



Financial Statements
December 31, 2022

Billings County, North Dakota

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Lester Iverson
Dean Rodne
Steve Klym

Commissioner
Commissioner
Commissioner

Marcia Lamb
Julianna Hammerstrom
Pat Rummel

Auditor/Treasurer
Recorder/Clerk of Court
Sheriff



Independent Auditor's Report

Board of County Commissioners
Billings County
Medora, North Dakota

Report on the Audit of the Financial Statements

Opinion

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 year ended December 31, 2022 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, 2022, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit 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 (*Government Auditing Standards*). 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 opinion.

Emphasis of Matter – Correction of Error

As discussed in Note 8 to the financial statements, it was discovered that capital assets belonging to the Billings County Weed Board, a discretely presented component unit, were being included with governmental activities capital assets. Accordingly, a restatement has been made to the governmental activities net position and to the component unit's net position. Our opinions are not modified with respect to this matter.

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.

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 on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the report. The other information comprises the county officials 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 October 26, 2023, on our consideration of Billings County, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the effectiveness of Billings County, North Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Billings County, North Dakota's internal control over financial reporting and compliance.



Bismarck, North Dakota
October 26, 2023

Billings County
 Statement of Net Position – Modified Cash Basis
 December 31, 2022

	Governmental Activities	Component Units
Assets		
Cash and investments	\$ 57,289,198	\$ 112,155
Capital assets not being depreciated		
Land	58,670	-
Construction in progress	455,466	-
Capital assets, net of accumulated depreciation		
Buildings	3,113,799	-
Infrastructure	5,426,999	-
Improvements	25,274	-
Machinery and equipment	3,699,155	70,232
	<u>\$ 70,068,561</u>	<u>\$ 182,387</u>
Net position		
Net investment in capital assets	\$ 12,779,363	\$ 70,232
Restricted	37,260,527	-
Assigned	-	112,155
Unrestricted	20,028,671	-
	<u>\$ 70,068,561</u>	<u>\$ 182,387</u>
Total net position	<u>\$ 70,068,561</u>	<u>\$ 182,387</u>

Billings County
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Grants and Contributions	Governmental Activities	Component Units
Primary government					
Governmental activities					
General government	\$ 2,353,903	\$ 309,250	\$ -	\$ (2,044,653)	\$ -
Public safety	2,028,722	20,371	-	(2,008,351)	-
Public Works	5,645,782	21,444	-	(5,624,338)	-
Public Health	1,333,266	-	-	(1,333,266)	-
Culture and recreation	228,770	-	-	(228,770)	-
Conservation of natural resources	11,521	-	-	(11,521)	-
Total primary government	\$ 11,601,964	\$ 351,065	\$ -	(11,250,899)	-
Discretely presented component units					
Billings County Weed Board	\$ 377,399	\$ 155,142	\$ -		(222,257)
Billings County Public Library	51,355	-	-		(51,355)
Total component units	\$ 428,754	\$ 155,142	\$ -		
General revenues					
Taxes					
Oil and gas production taxes				4,689,030	-
Property taxes				1,030,357	82,811
Licenses, permits and fines				137,494	-
Intergovernmental revenues				14,422,058	20,776
Reimbursements and Refunds				446,912	-
Miscellaneous revenues				56,199	216,710
Total general revenues				20,782,050	320,297
Change in net position				9,531,151	46,685
Net position - January 1, 2022					
as restated				60,537,410	135,702
Net position - December 31, 2022				\$ 70,068,561	\$ 182,387

Billings County
 Balance Sheet – Governmental Funds – Modified Cash Basis
 December 31, 2022

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Road & Bridge		
Assets				
Cash and investments	\$ 20,028,671	\$ 37,106,359	\$ 154,168	\$ 57,289,198
Fund Balances				
Restricted	\$ -	\$ 37,106,359	\$ 154,168	\$ 37,260,527
Unassigned	20,028,671	-	-	20,028,671
Total fund balances	\$ 20,028,671	\$ 37,106,359	\$ 154,168	\$ 57,289,198

Total fund balances for governmental funds	\$ 57,289,198
Total net position reported for government activities in the statement of net position is different because	
Capital Assets used in governmental activities are not financial resources and are not reported in the governmental funds.	
Cost of capital assets	31,353,509
Less accumulated depreciation	<u>(18,574,146)</u>
Net capital assets	<u>12,779,363</u>
Total net position of governmental activities	<u>\$ 70,068,561</u>

