -</u>	<u>(2,883,868)</u>	
<u>Component Unit:</u>						
Water Resource District	<u>\$ 23,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (23,391)</u>
<u>General revenues:</u>						
Taxes:						
Property taxes; levied for general purposes					742,532	49,086
Property taxes; other					332,240	-
State aid distribution not restricted to specific programs					721,101	-
Investment earnings					37,196	2,373
Miscellaneous					55,441	-
Gain on sale of asset					25,206	-
Total general revenues					<u>1,913,716</u>	<u>51,459</u>
Change in net position					(970,152)	28,068
Net position - beginning of year					<u>6,477,250</u>	<u>163,809</u>
Net position - end of year					<u>\$ 5,507,098</u>	<u>\$ 191,877</u>

See Notes to the Financial Statements

EDDY COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>General Fund</u>	<u>County Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 990,863	\$ 673,394	\$ 236,287	\$ 1,900,544
Accounts receivable	4,675	16,229	-	20,904
Taxes receivable	21,415	3,847	4,646	29,908
Loans receivable	-	7,732	-	7,732
Total assets	<u>\$ 1,016,953</u>	<u>\$ 701,202</u>	<u>\$ 240,933</u>	<u>\$ 1,959,088</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<u>Liabilities:</u>				
Accounts payable and accrued expenses	\$ 12,384	\$ 3,088	\$ 14,202	\$ 29,674
Unearned revenue	-	-	3,053	3,053
Total liabilities	<u>12,384</u>	<u>3,088</u>	<u>17,255</u>	<u>32,727</u>
<u>Deferred Inflows of Resources</u>				
Property taxes collected - subsequent years	268,204	47,980	57,480	373,664
Property taxes collected - delinquent	21,415	3,847	4,646	29,908
Total deferred inflows of resources	<u>289,619</u>	<u>51,827</u>	<u>62,126</u>	<u>403,572</u>
<u>Fund Balances:</u>				
Nonspendable - loan receivable	-	7,732	-	7,732
Restricted for:				
Health and welfare	-	-	43,765	43,765
Highways	-	638,555	-	638,555
Culture and recreation	-	-	306	306
Economic development	-	-	20,188	20,188
Special purposes	-	-	97,293	97,293
Unassigned	714,950	-	-	714,950
Total fund balances	<u>714,950</u>	<u>646,287</u>	<u>161,552</u>	<u>1,522,789</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,016,953</u>	<u>\$ 701,202</u>	<u>\$ 240,933</u>	<u>\$ 1,959,088</u>

See Notes to the Financial Statements

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

Total *fund balances* for governmental funds \$ 1,522,789

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.

Capital assets	\$ 9,856,113	
Less accumulated depreciation	<u>(4,652,098)</u>	
Net capital assets		5,204,015

Property taxes will be collected after year end, but are not available within 60 days to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.

29,909

Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit pension plans and OPEB plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.

Deferred outflows - pension	424,019	
Deferred inflows - pension	(585,211)	
Deferred outflows - OPEB	14,848	
Deferred inflows - OPEB	(9,134)	

Total deferred outflows (inflows) of resources		(155,478)
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Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest in long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities- both current and long-term- are reported in the statement of net position.

Capital lease payable	(83,528)	
Interest payable	(2,235)	
Net pension liability	(922,597)	
Net OPEB liability	(58,935)	
Compensated absences	<u>(26,842)</u>	

