# EDDY COUNTY
# NEW ROCKFORD, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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BradyMartz

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

### Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Eddy County as of and for the year ended December 31, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Eddy County, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Eddy County, and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

### Emphasis of Matter

As discussed in Note 1 to the financial statements, changed its method of accounting for leases in 2022 due to the adoption of GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eddy County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Eddy 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 Eddy 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.

**Required Supplementary Information**

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

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

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

In accordance with *Government Auditing Standards,* we have also issued our report dated January 15, 2024 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eddy County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eddy County's internal control over financial reporting and compliance.

Brady Martz

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

January 15, 2024

# EDDY COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2022

| | Primary Government | Component Unit |
|---|---|---|
| | Governmental Activities | Water Resource District |
| **ASSETS** | | |
| Cash and cash equivalents | $ 1,662,412 | $ 176,186 |
| Investments | 310,791 | - |
| Accounts receivable | 55,541 | - |
| Taxes receivable | 33,259 | - |
| Loans receivable | 37,732 | - |
| Capital assets: | | |
| Lease assets | 173,868 | - |
| Construction in progress | 153,673 | - |
| Infrastructure | 8,076,995 | - |
| Building | 303,017 | - |
| Equipment | 1,825,834 | - |
| Less: accumulated depreciation | (5,858,872) | - |
| Less: accumulated amortization | (117,279) | |
| Total capital assets | 4,557,236 | - |
| Total assets | 6,656,971 | 176,186 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Cost sharing defined benefit pension plan | 1,592,496 | - |
| Cost sharing defined benefit OPEB plan | 42,043 | - |
| Total deferred outflows of resources | 1,634,539 | - |
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | 47,182 | - |
| Accrued interest | 324 | - |
| Long-term liabilities: | | |
| Due within one year: | | |
| Compensated absences | 9,000 | - |
| Lease liability, current portion | 14,506 | |
| Due in more than one year: | | |
| Net pension liability | 2,296,738 | - |
| Net OPEB liability | 84,491 | - |
| Lease liability | 34,936 | |
| Compensated absences | 28,307 | - |
| Total liabilities | 2,515,484 | - |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Property taxes collected - subsequent years | 389,872 | - |
| Cost sharing defined benefit pension plan | 962,391 | - |
| Cost sharing defined benefit OPEB plan | 7,159 | - |
| Total deferred inflows of resources | 1,359,422 | - |
| **NET POSITION** | | |
| Net investment in capital assets | 4,507,794 | - |
| Restricted for: | | |
| Health and welfare | 43,350 | - |
| Highways | 429,516 | - |
| Culture and recreation | 1,105 | - |
| Special purposes | 103,018 | 176,186 |
| Unrestricted | (668,179) | - |
| Total net position | $ 4,416,604 | $ 176,186 |

See Notes to the Financial Statements

# EDDY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

| Functions/Programs | Expenses | Program Revenue: Charges for Services | Program Revenue: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government – Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Component Unit – Water Resource District |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| General government | $ 1,622,763 | $ 19,832 | $ 272,112 | $ (1,330,819) | |
| Public safety | 470,480 | 212,014 | 87,876 | (170,590) | |
| Highways | 949,103 | 184,337 | 534,459 | (230,307) | |
| Health and welfare | 69,550 | - | - | (69,550) | |
| Culture and recreation | 24,821 | - | - | (24,821) | |
| Conservation of natural resources | 88,026 | - | - | (88,026) | |
| Interest and other charges | 913 | - | - | (913) | |
| Other | 41,112 | - | - | (41,112) | |
| Total governmental activities | $ 3,266,768 | $ 416,183 | $ 894,447 | (1,956,138) | |
| Component Unit: | | | | | |
| Water Resource District | $ 70,190 | $ - | $ 145 | | $ (70,045) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes; levied for general purposes | | | | 924,710 | 1,794 |
| Property taxes; other | | | | 332,868 | - |
| State aid distribution not restricted to specific programs | | | | 724,327 | - |
| Investment earnings | | | | 9,457 | 81 |
| Miscellaneous | | | | 123,433 | - |
| Gain on sale of asset | | | | 1,500 | - |
| Total general revenues | | | | 2,116,295 | 1,875 |
| Change in net position | | | | 160,157 | (68,170) |
| Net position - beginning of year, originally stated | | | | 4,195,172 | 244,356 |
| GASB 87 implementation - see Note 1 | | | | 61,275 | - |
| Net position - beginning of year, restated | | | | 4,256,447 | 244,356 |
| Net position - end of year | | | | $ 4,416,604 | $ 176,186 |