Billings County
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds –
Modified Cash Basis
Year Ended December 31, 2022

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Road & Bridge		
Revenues				
Taxes/assessments	\$ 4,892,425	\$ 791,945	\$ 35,017	\$ 5,719,387
Licenses, permits, fines	2,635	134,859	-	137,494
Intergovernmental revenues	671,130	13,732,547	18,381	14,422,058
Charges for services	309,250	21,444	20,371	351,065
Reimbursements and refunds	352,004	94,908	-	446,912
Miscellaneous revenues	50,721	-	5,478	56,199
Total revenues	<u>6,278,165</u>	<u>14,775,703</u>	<u>79,247</u>	<u>21,133,115</u>
Expenditures				
Current				
General government	2,128,891	-	54,192	2,183,083
Public safety	1,737,021	-	29,315	1,766,336
Public works	-	6,388,539	-	6,388,539
Health and welfare	1,320,265	-	13,001	1,333,266
Culture and recreation	228,770	-	-	228,770
Conservation of natural resources	9,500	-	-	9,500
Capital outlay	63,519	459,571	-	523,090
Total expenditures	<u>5,487,966</u>	<u>6,848,110</u>	<u>96,508</u>	<u>12,432,584</u>
Excess (deficiency) of revenues over expenditures	<u>790,199</u>	<u>7,927,593</u>	<u>(17,261)</u>	<u>8,700,531</u>
Other Financing Sources (Uses)				
Transfers in	-	-	3,495	3,495
Transfers out	(3,495)	-	-	(3,495)
Total other financing sources and uses	<u>(3,495)</u>	<u>-</u>	<u>3,495</u>	<u>-</u>
Net change in fund balances	<u>786,704</u>	<u>7,927,593</u>	<u>(13,766)</u>	<u>8,700,531</u>
Fund balance - January 1, 2022	<u>19,241,967</u>	<u>29,178,766</u>	<u>167,934</u>	<u>48,588,667</u>
Fund balance - December 31, 2022	<u>\$ 20,028,671</u>	<u>\$ 37,106,359</u>	<u>\$ 154,168</u>	<u>\$ 57,289,198</u>

Billings County

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to
the Statement of Activities – Modified Cash Basis
Year Ended December 31, 2022

Net change in fund balances - total governmental funds	<u>\$ 8,700,531</u>
The change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	2,427,353
Depreciation Expense	<u>(1,480,025)</u>
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to increase net position	<u>(116,708)</u>
Change in net position of governmental activities	<u><u>\$ 9,531,151</u></u>

Billings County
Statement of Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis
December 31, 2022

	<u>Custodial Funds</u>
Assets	
Cash and investments	<u>\$ 1,065,925</u>
Net Position	
Restricted	<u>\$ 1,065,925</u>

Billings County
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis
Year Ended December 31, 2022

	<u>Custodial Funds</u>
Additions	
Taxes	\$ 1,322,510
Intergovernmental	56,247
Fines and fees	2,983
Miscellaneous revenue	4,852,733
Total revenues	6,234,473
Deductions	
General government	6,273,434
Change in net position	(38,961)
Net position, beginning	1,104,886
Net position, ending	\$ 1,065,925

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 two component units: Billings County Public Library and Billings County Weed Board. These units are reported in a separate column to emphasize that they are legally separate from the County.

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

Billings County 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 Weed Board.

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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

Fund Balance Classifications

Government-wide statements

Fund Balance 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.

Investments consist of certificates of deposit with maturity dates in excess of 90 days, stated at cost.

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
Improvements	10 to 20 years
Machinery and Equipment	5 to 20 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.

Note 2 - Cash and Investments

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

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

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

As of the years ended December 31, 2022, 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 \$58,467,278 and the bank balances were \$59,576,013. Of the bank balances at December 31, 2022, \$750,000 was covered by Federal Depository Insurance. As of December 31, 2022, the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

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 Golvea and Choice Financial.

Credit Risk

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

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

As of December 31, 2022, the County held certificates of deposit in the amount of \$1,500,000. The certificates of deposit are all considered deposits and are included in the above amount of total deposits.

