

Financial Statements
December 31, 2021 and 2020

Billings County, North Dakota



County Officials (unaudited)	1
Independent Auditor's Report	2
Basic Financial Statements	
Statement of Net Position – Modified Cash Basis – 2021	7 8 asis – 10 es to 11 14 asis – 15 16 es to 17 18 19
Supplementary Information	
Budgetary Comparison Schedule – General Fund – 2021	41 42
Other Information	
Schedule of Employer's Share of Net Pension Liability - Pension	46
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 <i>Government Auditing Standards</i>	50
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control O	ver

Billings County Table of Contents December 31, 2021 and 2020

Schedule of Expenditures of Federal Awards	55
Notes to Schedule of Expenditures of Federal Awards	
Schedules of Findings, Questioned Costs and Responses	57
Schedule of Expenditures of Federal Awards	58
Notes to Schedule of Expenditures of Federal Awards	59
Schedules of Findings, Questioned Costs and Responses	

Billings County County Officials (unaudited) December 31, 2021 and 2020

Lester IversonCommissionerMike KasianCommissionerDean RodneCommissioner



Independent Auditor's Report

Board of County Commissioners Billings County Medora, North Dakota

Report on the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Billings County, North Dakota (the County) as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Billings County, North Dakota, as of December 31, 2021 and 2020, and the respective changes in modified cash basis financial position for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Billings County, North Dakota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

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

Correction of Error

As discussed in Note 10 to the financial statements, the County failed to record a cleared ACH deposit in their accounting system resulting in an understatement of cash and revenue of a discretely presented component unit during the year ended December 31, 2019. Accordingly, a restatement has been made to the aggregate discretely presented component units net position as of January 1, 2020, to correct the error. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due
 to fraud or error, and design and perform audit procedures responsive to those risks. Such
 procedures include examining, on a test basis, evidence regarding the amounts and disclosures
 in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of expressing an
 opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is
 expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Billings County, North Dakota's financial statements. The budgetary comparison schedules and schedules of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and schedules of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the county officials listing, schedule of employer's share of net pension liability and employer's contributions, and schedule of employer's share of net OPEB liability and employer's contributions, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Bismarck, North Dakota February 14, 2023

Ed Sailly LLP

Assets	Governmental Activities	Component Units		
Cash and investments	\$ 48,588,667	\$	117,245	
Capital assets not being depreciated Land Capital assets, net of accumulated depreciation Buildings Infrastructure Improvements Machinery and equipment	58,670 2,816,571 6,001,397 31,157 3,059,405 \$ 60,555,867	\$	- - - - 117,245	
Net position				
Net investment in capital assets Restricted Assigned Unrestricted	\$ 11,967,200 29,346,700 - 19,241,967	\$	- - 117,245 -	
Total net position	\$ 60,555,867	\$	117,245	

Net (Expense) Revenue and Changes

			Program Revenues		in Net Position				
Functions/Programs		Expenses		Charges for Services		its and	Governmental Activities	Component Units	
Primary government									
Governmental activities									
General government	\$	2,907,434	\$	313,280	\$	-	\$ (2,594,154)	\$	-
Public safety		1,888,243		20,571		-	(1,867,672)		-
Public Works		8,177,875		48,410		-	(8,129,465)		-
Public Health		1,153,979		-		-	(1,153,979)		-
Culture and recreation		218,494		-		-	(218,494)		-
Conservation of natural resources		24,547	_	-			(24,547)		
Total primary government	\$	14,370,572	\$	382,261	\$	<u>-</u>	(13,988,311)		
Discretely presented component units									
Billings County Weed Board	\$	391,901		201,487	\$	-			(190,414)
Billings County Water Resource Board		24,362		-		-			(24,362)
Billings County Public Library		50,880		-					(50,880)
Total component units	\$	467,143	\$	201,487	\$				
		neral revenues							
	Т	axes							
		Oil and gas pr		on taxes			4,966,213		-
		Property taxe					1,062,759		131,573
		icenses and pe					169,187		-
		Inrestricted Fed	deral/S	tate shared re	evenues		5,912,779		43,350
	Ν	/liscellaneous					1,194,929		52,365
		Total gener	al reve	nues			13,305,867		227,288
	Change in net position					(682,444)		(38,368)	
	Net	position - Janu	ıary 1,	2021			61,238,311		155,613
	Net	position - Dec	ember	31, 2021			\$ 60,555,867	\$	117,245

	Majo	or Funds		
Assets	General	Road & Bridge	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 19,241,967	\$ 29,178,766	\$ 167,934	\$ 48,588,667
Total assets	\$ 19,241,967	\$ 29,178,766	\$ 167,934	\$ 48,588,667
Fund Balances				
Restricted Unassigned	\$ - 19,241,967	\$ 29,178,766	\$ 167,934 	\$ 29,346,700 19,241,967
Total fund balances	\$ 19,241,967	\$ 29,178,766	\$ 167,934	\$ 48,588,667

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis – 2021

December 31, 2021

Total fund balances for governmental funds

\$ 48,588,667

Total net position reported for government activities in the statement of net position is different because

Capital Assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of capital assets30,083,042Less accumulated depreciation(18,115,842)Net capital assets11,967,200

Total net position of governmental activities

\$ 60,555,867

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis – 2021 Year Ended December 31, 2021