See Notes to the Financial Statements

**EDDY COUNTY**
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2022

| | General Fund | County Road and Bridge | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 1,020,176 | $ 431,132 | $ 211,103 | $ 1,662,411 |
| Investments | 310,791 | - | - | 310,791 |
| Accounts receivable | 7,473 | 31,728 | 16,340 | 55,541 |
| Taxes receivable | 24,591 | 4,197 | 4,471 | 33,259 |
| Loans receivable | 36,000 | 1,732 | - | 37,732 |
| Total assets | $ 1,399,031 | $ 468,789 | $ 231,914 | $ 2,099,734 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | $ 5,191 | $ 13,930 | $ 28,061 | $ 47,182 |
| Total liabilities | 5,191 | 13,930 | 28,061 | 47,182 |
| Deferred Inflows of Resources | | | | |
| Property taxes collected - subsequent years | 287,549 | 47,925 | 54,395 | 389,869 |
| Property taxes collected - delinquent | 24,591 | 4,197 | 4,471 | 33,259 |
| Total deferred inflows of resources | 312,140 | 52,122 | 58,866 | 423,128 |
| Fund Balances: | | | | |
| Nonspendable - loan receivable | 36,000 | 1,732 | - | 37,732 |
| Restricted for: | | | | |
| Health and welfare | - | - | 43,096 | 43,096 |
| Highways | - | 401,005 | - | 401,005 |
| Culture and recreation | - | - | 161 | 161 |
| Special purposes | - | - | 101,730 | 101,730 |
| Unassigned | 1,045,700 | - | - | 1,045,700 |
| Total fund balances | 1,081,700 | 402,737 | 144,987 | 1,629,424 |
| Total liabilities, deferred inflows of resources and fund balances | $ 1,399,031 | $ 468,789 | $ 231,914 | $ 2,099,734 |

**EDDY COUNTY**
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

| | |
|---|---|
| Total fund balances for governmental funds | $ 1,629,424 |
| | |
| Total net position reported for government activities in the statement of net position is different because: | |
| | |
| Capital assets and leased assets used in governmental activities are not financial resources and are not reported in the governmental funds. | |
| Cost of capital assets | 10,359,519 |
| Cost of leased assets | 173,868 |
| Less accumulated depreciation | (5,858,872) |
| Less accumulated amortization | (117,279) |
| | |
| Property taxes will be collected after year end, but are not available within 60 days to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds. | 33,259 |
| | |
| Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit pension plans and OPEB plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds. | |
| Deferred outflows - pension | 1,592,496 |
| Deferred inflows - pension | (962,391) |
| Deferred outflows - OPEB | 42,043 |
| Deferred inflows - OPEB | (7,159) |
| | |
| Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest in long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities- both current and long-term- are reported in the statement of net position. | |
| Net pension liability | (2,296,738) |
| Net OPEB liability | (84,491) |
| Lease liability | (49,442) |
| Compensated absences | (37,633) |
| | |
| Total net position of governmental activities | $ 4,416,604 |

See Notes to the Financial Statements

**EDDY COUNTY**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | General Fund | County Road and Bridge | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| Revenues: | | | | |
| Property taxes | $ 917,574 | $ 152,173 | $ 181,056 | $ 1,250,803 |
| Licenses and permits | 883 | - | - | 883 |
| Intergovernmental | 589,436 | 806,511 | 715 | 1,396,662 |
| Charges for services | 230,963 | 184,337 | - | 415,300 |
| Investment earnings | 9,457 | - | - | 9,457 |
| COVID relief funding | - | 222,112 | - | 222,112 |
| Miscellaneous | 66,012 | 22,485 | 34,830 | 123,327 |
| Total revenues | 1,814,325 | 1,387,618 | 216,601 | 3,418,544 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,298,449 | - | - | 1,298,449 |
| Public safety | 389,572 | - | 64,644 | 454,216 |
| Highways | - | 684,469 | - | 684,469 |
| Health and welfare | - | - | 65,718 | 65,718 |
| Culture and recreation | 20,932 | - | 3,889 | 24,821 |
| Conservation of natural resources | - | - | 87,006 | 87,006 |
| Other | - | - | 41,112 | 41,112 |
| Debt service: | | | | |
| Principal retirement | - | 75,970 | - | 75,970 |
| Interest and other charges | - | 2,740 | - | 2,740 |
| Capital outlay | 18,226 | 270,595 | - | 288,821 |
| Total expenditures | 1,727,179 | 1,033,774 | 262,369 | 3,023,322 |
| Excess (deficiency) of revenues over expenditures | 87,146 | 353,844 | (45,768) | 395,222 |
| Other financing sources (uses) | | | | |
| Proceeds from issuance of lease | - | 38,420 | - | 38,420 |
| Sale of capital assets | 1,500 | - | - | 1,500 |
| Transfers in | 108 | - | 66,100 | 66,208 |
| Transfers out | (66,100) | - | - | (66,100) |
| Total other financing sources (uses) | (64,492) | 38,420 | 66,100 | 40,028 |
| Net change in fund balances | 22,654 | 392,264 | 20,332 | 435,250 |
| Fund balances - beginning | 1,059,046 | 10,473 | 124,655 | 1,194,174 |
| Fund balances - ending | $ 1,081,700 | $ 402,737 | $ 144,987 | $ 1,629,424 |