As of December 31, 2022, the County held the following investments:

<u>2022</u>	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>Thereafter</u>	<u>Total</u>	<u>Fair Value Hierarchy</u>
Certificates of Deposit	\$ 1,000,000	\$ 500,000	\$ -	\$ 1,500,000	Level 2
	<u>\$ 1,000,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	

Note 3 - Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2022 for the County:

	Balance 1/1/2022 (as Restated)	Increases	Decreases	Balance 12/31/2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 58,670	\$ -	\$ -	\$ 58,670
Construction in progress	320,445	890,343	(755,322)	455,466
Total capital assets, not being depreciated	<u>379,115</u>	<u>890,343</u>	<u>(755,322)</u>	<u>514,136</u>
Capital assets being depreciated				
Buildings	4,933,656	755,322	-	5,688,978
Infrastructure	11,487,957	-	-	11,487,957
Improvements	134,911	-	-	134,911
Machinery and equipment	12,855,440	1,537,010	(864,923)	13,527,527
Total capital assets, being depreciated	<u>29,411,964</u>	<u>2,292,332</u>	<u>(864,923)</u>	<u>30,839,373</u>
Less accumulated depreciation for				
Buildings	(2,437,530)	(137,649)	-	(2,575,179)
Infrastructure	(5,486,560)	(574,398)	-	(6,060,958)
Improvements	(103,754)	(5,883)	-	(109,637)
Machinery and equipment	(9,814,492)	(762,095)	748,215	(9,828,372)
Total accumulated depreciation	<u>(17,842,336)</u>	<u>(1,480,025)</u>	<u>748,215</u>	<u>(18,574,146)</u>
Total capital assets being depreciated, net	<u>11,569,628</u>	<u>812,307</u>	<u>(116,708)</u>	<u>12,265,227</u>
Governmental activities - capital assets, net	<u>\$ 11,948,743</u>	<u>\$ 1,702,650</u>	<u>\$ (872,030)</u>	<u>\$ 12,779,363</u>

The County has a contract commitment totaling \$755,095 at December 31, 2022.

Depreciation expense for the year ended December 31, 2022 was charged to functions/programs of the County as follows:

Governmental Activities	
General government	\$ 170,820
Public safety	262,386
Public works	1,044,798
Conservation	<u>2,021</u>
Total depreciation expenses - governmental activities	<u><u>\$ 1,480,025</u></u>

The following is a summary of changes in capital assets for the year ended December 31, 2022 for the Component Units:

	Balance 1/1/2022 (as Restated)	Increases	Decreases	Balance 12/31/2022
<u>Billings County Weed Board</u>				
Capital assets being depreciated				
Machinery and equipment	<u>\$ 291,962</u>	<u>\$ 64,440</u>	<u>\$ (14,350)</u>	<u>\$ 342,052</u>
Less accumulated depreciation for				
Machinery and equipment	<u>(273,505)</u>	<u>(12,665)</u>	<u>14,350</u>	<u>(271,820)</u>
DPCU activities - capital assets, net	<u><u>\$ 18,457</u></u>	<u><u>\$ 51,775</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 70,232</u></u>

Depreciation expense for the year ended December 31, 2022 was charged to functions/programs of the Component Units as follows:

Billings County Weed Board	
Conservation	<u>\$ 12,665</u>
Total depreciation expenses - component units	<u><u>\$ 12,665</u></u>

Note 4 - Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

Pension Contributions

During the year ended December 31, 2022, the County made employer cash contributions for the pension and OPEB plans totaling \$941,473.

Note 5 - Other Postemployment Benefits

North Dakota Public Employees Retirement System

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

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

During the year ended December 31, 2022, the County made employer cash contributions for the pension and OPEB plans totaling \$941,473.

Note 6 - Risk Management

The County participates in the North Dakota Insurance Reserve Fund, North Dakota Fire and Tornado Fund, and the North Dakota Worker's Compensation Bureau to control their risk of loss. During the year ended December 31, 2021, the County managed its risks as follows:

Liability Insurance

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Billings County pays an annual premium to NDRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRF is limited to losses of ten million dollars per occurrence for general liability, ten million for automobile, and \$6,880,889 for public assets/mobile equipment and portable property.

Property and Bond Insurance

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

Billings County has workers compensation with the North Dakota Workforce Safety and Insurance. The County pays for a single policy health insurance from a commercial insurance carrier.