	Major Funds							
Revenues	General		Road al & Bridge		Other Governmental Funds		Go	Total overnmental Funds
Taxes/assessments	\$	5,170,837	\$	808,965	\$	49,170	\$	6,028,972
Licenses, permits, fines	7	3,567	,	165,620	т.	-	,	169,187
Intergovernmental revenues		153,385		5,737,654		21,740		5,912,779
Charges for services		313,280		48,410		20,571		382,261
Miscellaneous revenues		1,031,001		157,604		6,324		1,194,929
Total revenues		6,672,070		6,918,253		97,805		13,688,128
Expenditures Current								
General government		2,697,195		-		57,188		2,754,383
Public safety		1,566,778		-		24,162		1,590,940
Public works		-		6,481,282		-		6,481,282
Health and welfare		1,140,979		-		13,000		1,153,979
Culture and recreation		218,494		-		-		218,494
Conservation of natural resources		9,500		-		-		9,500
Capital outlay		237,422		714,926		_		952,348
Total expenditures		5,870,368		7,196,208		94,350		13,160,926
Excess (deficiency) of revenues over expenditures		801,702		(277,955)		3,455		527,202
Other Financing Sources (Uses) Transfers in		-		-		7,102		7,102
Transfers out		(7,102)				_		(7,102)
Total other financing sources and uses		(7,102)		<u>-</u>		7,102		<u>-</u>
Net change in fund balances		794,600		(277,955)		10,557		527,202
Fund balance - January 1, 2021	:	18,447,367		29,456,721		157,377		48,061,465
Fund balance - December 31, 2021	\$:	19,241,967	\$	29,178,766	\$	167,934	\$	48,588,667

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis – 2021

Year Ended December 31, 2021

Net change in fund balances - total governmental funds	\$ 527,202
The change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets: Capital assets purchased Depreciation Expense	442,423 (1,618,318)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to increase net position	 (33,751)
Change in net position of governmental activities	\$ (682,444)

Assets	Governmental Activities	Component Units		
Cash and investments	\$ 48,061,465	\$	155,613	
Capital assets not being depreciated Land Capital assets, net of accumulated depreciation Buildings Infrastructure Improvements Machinery and equipment	58,670 2,612,872 6,575,795 38,596 3,890,913 \$ 61,238,311	\$	- - - 155,613	
Net position				
Net investment in capital assets Restricted Assigned Unrestricted	\$ 13,176,846 29,614,098 - 18,447,367	\$	155,613 -	
Total net position	\$ 61,238,311	\$	155,613	

Net (Expense) Revenue and Changes

	Program Revenues				S	in Net Position			1			
Functions/Programs		Expenses		Expenses		arges for Services	Grants and Contributions		Governmental Activities		Component Units	
Primary government												
Governmental activities												
General government	\$	2,162,439	\$	568,091	\$	-	\$	(1,594,348)	\$	-		
Public safety		1,928,021		20,833		-		(1,907,188)		-		
Public Works		8,734,487		45,480		-		(8,689,007)		-		
Public Health		1,111,156		-		-		(1,111,156)		-		
Culture and recreation		216,143		-		-		(216,143)		-		
Conservation of natural resources	_	36,020						(36,020)				
Total primary government	\$	14,188,266	\$	634,404	\$	_		(13,553,862)				
Discretely presented component units												
Billings County Weed Board	\$	378,125	\$	190,212	\$	_				(187,913)		
Billings County Water Resource Board		23,216		-		_				(23,216)		
Roughrider North Human Services Zone		48,326		_		-				(48,326)		
Billings County Public Library		47,816								(47,816)		
Total component units	\$	497,483	\$	190,212	\$							
	Gen	eral revenues										
	Ta	axes										
		Oil and gas pr	oductio	n taxes				2,474,804		-		
		Property taxe	S					1,261,038		169,619		
	Li	censes and pe						166,706		_		
	U	nrestricted Fed	deral/St	ate shared re	venues			10,185,572		38,756		
	N	liscellaneous						1,002,012		19,096		
		Total gener	al rever	nues				15,090,132		227,471		
	Change in net position						1,536,270		(79,800)			
	Net	position - Janu	uary 1, 2	2020,								
	as	restated, see	note 9					59,702,041		235,413		
	Net	position - Dec	ember 3	31, 2020			\$	61,238,311	\$	155,613		

	Majo	or Funds		
Assets	General	Road & Bridge	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 18,447,367	\$ 29,456,721	\$ 157,377	\$ 48,061,465
Total assets	\$ 18,447,367	\$ 29,456,721	\$ 157,377	\$ 48,061,465
Fund Balances				
Restricted Unassigned	\$ - 18,447,367	\$ 29,456,721 	\$ 157,377 <u>-</u>	\$ 29,614,098 18,447,367
Total fund balances	\$ 18,447,367	\$ 29,456,721	\$ 157,377	\$ 48,061,465

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis – 2020

December 31, 2020

Total fund	balances	for	governmental	funds
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\$ 48,061,465

Total net position reported for government activities in the statement of net position is different because

Capital Assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of capital assets29,815,174Less accumulated depreciation(16,638,328)Net capital assets13,176,846

Total net position of governmental activities

\$ 61,238,311

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis – 2020 Year Ended December 31, 2020