See Notes to the Financial Statements

**EDDY COUNTY**
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

| | | |
|---|---|---|
| Net change in Fund Balances - total governmental funds | | $ 435,250 |
| The change in net position reported for governmental activities in the statement of activities is different because: | | |
| Capital outlays are reported as expendistures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocared over their estimated useful lives as depreciation and amorization expense. In the current period, these amounts are: | | |
| Capital outlay | 288,821 | |
| Depreciation expense | (298,930) | |
| Amortization expense | (77,621) | |
| | | (87,730) |
| Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable. | | 6,776 |
| Change in net pension liability | | (1,481,847) |
| Change in net OPEB liability | | (48,846) |
| Changes in deferred outflows and inflows of resources related to the net pension liability | | 1,255,694 |
| Changes in deferred outflows and inflows of resources related to the net OPEB liability | | 44,082 |
| Lease proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. | | (38,420) |
| Governmental funds report repayment of principal on long-term liabilities as an expenditure because the repayments use current financial resources. In contrast, the repayments reduce the balance of the long-term liabilities in the Statement of Net Position. | | |
| Lease liability | | 75,970 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds: | | |
| Compensated absences | (2,291) | |
| Accrued interest | 1,519 | |
| | | (772) |
| Change in net position of governmental activities | | $ 160,157 |

**EDDY COUNTY**
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
DECEMBER 31, 2022

| | Custodial Funds |
|---|---|
| Assets: | |
| Cash and cash equivalents | $ 884,825 |
| Liabilities: | |
| Due to other governments | $ 884,825 |

See Notes to the Financial Statements

**EDDY COUNTY**
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
DECEMBER 31, 2022

| | Custodial Funds |
|---|---|
| Additions | |
| Property tax collections for other governments | $ 840,975 |
| | |
| Deductions | |
| Payments of property tax to other governments | 840,867 |
| Transfer to general fund | 108 |
| Total deductions | 840,975 |
| | |
| Net position - beginning | - |
| Net position - ending | $ - |

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Reporting Entity

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

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

### Component Unit

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

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

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

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

**Basis of Presentation**

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

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

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

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

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

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

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

The County reports the following major governmental special revenue fund:

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

Additionally, the County reports the following fund types:

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

## Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

## Change in Accounting Principles

The County implemented GASB Statement No. 87, *Leases*, in the year ended December 31, 2022. GASB Statement No. 87 establishes a single model for lease accounting based on the foundation principal that leases are financings of the right to use an underlying asset.

The adoption of GASB 87 resulted in the recognition of a right to use leased asset and lease liability of $18,508 as of January 1, 2022. A prior period adjustment was recorded to properly adjust lease assets net book value to actual as of January 1, 2022. The effect of this adjustment was a net increase in lease assets, net of accumulated amortization and increase in net position of $61,275. Results for periods prior to December 31, 2022 continue to be reported in accordance with the County's historical accounting treatment. See Notes 7 and 8 for expanded disclosures regarding the County's leases.

## Budgets

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

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

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

**Cash and Cash Equivalents**

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

**Capital Assets**

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

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

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

**Leases**

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the County has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the County is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the County uses its incremental borrowing rate based on the information available at the lease commencement date. The

County has made an accounting policy election to use a risk free rate based on US Treasury T bill rate as of the lease commencement. The County accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The County continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the County is reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The County's lease agreements do not include any material residual value guarantees or restrictive covenants.

**Compensated Absences**

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

**Unearned Revenue**

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

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

**Long-Term Obligations**

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

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

**Pensions**

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

**Other Post Employment Benefits (OPEB)**

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

**Interfund Transactions**

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

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

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

**Fund Balance Classifications**

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

> *Nonspendable* – consists of amounts that are not in spendable form, such as inventory and prepaid items, and loans receivable.
>
> *Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
>
> *Committed* – consists of internally imposed constraints. These constraints are established by the Board of County Commissioners.
>
> *Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the County's intended use. These constraints are established by the Board of County Commissioners and/or management.