There have been no settled claims that exceeded the insurance coverage in any of the past three fiscal years.

Note 7 - 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, 2022, the other governmental funds had transfers in of \$3,495. The general fund had transfers out of \$3,495.

Note 8 - Restatement for Governmental Activities and Component Units

During the year ended December 31, 2022, it was discovered that capital assets belonging to the Billings County Weed Board, a discretely presented component unit, were being included with governmental capital assets. The effect of this misstatement was to decrease governmental activities net position and increase component unit net position by \$18,457.

See the summary of the restatement below:

	Governmental Activities	Component Units
Net position, January 1, 2022, as previously reported	\$ 60,555,867	\$ 117,245
Restatement resulting from failure to breakout Component Unit Assets	(18,457)	18,457
Net position, January 1, 2022, as restated	\$ 60,537,410	\$ 135,702



Supplementary Information
December 31, 2022

Billings County, North Dakota

Billings County
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes/assessments	\$ 2,001,000	\$ 2,001,000	\$ 4,892,425	\$ 2,891,425
Licenses, Permits, Fines	13,075	13,075	2,635	(10,440)
Intergovernmental Revenue	187,949	187,949	671,130	483,181
Charges for Services	61,400	61,400	309,250	247,850
Reimbursements and refunds	-	-	352,004	352,004
Miscellaneous Revenue	56,200	56,200	50,721	(5,479)
Total Revenues	<u>2,319,624</u>	<u>2,319,624</u>	<u>6,278,165</u>	<u>3,958,541</u>
Expenditures				
Current				
General Government	5,011,684	5,011,684	2,128,891	2,882,793
Public Safety	2,970,506	2,970,506	1,737,021	1,233,485
Health and Welfare	1,410,077	1,410,077	1,320,265	89,812
Culture and Recreation	1,500	1,500	228,770	(227,270)
Conservation of Natural Resources	65,200	65,200	9,500	55,700
Capital Outlay	-	-	63,519	(63,519)
Total Expenditures	<u>9,458,967</u>	<u>9,458,967</u>	<u>5,487,966</u>	<u>3,971,001</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,139,343)</u>	<u>(7,139,343)</u>	<u>790,199</u>	<u>(7,929,542)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	(3,495)	3,495
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,495)</u>	<u>3,495</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>\$ (7,139,343)</u>	<u>\$ (7,139,343)</u>	<u>786,704</u>	<u>\$ (7,926,047)</u>
Fund Balances - January 1			<u>19,241,967</u>	
Fund Balances - December 31			<u>\$ 20,028,671</u>	

Billings County
Budgetary Comparison Schedule – County Road and Bridge Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes/assessments	\$ -	\$ -	\$ 791,945	\$ 791,945
Licenses, Permits, Fees	60,000	60,000	134,859	74,859
Intergovernmental Revenue	2,070,000	2,070,000	13,732,547	11,662,547
Charges for Services	11,500	11,500	21,444	9,944
Reimbursements and refunds	-	-	94,908	94,908
Miscellaneous Revenue	5,000	5,000	-	(5,000)
Total Revenues	<u>2,146,500</u>	<u>2,146,500</u>	<u>14,775,703</u>	<u>12,629,203</u>
Expenditures				
Current				
Public Works	11,188,200	11,188,200	6,388,539	4,799,661
Capital Outlay	2,000,000	2,000,000	459,571	1,540,429
Total Expenditures	<u>13,188,200</u>	<u>13,188,200</u>	<u>6,848,110</u>	<u>6,340,090</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,041,700)</u>	<u>(11,041,700)</u>	<u>7,927,593</u>	<u>6,289,113</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>(12,000,000)</u>	<u>(12,000,000)</u>	<u>-</u>	<u>(12,000,000)</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>\$ (23,041,700)</u>	<u>\$ (23,041,700)</u>	<u>7,927,593</u>	<u>\$ (5,710,887)</u>
Fund Balances - January 1			<u>29,178,766</u>	
Fund Balances - December 31			<u>\$ 37,106,359</u>	



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

Board of County Commissioners
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 audit 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 year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Billings County’s basic financial statements, and have issued our report thereon dated October 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the modified cash basis 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 modified cash basis financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 2022-001, 2022-002 and 2022-003, 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 2022-004.