	Maj	or Funds		
Davidance	General	Road & Bridge	Other Governmental Funds	Total Governmental Funds
Revenues Taxes/assessments	\$ 2,927,103	\$ 747,817	\$ 60,922	\$ 3,735,842
Licenses, permits, fines	\$ 2,927,103 2,139	3 747,817 164,567	\$ 60,922 -	3 3,733,842 166,706
Intergovernmental revenues	141,016	10,023,844	20,712	10,185,572
Charges for services	568,091	45,480	20,833	634,404
Miscellaneous revenues	902,409	91,633	7,970	1,002,012
Total revenues	4,540,758	11,073,341	110,437	15,724,536
Expenditures Current				
General government	1,948,929	-	56,623	2,005,552
Public safety	1,543,845	-	22,745	1,566,590
Public works	-	6,883,851	=	6,883,851
Health and welfare	1,098,155	-	13,001	1,111,156
Culture and recreation	216,143	-	-	216,143
Conservation of natural resources	9,500	-	=	9,500
Capital outlay	459,950	818,859	- 02 260	1,278,809
Total expenditures	5,276,522	7,702,710	92,369	13,071,601
Excess (deficiency) of revenues over expenditures	(735,764)	3,370,631	18,068	2,652,935
Other Financing Sources (Uses) Transfers in Transfers out	- (10,000)	-	10,000	10,000 (10,000)
Total other financing sources	(10,000)			(10,000)
and uses	(10,000)		10,000	
Net change in fund balances	(745,764)	3,370,631	28,068	2,652,935
Fund balance - January 1, 2020	19,193,131	26,086,090	129,309	45,408,530
Fund balance - December 31, 2020	\$ 18,447,367	\$ 29,456,721	\$ 157,377	\$ 48,061,465

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis – 2020 Year Ended December 31, 2020

Net change in fund balances - total governmental funds	\$ 2,652,935
The change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets: Capital assets purchased Depreciation Expense	925,490 (1,831,404)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to increase net position	(210,751)
Change in net position of governmental activities	\$ 1,536,270

	Custodia	Custodial Funds		
Assets	2021	2020		
Cash and investments	\$ 1,104,886	\$ 2,171,215		
Net Position				
Restricted	<u>\$ 1,104,886</u>	\$ 2,171,215		

	Custodial Funds	
	2021	2020
Additions		
Taxes	\$ 1,336,170	\$ 1,538,521
Intergovernmental	55,809	50,738
Fines and fees	4,275	2,093
Miscellaneous revenue	3,618,097	6,760,533
Total revenues	5,014,351	8,351,885
Deductions		
General government	6,080,680	6,194,154
Total expenditures	6,080,680	6,194,154
Change in net position	(1,066,329)	2,157,731
Net position, beginning	2,171,215	13,484
Net position, ending	\$ 1,104,886	\$ 2,171,215

Note 1 - Summary of Significant Accounting Policies

The financial statements of Billings County, Medora, North Dakota, have been prepared in conformity with the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The accompanying financial statements present the activities of Billings County. The County has considered all potential component units for which the County is financially accountable and other organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Billings County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Billings County.

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

Component Units

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

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

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

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

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental funds are reported using the current financial resources measurement focus and the cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements.

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fund types:

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

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

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

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

Equity Classifications

Government-wide statements

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

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

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

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

Fund Balance Classification Policies and Procedures

The County classifies governmental fund balances as follows:

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

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts with a maturity date of 90 days or less.

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

Legal Compliance - Budgets

The county commission adopts an "appropriated budget" on the modified cash basis of accounting. 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 current budget, except for property taxes, may be amended throughout the year for revenues or appropriations anticipated when the budget was prepared. NDCC 57-15-31.1. Each budget is controlled by the County auditor at the revenue and expenditure function/object level. All appropriations lapse at year-end. When expenditures are in excess of appropriations, the County will fund these items through revenues in excess of budget, cash reserves of the fund, or from a cash transfer from other funds.

The County holds public hearings regarding disbursements. All tax levies and all taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04. The County commissioners meet on or before October to 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.

Capital Assets

Capital assets, which include property, infrastructure and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 1980 are reported at historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

Tax Revenues

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

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

Interfund Transactions

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

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

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

Pension

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net OPEB liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 6, is shown as additional information to the users of the financial statements.

Note 2 - Changes in Accounting Policy

As of January 1, 2020, the County adopted GASB 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. There is no impact to beginning net position as a result of the implementation of this standard and the impact to the financial statements is insignificant.

Note 3 - Cash and Investments

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

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

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

As of the years ended December 31, 2021 and 2020, the carrying amounts of the County's deposits for all County funds, custodial funds, Billings County Weed Board, Billings County Water Resource Board, Billings County Human Service, and Billings County Public Library were \$50,759,882 and \$50,388,293, respectively, and the bank balances were \$49,298,374 and \$50,358,259, respectively. Of the bank balances at December 31, 2021 and 2020, \$750,000 was covered by Federal Depository Insurance. As of December 31, 2021 and 2020, the remaining balance was covered by pledged collateral held by a joint agent of the depository and the County, jointly in the name of the depository and the County.

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

Concentration of Credit Risk

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

Credit Risk

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

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

As of December 31, 2021 and 2020, the County held certificates of deposit in the amount of \$2,480,000. The certificates of deposit are all considered deposits and are included in the above amount of total deposits.

As of December 31, 2021 and 2020, the County held the following investments:

2021	Within 1 Year	1 to 5 Years	Thereafter	Total	Fair Value Hierarchy
Certificates of Deposit	\$ 2,480,000	\$ -	\$ -	\$ 2,480,000	Level 2
	\$ 2,480,000	\$ -	\$ -	\$ 2,480,000	
2020	Within 1 Year	1 to 5 Years	Thereafter	Total	Fair Value Hierarchy
Certificates of Deposit	\$ 1,000,000	\$ 1,480,000	\$ -	¢ 2.490.000	1 1 2
	3 1,000,000	3 1,460,000	-	\$ 2,480,000	Level 2

Note 4 - Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2021:

	Balance			Balance
	1/1/2021	Increases	Decreases	12/31/2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 58,670	\$ -	\$ -	\$ 58,670
Capital assets being depreciated				
Buildings	4,933,656	320,445	-	5,254,101
Infrastructure	11,487,957	-	-	11,487,957
Improvements	134,911	-	-	134,911
Machinery and equipment	13,199,980	121,978	(174,555)	13,147,403
Total capital assets, being				
depreciated	29,756,504	442,423	(174,555)	30,024,372
Less accumulated depreciation for				
Buildings	(2,320,784)	(116,746)	-	(2,437,530)
Infrastructure	(4,912,162)	(574,398)	-	(5,486,560)
Improvements	(96,315)	(7,439)	-	(103,754)
Machinery and equipment	(9,309,067)	(919,735)	140,804	(10,087,998)
Total accumulated depreciation	(16,638,328)	(1,618,318)	140,804	(18,115,842)
Total capital assets being				
depreciated, net	13,118,176	(1,175,895)	(33,751)	11,908,530
Governmental activities -		4 4		
capital assets, net	\$ 13,176,846	\$ (1,175,895)	\$ (33,751)	\$ 11,967,200

Depreciation expense for the year ended December 31, 2021 was charged to functions/programs of the County as follows:

Governmental Activities General government Public safety Public works Conservation Total depreciation expenses - gove	ernmental activities			\$ 153,051 297,303 1,152,917 15,047 \$ 1,618,318
The following is a summary of changes in	n capital assets for t	the year ended Do	ecember 31, 2020:	
	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Governmental Activities				
Capital assets not being depreciated Land	\$ 58,670	\$ -	\$ -	\$ 58,670
Capital assets being depreciated Buildings Infrastructure Improvements Machinery and equipment Total capital assets, being depreciated	4,933,656 11,487,957 134,911 12,937,953 29,494,477	925,490 925,490	(663,463) (663,463)	4,933,656 11,487,957 134,911 13,199,980 29,756,504
Less accumulated depreciation for Buildings Infrastructure Improvements Machinery and equipment Total accumulated depreciation	(2,204,038) (4,337,764) (87,321) (8,630,513) (15,259,636)	(116,746) (574,398) (8,994) (1,131,266) (1,831,404)	452,712 452,712	(2,320,784) (4,912,162) (96,315) (9,309,067) (16,638,328)
Total capital assets being depreciated, net	14,234,841	(905,914)	(210,751)	13,118,176
Governmental activities - capital assets, net	\$ 14,293,511	\$ (905,914)	\$ (210,751)	\$ 13,176,846

Depreciation expense for the year ended December 31, 2020 was charged to functions/programs of the County as follows:

Governmental Activities General government Public safety Public works Conservation	\$ 156,887 361,431 1,286,566 26,520
Total depreciation expenses - governmental activities	\$ 1,831,404

Note 5 - Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was 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.

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, 2021 and 2020, the Employer had a liability of \$5,368,953 and \$17,069,714, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021 and 2020, 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, 2021, the Employer's proportion was 0.515106 percent, which was a decrease of 0.027475 from its proportion measured as of June 30, 2020. At June 30, 2020, the Employer's proportion was 0.542581 percent, which was an increase of 0.265625 from its proportion measured as of June 30, 2019. The Employer's proportionate share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

For the year ended December 31, 2021 and 2020 the Employer recognized pension expense of \$1,478,920 and \$3,754,030, respectively. The Employer's deferred outflows of resources and deferred inflows of resources related to pensions is not reported in the financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.25%

Salary Increases (Payroll Growth) 3.5% to 17.75% including inflation

Investment Rate of Return 7%, net of investment expenses

Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
Global Real Assets	19%	4.77%

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases (Payroll Growth)	3.5% to 17.75% including inflation
Investment Rate of Return	7%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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:

Target Allocation	Long-Term Expected Real Rate of Return
30%	6.30%
21%	6.85%
7%	9.75%
23%	1.25%
19%	5.01%
	30% 21% 7% 23%

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 the July 1, 2021 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

For the purpose of the July 1, 2020 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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 percent and 4.64 percent for 2021 and 2020, respectively, 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 or 1-percentage-point higher than the current rate:

For the year ended December 31, 2021:

	1% Decrease in Discount Rate (6%)	Discount Rate (7%)	1% Increase in Discount Rate (8%)
County's proportionate share of the NDPERS net pension liability	\$ 8,538,439	\$ 5,368,953	\$ 2,729,953
For the year ended December 31, 2020:			
	1% Decrease in Discount Rate (3.64%)	Discount Rate (4.64%)	1% Increase in Discount Rate (5.64%)
County's proportionate share of the NDPERS net pension liability	\$ 22,146,673	\$ 17,069,714	\$ 12,915,525

Pension Plan Fiduciary Net Position

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

Note 6 - Other Postemployment Benefits

North Dakota Public Employees Retirement System

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

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

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, 2021 and 2020, the Employer had a liability of \$270,236 and \$432,757, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Employer's proportion was 0.485885 percent, which was a decrease of .028568 percent from its proportion measured as June 30, 2020. At June 30, 2020, the Employer's proportion was 0.514453 percent, which was a decrease of .256283 percent from its proportion measured as June 30, 2019. The Employer's proportionate share of the net OPEB liability is not reported in financial statements shown under the modified cash basis of accounting.