Total long-term liabilities		<u>(1,094,137)</u>
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Total net position of governmental activities		<u><u>\$ 5,507,098</u></u>
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EDDY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>	<u>County Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Property taxes	\$ 741,616	\$ 137,643	\$ 195,604	\$ 1,074,863
Licenses and permits	1,606	-	-	1,606
Intergovernmental	492,668	300,809	798	794,275
Charges for services	203,173	140,366	-	343,539
Investment earnings	37,196	-	-	37,196
Miscellaneous	11,851	4,702	38,887	55,440
	<u>1,488,110</u>	<u>583,520</u>	<u>235,289</u>	<u>2,306,919</u>
<u>Expenditures:</u>				
Current:				
General government	952,042	-	-	952,042
Public safety	328,350	-	111,655	440,005
Highways	-	485,772	-	485,772
Health and welfare	-	-	75,967	75,967
Culture and recreation	9,675	-	3,463	13,138
Conservation of natural resources	-	-	71,162	71,162
Other	-	-	50,176	50,176
Debt service:				
Principal	-	7,084	-	7,084
Interest and other charges	-	3,640	-	3,640
Capital outlay	122,783	112,371	-	235,154
	<u>1,412,850</u>	<u>608,867</u>	<u>312,423</u>	<u>2,334,140</u>
Excess (deficiency) of revenues over expenditures	<u>75,260</u>	<u>(25,347)</u>	<u>(77,134)</u>	<u>(27,221)</u>
<u>Other financing sources (uses)</u>				
Sale of capital assets	3,456	21,750	-	25,206
Transfers in	9,484	-	40,000	49,484
Transfers out	(40,000)	-	(9,484)	(49,484)
	<u>(27,060)</u>	<u>21,750</u>	<u>30,516</u>	<u>25,206</u>
Net change in fund balances	48,200	(3,597)	(46,618)	(2,015)
Fund balances - beginning	666,750	649,884	208,170	1,524,804
Fund balances - ending	<u>\$ 714,950</u>	<u>\$ 646,287</u>	<u>\$ 161,552</u>	<u>\$ 1,522,789</u>

See Notes to the Financial Statements

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

Net change in *Fund Balances* - Total Governmental Funds \$ (2,015)

The change in net position reported for governmental activities in the statement of activities is different because:

Contributions of capital assets are reported on the Statement of Activities as capital grants and contributions and on the Statement of Net Assets as construction in progress. These amounts are not reported on the governmental funds statements.

Current Year Capital Outlay	\$ 235,154	
Current Year Depreciation Expense	<u>(1,126,582)</u>	(891,428)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable. (90)

Change in Net Pension Liability		616,637
Change in Net OPEB Liability		8,505

Changes in deferred outflows and inflows of resources related to the net pension liability (698,934)

Changes in deferred outflows and inflows of resources related to the net OPEB liability (6,225)

The proceeds of debt issuance are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of Debt		7,083
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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	(3,878)	
Net Increase in Interest Payable	<u>193</u>	<u>(3,685)</u>

Change in Net Position of Governmental Activities	\$	<u><u>(970,152)</u></u>
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EDDY COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2019

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and cash equivalents	<u>\$ 798,178</u>
<u>Liabilities:</u>	
Due to other governments	<u>\$ 798,178</u>

See Notes to the Financial Statements

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Unit

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

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

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Basis of Presentation

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

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

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

Governmental funds: Governmental funds are utilized to account for most of the County's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used.

Current liabilities are assigned to the fund for which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The County's major governmental funds are as follows:

General Fund: The general fund is the general operating fund of the County and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The County reports the following major governmental special revenue fund:

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

Additionally, the County reports the following fund types:

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Budgets

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

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Cash and Cash Equivalents

The County considers all checking and savings accounts and bank certificates of deposit as cash and cash equivalents in these financial statements. There are no other highly liquid investments which are considered cash equivalents.

Capital Assets

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

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

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

Compensated Absences

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

Unearned Revenue

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Long-Term Obligations

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Interfund Transactions

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

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Fund Balance Classifications

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

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

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

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

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

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

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

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

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

Net Position

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The County has two items reported on the statement of net position as *cost sharing defined benefit pension plan and cost sharing defined benefit OPEB plan*, which represents actuarial differences within the NDPERS pension and OPEB plans as well as contributions to the plans made after the measurement date.