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 audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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Bismarck, North Dakota
October 26, 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 year ended December 31, 2022. 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 year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit 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.

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

Bismarck, North Dakota
October 26, 2023

Billings County
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2022

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Expenditures</u>
U. S. Department of Agriculture			
<u>Direct Program</u>			
School and Roads - Grant to Counties (Bankhead-Jones)	10.666	N/A	<u>\$ 6,848,110</u>
U.S. Department of Treasury			
<u>Passed through ND State Treasurer</u>			
Local and Tribal Consistency Fund (LATCF)	21.032	N/A	573,000
ARPA - HB1505	21.027	N/A	<u>118,458</u>
Total U.S. Department of Treasury			<u>691,458</u>
Total Federal Financial Assistance			<u><u>\$ 7,539,568</u></u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Billings County under programs of the federal government for the years ended December 31, 2022. 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:

<u>Name of Federal Program</u>	<u>CFDA number</u>
School and Roads - Grants to Counties	10.666
Local and Tribal Consistency Fund (LATCF)	21.032
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

**2022-001 Preparation of Financial Statement and Schedule of Federal Awards
Material Weakness**

Criteria: Proper controls over financial reporting include the ability to prepare financial statements, accompanying notes to the financial statements, and a schedule of federal expenditures that are materially correct.

Condition: The County does not have an internal control system designed to provide for the preparation of the financial statements and schedule of federal expenditures being audited. As auditors, we were requested to draft the financial statements, and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause: The County has limited staff available to prepare financial statements internally at this time.

Effect: Inadequate control over financial reporting of the County could result in more than a remote likelihood that the financial statements, accompanying notes to the financial statements, and schedule of federal expenditures are not materially correct without the assistance of the auditors.

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

Response: Since it is not cost effective for an organization of our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit-ready financial statements as part of their audit of the County.

**2022-002 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: Billings County and its component units recognize this is a serious issue; however, we do not feel it would be a wise use of our resources to employ additional staff for the sole purpose of ensuring segregation of duties. While we realize there is always a possibility, we have so far been able to rely on the integrity of our staff.

**2022-003 Restatement
Material Weakness**

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

Condition: During the year ended December 31, 2022, the County did not record the assets of a Discretely Presented Component Unit separate from Governmental Activities. This error in reporting caused a prior period adjustment in the amount of \$18,457 to beginning net position of both Governmental Activities and Component Units.

Cause: The error was caused by the county failing to identify assets of a Discretely Presented Component Unit.

Effect: The January 1, 2022 component unit and governmental net position needed to be restated by \$18,457.

Recommendation: We recommend oversight in the capital asset record keeping process to ensure all assets are properly classified.

Response: Management agrees with the finding. The County will continue to try to identify and record the assets of a Discretely Presented Component Unit separate from Governmental Activities.

State Compliance Item

**2022-004 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, 2022, Billings County has the general fund that has 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 \$2,692,000.

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 2022.

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. The County will continue to review the requirements of N.D.C.C. 11-23-02, item 9, in the future.

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, 2022
Prepared by Management of
Billings County

2021-001**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.

2021-002**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.

2020-003**Restatement
Material Weakness***Initial Fiscal Year Finding
Occurred:*

2020

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.

Status:

The County properly recorded the audit adjustment and restatement adjustment proposed by Eide Bailly LLP.

2021-003**Excess Cash Reserves
Material Noncompliance***Initial Fiscal Year Finding
Occurred:*

2021

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.

Status:

Ongoing. The County is aware of N.D.C.C. 11-23-02, item 9. The County will continue to monitor cash reserves and levies in the general fund and levied special revenue funds on a go-forward basis.

2022-001**Preparation of Financial Statement, Schedule of Federal Awards, and Restatement
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

2022-002**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

2022-003**Restatement
Material Weakness**

Finding Summary: Our auditors, Eide Bailly LLP identified misstatements in the County's financial statements for failure to record the assets of a Discretely Presented Component Unit separate from Governmental Activities. This resulted in an error to beginning net position of \$18,457.

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: 2023

2022-004 Excess Cash Reserves
Material Noncompliance

Finding Summary: For the year ended December 31, 2022, Billings County has the general fund that has 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 \$2,692,000.

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