For the years ended December 31, 2021 and 2020, the Employer recognized OPEB expense of \$62,741 and \$93,528, respectively. The Employer's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits is not reported in the financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, respectively:

For the year ended December 31, 2021

Inflation 2.25%

Salary Increases (Payroll Growth)

Not Applicable

Investment Rate of Return 6.50%, net of investment expenses

Cost-of-living adjustments None

For the year ended December 31, 2020

Inflation 2.25%

Salary Increases (Payroll Growth)

Not Applicable

Investment Rate of Return 6.50%, net of investment expenses

Cost-of-living adjustments Non

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of June 30, 2021 and 2020 are summarized in the following tables, respectively:

For the year ended December 31, 2021 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities Small Cap Domestic Equities Domestic Fixed Income International Equities	33% 6% 40% 21%	5.85% 6.75% 0.50% 6.25%
For the year ended December 31, 2020 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities Small Cap Domestic Equities International Equities Domestic Fixed Income	33% 6% 21% 40%	6.10% 7.00% 6.45% 1.15%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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, 2021 and 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

For the year ended December 31, 2021	1% Decrease in Discount Rate (5.50%)	Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)	
County's proportionate share of the net OPEB liability	\$ 400,795	\$ 270,236	\$ 159,764	
For the year ended December 31, 2020	1% Decrease in Discount Rate (5.50%)	Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)	
County's proportionate share of the net OPEB liability	\$ 567,570	\$ 432,757	\$ 318,754	

Note 7 - Risk Management

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

Note 8 - Commitment

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

Note 9 - Interfund Transfers

Interfund transfers were used to move revenues from the funds that are required to collect them to funds that are allowed to expend them.

During the year ended December 31, 2021, the other governmental funds had transfers in of \$7,102. The general fund had transfers out of \$7,102.

During the year ended December 31, 2020, the other governmental funds had transfers in of \$10,000. The general fund had transfers out of \$10,000.

Note 10 - Correction of Error Resulting in Restatement

The County failed to record in their accounting system an ACH deposit affecting the financial statements of a discretely presented component unit during the year ended December 31, 2019. This resulted in an understatement of net position for the discretely presented component units as of January 1, 2020. See summary of restatement below:

	Component Units	
Net position, January 1, 2020, as previously reported	\$ 124,821	
Restatement due to failure to record cleared deposit	110,592	_
Net position, January 1, 2020, as restated	\$ 235,413	_



Supplementary Information December 31, 2021 and 2020

Billings County, North Dakota

	 Original Budget		Final Budget	Actual	<u>(</u> (Variance Favorable Jnfavorable)
Revenues Taxes/assessments Licenses, Permits, Fees Intergovernmental Revenue Charges for Services Miscellaneous Revenue	\$ 500,200 7,600 200,000 86,550 3,300	\$	500,200 7,600 200,000 86,550 3,300	\$ 5,170,837 3,567 153,385 313,280 1,031,001	\$	4,670,637 (4,033) (46,615) 226,730 1,027,701
Total Revenues	 797,650		797,650	 6,672,070		5,874,420
Expenditures Current General Government Public Safety Health and Welfare Culture and Recreation Conservation of Natural Resources Capital Outlay	5,809,954 4,294,734 2,500 3,900 57,200 600,000		5,809,954 4,294,734 2,500 3,900 57,200 600,000	2,697,195 1,566,778 1,140,979 218,494 9,500 237,422		3,112,759 2,727,956 (1,138,479) (214,594) 47,700 362,578
Total Expenditures	10,768,288		10,768,288	5,870,368		4,897,920
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,970,638)		(9,970,638)	801,702		(10,772,340)
Other Financing Sources (Uses) Transfers In Transfers Out	1,500,000		- -	- (7,102)		- 7,102
Total Other Financing Sources (Uses)	1,500,000	_	_	(7,102)		7,102
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources (Uses)	\$ (8,470,638)	\$	(9,970,638)	794,600	\$	(10,765,238)
Fund Balances - January 1				 18,447,367		
Fund Balances - December 31				\$ 19,241,967		

	Original Budget	Final Budget	Actual	F	Variance Favorable nfavorable)
Revenues Taxes/assessments Licenses, Permits, Fees Intergovernmental Revenue Charges for Services Miscellaneous Revenue	\$ 50,100 60,000 2,294,000 10,000 5,000	\$ 50,100 60,000 2,294,000 10,000 5,000	\$ 808,965 165,620 5,737,654 48,410 157,604	\$	758,865 105,620 3,443,654 38,410 152,604
Total Revenues	2,419,100	2,419,100	6,918,253		4,499,153
Expenditures Current					
Public Works Capital Outlay	 13,178,500 350,000	 13,178,500 350,000	 6,481,282 714,926		6,697,218 (364,926)
Total Expenditures	 13,528,500	 13,528,500	 7,196,208		6,332,292
Excess (Deficiency) of Revenues Over (Under) Expenditures	 (11,109,400)	 (11,109,400)	 (277,955)		(1,833,139)
Other Financing Sources (Uses) Transfers In	2,700,000	 2,700,000	 		2,700,000
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources (Uses)	\$ (8,409,400)	\$ (8,409,400)	(277,955)	\$	866,861
Fund Balances - January 1			29,456,721		
Fund Balances - December 31			\$ 29,178,766		

Revenues	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Taxes/assessments Licenses, Permits, Fees Intergovernmental Revenue Charges for Services Miscellaneous Revenue	\$ 1,500,200 9,700 225,000 84,750 3,300	\$ 1,500,200 9,700 225,000 84,750 3,300	\$ 2,927,103 2,139 141,016 568,091 902,409	\$ 1,426,903 (7,561) (83,984) 483,341 899,109
Total Revenues	1,822,950	1,822,950	4,540,758	2,717,808
Expenditures Current				
General Government Public Safety Health and Welfare Culture and Recreation Conservation of Natural Resources Capital Outlay	3,154,810 3,084,063 4,500 3,900 57,200 500,000	3,154,810 3,084,063 4,500 3,900 57,200 500,000	1,948,929 1,543,845 1,098,155 216,143 9,500 459,950	1,205,881 1,540,218 (1,093,655) (212,243) 47,700 40,050
Total Expenditures	6,804,473	6,804,473	5,276,522	1,527,951
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,981,523)	(4,981,523)	(735,764)	(4,245,759)
Other Financing Uses Transfers - Out			(10,000)	10,000
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources (Uses)	\$ (4,981,523)	\$ (4,981,523)	(745,764)	\$ (4,235,759)
Fund Balances - January 1			19,193,131	
Fund Balances - December 31			\$ 18,447,367	