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

Use of Estimates

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

NOTE 2 CASH AND CASH EQUIVALENTS

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

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

At December 31, 2019, the County's bank balance totaled approximately \$2,450,000. Of the bank balance, approximately \$750,000 was covered by federal depository insurance. The County's remaining deposits were covered by pledged collateral under the pooling method. State statute requires the market value of collateral pledged to equal 110% of the deposits not covered by federal depository insurance.

At December 31, 2019, the Eddy County Water Resource District's (a discretely presented component unit of Eddy County) bank balance totaled approximately \$192,000. The bank balance at December 31, 2019 was fully covered by Federal Depository Insurance.

Credit Risk

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

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

As of December 31, 2019, the County held certificates of deposit in the amount of approximately \$1,329,000, which are all considered deposits.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of money due from the highway department for roadwork performed for townships, cities, etc. and fees collected by other offices. Management has determined any uncollectible amounts would be immaterial and therefor no allowance has been established for estimated uncollectible amounts receivable.

NOTE 4 TAXES RECEIVABLE

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

The first installment includes one-half of the real estate taxes and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed. Most property owners choose to pay property taxes in a single payment on or before February 15 and receive the 5% discount on property taxes.

NOTE 5 LOANS RECEIVABLE

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

Receivable Fund	Loaned to	Balance at 12/31/19
County Road & Bridge	Hillsdale Township	\$ 7,732

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

NOTE 6 CAPITAL ASSETS

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

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Governmental Activities:				
Capital assets not being depreciated				
Construction in Progress	\$ 371,725	\$ 68,225	\$ 371,725	\$ 68,225
Capital assets being depreciated				
Infrastructure	7,693,426	383,569	-	8,076,995
Buildings	158,507	-	-	158,507
Equipment	1,397,301	155,085	-	1,552,386
Total capital assets being depreciated	9,249,234	538,654	-	9,787,888
Less accumulated depreciation				
Infrastructure	2,937,217	929,846	-	3,867,063
Buildings	71,430	19,561	-	90,991
Equipment	516,869	177,175	-	694,044
Total accumulated depreciation	3,525,516	1,126,582	-	4,652,098
Net capital assets being depreciated	5,723,718	(587,928)	-	5,135,790
Net capital assets for governmental activities	\$ 6,095,443	\$ (519,703)	\$ 371,725	\$ 5,204,015

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

Governmental Activities:	
Public safety	\$ 36,999
Highway	1,059,712
General	24,678
Health and welfare	5,193
Total	<u>\$ 1,126,582</u>

NOTE 7 LONG-TERM DEBT

During the year ended December 31, 2019, the following changes occurred in long-term debt:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19	Due Within One Year
Capital leases	\$ 90,611	\$ -	\$ (7,083)	\$ 83,528	\$ 7,448
Compensated absences	22,964	3,878	-	26,842	9,000
Net pension liability *	1,539,234	-	(616,637)	922,597	-
Net OPEB liability **	67,440	-	(8,505)	58,935	-
TOTAL	<u>\$ 1,720,249</u>	<u>\$ 3,878</u>	<u>\$ (632,225)</u>	<u>\$ 1,091,902</u>	<u>\$ 16,448</u>

Compensated absences are generally liquidated by the general fund.

*See note 8 for more information regarding the County's net pension liability.

**See note 9 for more information regarding the County's net OPEB liability.

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

Year Ending	Capital Leases Principal	Interest	Total
2020	\$ 7,448	\$ 3,352	\$ 10,800
2021	7,748	3,052	10,800
2022	68,332	2,740	71,072
Total	<u>\$ 83,528</u>	<u>\$ 9,144</u>	<u>\$ 92,672</u>

The piece of equipment for which this capital lease is under has a total cost of \$108,142 and accumulated depreciation of \$57,676 as of December 31, 2019.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 8 PENSION PLAN

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM (MAIN SYSTEM)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. 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.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% 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 County reported a liability of \$922,597 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 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 County's proportion was 0.078715 percent which was a decrease of 0.012493 from its proportion measured as of June 30, 2018.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