Personal	Original Budget	Final Budget	Actual	F	Variance Favorable nfavorable)
Revenues Oil and gas production tax Taxes Licenses, Permits, Fees Intergovernmental Revenue Charges for Services Miscellaneous Revenue	\$ 100,000 100 70,000 2,405,000 10,000 5,000	\$ 100,000 100 70,000 2,405,000 10,000 5,000	\$ 154,675 747,817 164,567 10,023,844 45,480 91,633	\$	54,675 747,717 94,567 7,618,844 35,480 86,633
Total Revenues	2,590,100	2,590,100	11,228,016		8,637,916
Expenditures Current Public Works Capital Outlay	 9,661,454 350,000	9,661,454 350,000	 6,883,851 818,859		2,777,603 (468,859)
Total Expenditures	10,011,454	10,011,454	7,702,710		2,308,744
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,421,354)	 (7,421,354)	3,525,306		6,329,172
Other Financing Sources Transfers - In	 2,250,000	 2,250,000			2,250,000
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources (Uses)	\$ (5,171,354)	\$ (5,171,354)	3,525,306	\$	8,579,172
Fund Balances - January 1			26,086,090		
Fund Balances - December 31			\$ 29,611,396		



Other Information December 31, 2021 and 2020

Billings County, North Dakota

Billings County
Schedule of Employer's Share of Net Pension Liability - Pension
Years Ended December 31, 2021 and 2020

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Employer's Covered- Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered- Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS Main System	6/30/2015	0.260948%	\$ 1,656,293	\$ 156,510	1058.27%	78.18%
NDPERS Main System	6/30/2016	0.257702%	\$ 1,752,330	\$ 2,295,812	76.33%	77.70%
NDPERS Main System	6/30/2017	0.252965%	\$ 2,465,391	\$ 2,549,286	96.71%	93.62%
NDPERS Main System	6/30/2018	0.265757%	\$ 4,271,587	\$ 2,712,967	157.45%	152.96%
NDPERS Main System	6/30/2019	0.276956%	\$ 3,246,125	\$ 2,880,812	112.68%	116.37%
NDPERS Main System	6/30/2020	0.542581%	\$ 17,069,714	\$ 5,985,320	285.19%	72.53%
NDPERS Main System	6/30/2021	0.515106%	\$ 5,368,953	\$ 5,833,012	92.04%	49.44%

Billings County Schedule of Employer's Share of Employer's Contributions - Pension Years Ended December 31, 2021 and 2020

Pension Plan	Fiscal Year Ending	F	tatutorily Required tribution (a)	Rela St	tributions in ation to the tatutorily Required tribution (b)	De	ntribution eficiency cess) (a-b)	Employer's Covered- Payroll (d)	Contributions as a Percentage of Covered- Payroll (a/d)
NDPERS Main System	12/31/2015	\$	156,510	\$	156,510	\$	-	\$ 2,198,175	-7.12%
NDPERS Main System	12/31/2016	\$	174,385	\$	172,478	\$	1,907	\$ 2,295,812	-7.51%
NDPERS Main System	12/31/2017	\$	184,564	\$	193,752	\$	(9,188)	\$ 2,549,286	-7.60%
NDPERS Main System	12/31/2018	\$	196,723	\$	190,917	\$	5,806	\$ 2,712,967	-7.04%
NDPERS Main System	12/31/2019	\$	209,739	Ş	148,987	\$	60,752	\$ 2,880,812	-5.17%
NDPERS Main System	12/31/2020	\$	423,813	\$	442,907	\$	(19,094)	\$ 5,985,320	-7.40%
NDPERS Main System	12/31/2021	\$	430,159	\$	331,051	\$	99,108	\$ 5,833,012	-5.68%

Billings County
Schedule of Employer's Share of Net OPEB Liability and Employer's Contributions - OPEB
Years Ended December 31, 2021 and 2020

Other Post Employment Benefits Plan	Measurement Date	Employer's Proportion (Percentage) of the Net OPEB Liability	Employer's Proportionate Share (Amount) of the Net OPEB Liability (a)	Employer's Covered- Payroll (b)	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered- Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
NDPERS Main System	6/30/2017	0.250773%	\$ 199,115	\$ 2,712,967	7.34%	59.78%
NDPERS Main System	6/30/2018	0.266393%	\$ 209,803	\$ 2,914,919	7.20%	61.89%
NDPERS Main System	6/30/2019	0.258170%	\$ 207,359	\$ 2,880,812	7.20%	63.13%
NDPERS Main System	6/30/2020	0.514453%	\$ 432,757	\$ 5,864,612	7.38%	63.38%
NDPERS Main System	6/30/2021	0.485885%	\$ 270,236	\$ 5,297,396	5.10%	76.63%
Other Post Employment Benefits Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered- Payroll (d)	Contributions as a Percentage of Covered- Payroll (a/d)
NDPERS Main System	12/31/2017	\$ 31,536	\$ 30,568	\$ 62,104	\$ 2,712,967	1.13%
NDPERS Main System	12/31/2018	\$ 34,190	\$ 33,501	\$ 67,691	\$ 2,914,919	1.15%
NDPERS Main System	12/31/2019	\$ 33,504	\$ 35,067	\$ 68,571	\$ 2,880,812	1.22%
NDPERS Main System	12/31/2020	\$ 68,897	\$ 52,709	\$ 121,606	\$ 5,864,612	0.90%
NDPERS Main System	12/31/2021	\$ 63,703	\$ 65,453	\$ 129,156	\$ 5,297,396	1.24%

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

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

2021

Changes of Benefit Terms

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 percent effective January 1, 2021 (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 increased 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, 2020.