For the year ended December 31, 2019, the County recognized pension expense of \$146,386. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ 546		\$ (167,434)
Changes of assumptions	344,750		(295,998)
Net difference between projected and actual earnings on pension plan investments	16,074		-
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,772		(121,779)
Employer contributions subsequent to the measurement date	29,877		-
Total	\$ 424,019		\$ (585,211)

\$29,877 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

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

Year ended December 31:

2020		\$ 9,215
2021		(5,071)
2022		(52,433)
2023		(109,118)
2024		(33,662)

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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 Beginning of Year	Non-State Employee
		State Employee	Employee
		0	15.00%
		1	10.00%
		2	8.00%
		Age*	
		Under 30	10.00%
		30-39	7.50%
		40-49	6.75%
		50-59	6.50%
		60+	5.25%

* Age-based salary increase rate 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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
Global Real Assets	19%	5.41%

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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 7.50%.

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 7.50 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:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	\$ 1,322,805	\$ 922,597	\$ 586,352

Pension Plan Fiduciary Net Position

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 9 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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. 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. 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 were no other benefit changes during the year.

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.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. 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 \$58,935 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 0.073376 percent which was a decrease of 0.012255 from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized OPEB expense of \$7,113. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,455	\$ (1,841)
Changes of assumptions	7,024	-
Net difference between projected and actual earnings on OPEB plan investments	66	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,519	(7,293)
Employer contributions subsequent to the measurement date	4,784	-
Total	\$ 14,848	\$ (9,134)

There is \$4,784 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

Year ended December 31:

2020	\$	184
2021		184
2022		733
2023		632
2024		12
Thereafter		(815)

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

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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:

	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Employer's proportionate share of the net OPEB liability	\$ 75,222	\$ 58,935	\$ 44,992

OPEB plan fiduciary net position

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

NOTE 10 RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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. All members joined to help capitalize the NDRIF. Eddy 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 two million dollars per occurrence.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

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

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

NOTE 11 JOINT VENTURES

Lake Region Law Enforcement Center

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

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

Lake Region District Health Unit

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

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

Public Library

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

NOTE 12 TRANSFERS

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

	General Fund	County Road and Bridge	Other Governmental Funds	Total
Transfer In	\$ 9,484	\$ -	\$ 40,000	\$ 49,484
Transfer Out	(40,000)	-	(9,484)	(49,484)
	\$ (30,516)	\$ -	\$ 30,516	\$ -

NOTE 13 NEW ACCOUNTING 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. Earlier application is encouraged.

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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.

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.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 14 SUBSEQUENT EVENTS

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. Restrictions and government social distancing recommendations have significantly impacted the activities of the County. While the County expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain.

Subsequent events were evaluated through December 15, 2020, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original /Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 853,234	\$ 741,616	\$ (111,618)
Licenses and permits	1,516	1,606	90
Intergovernmental	538,602	492,668	(45,934)
Charges for services	202,494	203,173	679
Investment earnings	30,000	37,196	7,196
Miscellaneous	6,800	11,851	5,051
Total revenues	<u>1,632,646</u>	<u>1,488,110</u>	<u>(144,536)</u>
EXPENDITURES			
Current:			
General government	1,213,070	952,042	261,028
Public safety	390,968	328,350	62,618
Culture and recreation	15,000	9,675	5,325
Capital outlay	-	122,783	(122,783)
Total expenditures	<u>1,619,038</u>	<u>1,412,850</u>	<u>206,188</u>
Excess (deficiency) of revenues over expenditures	<u>13,608</u>	<u>75,260</u>	<u>61,652</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	2,500	3,456	956
Transfers in	-	9,484	9,484
Transfers out	-	(40,000)	(40,000)
Total other financing sources and uses	<u>2,500</u>	<u>(27,060)</u>	<u>(29,560)</u>
Net change in fund balances	16,108	48,200	
Fund balances - beginning	666,750	666,750	
Fund balances - ending	<u>\$ 682,858</u>	<u>\$ 714,950</u>	