Changes of Assumptions

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

<u>2020</u>

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (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, 2019.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- the assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

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

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

2021

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, 2020.

Changes of Assumptions

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

2020

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, 2019.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

• The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.



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

Board of County Commissioners Billings County Medora, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Billings County, North Dakota, as of and for the years ended December 31, 2021, and the related notes to the financial statements, which collectively comprise 's basic financial statements, and have issued our report thereon dated February 14, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings, questioned costs and responses as items 2021-001, 2021-002 and 2020-001, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Billings County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings, questioned costs and responses as item 2021-003.

Billings County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Billings County's responses to the findings identified in our audit and described in the accompanying schedule of findings, questioned costs and responses. Billings County's responses were not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Bismarck, North Dakota

Esde Sailly LLP

February 14, 2023



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

Board of County Commissioners Billings County Medora, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Billings County's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Billings County's major federal programs for the years ended December 31, 2021 and 2020. Billings County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Billings County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2021 and 2020.

Basis for Opinion on Each Major Federal Program

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Billings County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Billings County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Billings County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Billings County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Billings County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and
 design and perform audit procedures responsive to those risks. Such procedures include
 examining, on a test basis, evidence regarding the County's compliance with the compliance
 requirements referred to above and performing such other procedures as we considered
 necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit
 in order to design audit procedures that are appropriate in the circumstances and to test and
 report on internal control over compliance in accordance with the Uniform Guidance, but not
 for the purpose of expressing an opinion on the effectiveness of the County's internal control
 over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Bismarck, North Dakota

Esde Saelly LLP

February 14, 2023

Federal Grantor/ Pass-Through Grantor/Program Title	Federal Financial Assistance Listing/ Federal CFDA Number	Total Expenditures
U. S. Department of Agriculture		
<u>Direct Program</u> School and Roads - Grant to Counties (Bankhead-Jones)	10.666	\$ 6,241,416
U.S. Department of Treasury		
Passed through ND State Treasurer COVID-19 American Rescue Plan Act COVID-19 Coronavirus Relief Fund Total U.S. Department of Treasury	21.027 21.019	180,253 50,233 230,486
U.S. Department of Interior		
Passed through ND State Treasurer Mineral Leasing Act (Public Domain Royalties) Payments in Lieu of Tax Total U.S. Department of Interior	15.437 15.226	318,656 135,250 453,906
Total Federal Financial Assistance		\$ 6,925,808

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Billings County under programs of the federal government for the years ended December 31, 2021 and 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or fund balance of Billings County. The County received federal awards directly from federal agencies.

Note B - Significant Accounting Policies

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

Note C - Indirect Cost Rate

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued

Financial Statement Unmodified

Internal control over financial reporting:

Material weakness identified Yes

Significant deficiencies identified not considered

to be material weaknesses None Reported

Noncompliance material to financial

statements noted Yes

Federal Awards

Internal control over major programs:

Material weakness identified No

Significant deficiencies identified not considered

to be material weaknesses None Reported

Type of auditors' report issued on compliance

for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform

Guidance 2 CFR 200.516: No

Identification of major programs:

Name of Federal Program CFDA number

School and Roads - Grants to Counties 10.666

Dollar threshold used to distinguish

between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee No

57

Federal Grantor/ Pass-Through Grantor/Program Title	Federal Financial Assistance Listing/ Federal CFDA Number	Total Expenditures
U. S. Department of Agriculture		
<u>Direct Program</u> School and Roads - Grant to Counties (Bankhead-Jones)	10.666	\$ 7,702,710
U.S. Department of Treasury		
Passed through ND State Treasurer COVID-19 Coronavirus Relief Fund	21.019	533,910
U.S. Department of Interior		
Passed through ND State Treasurer Mineral Leasing Act (Public Domain Royalties) Payments in Lieu of Tax Total U.S. Department of Interior	15.437 15.226	152,857 131,947 284,804
Total Federal Financial Assistance		\$ 8,521,424

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Billings County under programs of the federal government for the years ended December 31, 2021 and 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or fund balance of Billings County. The County received federal awards directly from federal agencies.

Note B - Significant Accounting Policies

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

Note C - Indirect Cost Rate

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

Financial Statements

Type of auditors' report issued

Financial Statement Unmodified

Internal control over financial reporting:

Material weakness identified Yes

Significant deficiencies identified not considered

to be material weaknesses None Reported

Noncompliance material to financial

statements noted Yes

Federal Awards

Internal control over major programs:

Material weakness identified No

Significant deficiencies identified not considered

to be material weaknesses None Reported

Type of auditors' report issued on compliance

for major programs Unmodified

Any audit findings disclosed that are required

to be reported in accordance with $\mbox{\it Uniform}$

Guidance 2 CFR 200.516: No

Identification of major programs:

Name of Federal Programs	<u>CFDA number</u>

School and Roads - Grants to Counties 10.666
COVID-19 Coronavirus Relief Fund 21.019

Dollar threshold used to distinguish

between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee No

Section II – Financial Statement Findings

2021-001 Preparation of Financial Statement and Schedule of Federal Awards Material Weakness

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

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

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

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

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

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

2021-002 Segregation of Duties Material Weakness

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

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

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

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

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

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

2020-001 Restatement Material Weakness

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

Condition: During the year ended December 31, 2019, the County failed to record a cleared ACH deposit affecting the financial statements of a discretely presented component unit. This error in reporting caused a prior period adjustment in the amount of \$110,592.

Cause: The error was caused by the county failing to record a cash deposit.

Effect: The January 1, 2020 component unit net position needed to be restated by \$110,592.

Recommendation: We recommend oversight in the bank reconciliation process to ensure all cash receipts and disbursements are being recorded.

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

State Compliance Item

2021-003 Excess Cash Reserves Material Noncompliance

Criteria: N.D.C.C. 11-23-02, item 9, limits the cash reserve in the general fund and special revenue funds to not exceed 75% of the appropriation for that fund.

Condition: For the year ended December 31, 2020, Billings County has the general fund and one nonmajor special revenue fund that have cash reserve balances that were in excess of 75% of the annual appropriation. The general fund has cash reserves above 75% of the annual appropriation in the amount of approximately \$2,413,000. The nonmajor special revenue fund has cash reserves above 75% of the annual appropriation in the amount of approximately \$1,537,000.

For the year ended December 31, 2021, Billings County has one nonmajor special revenue fund that has cash reserve balances that were in excess of 75% of the annual appropriation. The nonmajor special revenue fund has cash reserves above 75% of the annual appropriation in the amount of approximately \$1,467,000.

Cause: The County was not aware of how to properly calculate this specific requirement within N.D.C.C. 11-23-02.

Effect: The County being out of compliance with the cash reserve requirements of N.D.C.C. 11-23-02 caused excess property taxes to be levied during 2020 and 2021.

Recommendation: We recommend that the County adhere to all specific requirements of N.D.C.C. 11-23-02.

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

Section III - Federal Award Findings and Questioned Costs

None identified



BILLINGS COUNTY



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Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2021 and 2020
Prepared by Management of

Billings County

2019-001 Preparation of Financial Statements and Schedule of Federal Awards

Material Weakness

Initial Fiscal Year Finding

Occurred:

2019

Finding Summary: The County does not have an internal control system designed to provide for the

preparation of the financial statements and related footnotes being audited as well as the schedule of expenditures of federal awards. The County requested our auditors, Eide Bailly LLP, to draft the financial statements and accompanying notes to the financial statements as well as assist with the preparation of the schedule

of expenditures of federal awards.

Status: Ongoing. Due to cost considerations, the County has chosen to have Eide Bailly

LLP prepare the audited financial statements as they do not have staff to prepare

audit-ready financial statements.

2019-002 Segregation of Duties

Material Weakness

Initial Fiscal Year Finding

Occurred:

2019

Finding Summary: The County has a lack of segregation of duties in certain areas due to a limited

staff.

Status: Ongoing. Due to cost considerations, the County has segregated the duties of all

accounting functions in the most efficient manner possible given its limited staff.

2019-003 Restatement

Material Weakness

Initial Fiscal Year Finding

Occurred:

2019

Finding Summary: Our auditors, Eide Bailly LLP identified misstatements in the County's financial

statements for infrastructure and depreciation which caused material audit

adjustments including a restatement audit adjustment to governmental net position

in the amount of \$7,154,066.

Status: The County properly recorded the audit adjustments and restatement adjustment

proposed by Eide Bailly LLP. The County will ensure infrastructure and related

depreciation is accounted for going forward.

2021-001 Preparation of Financial Statements and Schedule of Federal Awards

Material Weakness

Finding Summary: The County does not have an internal control system designed to provide for the

preparation of the financial statements and related footnotes being audited as well as the schedule of expenditures of federal awards. The County requested our auditors, Eide Bailly LLP, to draft the financial statements and accompanying notes to the financial statements as well as assist with the preparation of the schedule

of expenditures of federal awards.

Responsible Individuals: Marcia Lamb, County Auditor

Corrective Action Plan: Due to the small size of these County departments, it is not cost effective for the

County for properly address this deficiency.

Anticipated Completion Date: Ongoing

2021-002 Segregation of Duties

Material Weakness

Finding Summary: The County has a lack of segregation of duties in certain areas due to a limited

staff.

Responsible Individuals: Marcia Lamb, County Auditor

Corrective Action Plan: Due to the small size of these County departments, it is not cost effective for the

County to properly address this deficiency.

Anticipated Completion Date: Ongoing

2020-001 Restatement

Material Weakness

Finding Summary: Our auditors, Eide Bailly LLP identified misstatements in the County's financial

statements for failure to record a cleared ACH deposit affecting a discretely

presented component unit in the amount of \$110,592.

Responsible Individuals: Marcia Lamb, County Auditor

Corrective Action Plan: The County properly recorded the audit adjustment and restatement adjustment

proposed by Eide Bailly LLP.

Anticipated Completion Date: 2022

2021-003 Excess Cash Reserves

Material Noncompliance

Finding Summary: For the year ended December 31, 2020, Billings County has the general fund and

one nonmajor special revenue fund that have cash reserve balances that were in excess of 75% of the annual appropriation. The general fund has cash reserves

above 75% of the annual appropriation in the amount of approximately

\$2,413,000. The nonmajor special revenue fund has cash reserves above 75% of

the annual appropriation in the amount of approximately \$1,537,000.

For the year ended December 31, 2021, Billings County has one nonmajor special revenue fund that has cash reserve balances that were in excess of 75% of the annual appropriation. The nonmajor special revenue fund has cash reserves above 75% of the annual appropriation in the amount of approximately \$1,467,000.

Responsible Individuals: Marcia Lamb, County Auditor

Corrective Action Plan: The County is aware of N.D.C.C. 11-23-02, item 9. The County will monitor cash

reserves and levies in the general fund and levied special revenue funds on a go-

forward basis.

Anticipated Completion Date: Ongoing