See Notes to the Required Supplementary Information

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

	Original /Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 152,488	\$ 137,643	\$ (14,845)
Intergovernmental	302,394	300,809	(1,585)
Charges for services	132,000	140,366	8,366
Miscellaneous	10,000	4,702	(5,298)
Total revenues	<u>596,882</u>	<u>583,520</u>	<u>(13,362)</u>
EXPENDITURES			
Current:			
Highways and roads	674,096	485,772	188,324
Debt service:			
Principal	-	7,084	(7,084)
Interest and other charges	-	3,640	(3,640)
Capital outlay	-	112,371	(112,371)
Total expenditures	<u>674,096</u>	<u>608,867</u>	<u>65,229</u>
Excess (deficiency) of revenues over expenditures	<u>(77,214)</u>	<u>(25,347)</u>	<u>51,867</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from of sale capital assets	-	21,750	21,750
Total other financing sources and uses	<u>-</u>	<u>21,750</u>	<u>21,750</u>
Net change in fund balances	(77,214)	(3,597)	
Fund balances - beginning	649,884	649,884	
Fund balances - ending	<u>\$ 572,670</u>	<u>\$ 646,287</u>	

See Notes to the Required Supplementary Information

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.07872%	\$ 922,597	\$ 818,775	112.68%	71.66%
2018	0.09121%	1,539,234	936,993	164.27%	62.80%
2017	0.08809%	1,415,815	899,207	157.45%	61.98%
2016	0.08574%	835,630	864,069	96.71%	70.46%
2015	0.08318%	565,630	741,056	76.33%	77.15%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until full ten-year trend is compiled, the County will present information for those years for which information is available.

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

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.073376%	\$ 58,935	\$ 818,775	7.20%	63.13%
2018	0.085631%	67,440	936,993	7.20%	59.78%

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

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

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2019	\$ 58,714	\$ (58,714)	\$ -	\$ 824,628	7.12%
2018	68,896	(68,896)	-	967,646	7.12%
2017	67,962	(67,962)	-	954,525	7.12%
2016	62,945	(62,945)	-	884,065	7.12%
2015	57,926	(57,926)	-	813,574	7.12%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until full ten-year trend is compiled, the County will present information for those years for which information is available.

EDDY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED DECEMBER 31, 2019

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2019	\$ 9,401	\$ (9,401)	\$ -	\$ 824,628	1.14%
2018	11,031	(11,031)	-	967,646	1.14%

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

EDDY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
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 CHANGE OF ASSUMPTIONS

NDPERS Pension Plan

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 as of July 1, 2018.

EDDY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
DECEMBER 31, 2019

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 as of July 1, 2018.

NDPERS OPEB

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 as of July 1, 2018.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Eddy County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Eddy County's basic financial statements and have issued our report thereon dated December 15, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2019-001, 2019-002, and 2019-003 to be material weaknesses.

Compliance and Other Matters

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

Eddy County's Response to Findings

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

Purpose of this Report

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



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

December 15, 2020

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

2019-001 *Preparation of Financial Statements*

- Criteria: An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.
- Condition: The County's personnel prepare periodic financial information for internal use that meets the needs of management and the County Commissioners. However, the County currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The County has elected to have the auditors assist in the preparation of the financial statements and notes.
- Cause: The County elected to not allocate resources for the preparation of the financial statements.
- Effect: There is an increased risk of material misstatement to the County's financial statements.
- Recommendation: We recommend the County consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of responsible officials and planned corrective action:

The County is a small county and it is not cost effective to internally prepare full disclosure financial statements. The County will establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

2019-002 *Adjusting Journal Entries*

- Criteria: The County is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America.
- Condition: During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Recommendation: Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of responsible officials and planned corrective action:

The County will review internal records and determine the proper balance in each general ledger account prior to the audit being done each year.

2019-003 Segregation of Duties

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

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

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

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

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

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

Views of responsible officials and planned corrective action:

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