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

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

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

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

**Net Position**

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

**Deferred Outflows/Inflows of Resources**

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

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

### Use of Estimates

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

## NOTE 2 CASH AND CASH EQUIVALENTS

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

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

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

At December 31, 2022, the County's bank balance totaled approximately $2,547,000. Of the bank balance, approximately $750,000 was covered by federal depository insurance. The County's remaining deposits were covered by pledged collateral under the pooling method. State statute requires the market value of collateral pledged to equal 110% of the deposits not covered by federal depository insurance.

At December 31, 2022, the Eddy County Water Resource District's (a discretely presented component unit of Eddy County) bank balance totaled approximately $176,000. The bank balance at December 31, 2022 was fully covered by Federal Depository Insurance.

### Credit Risk

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

(a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.

(b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

(c) Certificates of Deposit fully insured by the federal deposit insurance corporation.

(d) Obligations of the state.

As of December 31, 2022, the County held certificates of deposit in the amount of approximately $310,000, which is shown as an investment.

## NOTE 3 EXPENDITURES IN EXCESS OF APPROPRIATIONS

The County's following funds had expenditures that exceeded budget appropriations for the year ended December 31, 2022:

| Fund | 2022 |
|---|---|
| County Road and Bridge | $ 10,674 |

## NOTE 4 ACCOUNTS RECEIVABLE

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

## NOTE 5 TAXES RECEIVABLE

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

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

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

## NOTE 6 LOANS RECEIVABLE

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

| Receivable Fund | Loaned to | Balance at 12/31/22 |
|---|---|---|
| County Road & Bridge | Hillsdale Township | $ 1,732 |
| General | Lake Washington Township | 36,000 |
| | Total Loans Receivable | $ 37,732 |

This Hillsdale Township loan will be repaid in annual installments of $2,000. The Lake Washington Township will be repaid in annual installments of $3,000.

## NOTE 7 CAPITAL ASSETS

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

| | Balance 1/1/2022 | Additions | Deletions | Balance 12/31/2022 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital assets not being depreciated | | | | |
| Construction in Progress | $ 88,303 | $ 153,673 | $ 88,303 | $ 153,673 |
| Capital assets being depreciated/amortized | | | | |
| Infrastructure | 8,076,995 | - | - | 8,076,995 |
| Buildings | 214,714 | 88,303 | - | 303,017 |
| Equipment | 1,737,904 | 87,930 | - | 1,825,834 |
| Leased equipment | 108,142 | 47,218 | - | 155,360 |
| Leased land | 4,816 | - | - | 4,816 |
| Leased building | 13,692 | - | - | 13,692 |
| Total capital assets being depreciated/amortized | 10,156,263 | 223,451 | - | 10,379,714 |
| Less accumulated depreciation/amortization | | | | |
| Infrastructure | 4,988,448 | 81,302 | - | 5,069,750 |
| Buildings | 115,494 | 9,954 | - | 125,448 |
| Equipment | 495,657 | 168,017 | - | 663,674 |
| Leased equipment | 39,658 | 70,058 | - | 109,716 |
| Leased land | - | 1,014 | - | 1,014 |
| Leased building | - | 6,549 | - | 6,549 |
| Total accumulated depreciation/amortization | 5,639,257 | 336,894 | - | 5,976,151 |
| Net capital assets being depreciated | 4,517,006 | (113,443) | - | 4,403,563 |
| Net capital assets for governmental activities | $ 4,605,309 | 40,230 | 88,303 | $ 4,557,236 |

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

| | |
|---|---|
| Governmental Activities: | |
| Public safety | $ 16,308 |
| Highway | 224,717 |
| General | 14,415 |
| Health and welfare | 3,833 |
| Total | $ 259,273 |

Following is the total lease expense for the year ended December 31, 2022:

| | |
|---|---|
| Amortization expense by class of underlying asset | |
| Equipment | $ 70,058 |
| Land | 1,014 |
| Building | 6,549 |
| Total amortization expense | 77,621 |
| Interest on lease liabilities | 438 |
| Total | $ 78,059 |

## NOTE 8 LEASE LIABILITIES

The County leases equipment, building space and land. The terms of the leases range from 24 – 61 months, commencing on January 1, 2022 and terminating at various dates within 2023 - 2027, with annual rent payments ranging from $600 - $8,798, and monthly payments of $500.

Following is a schedule of activity the lease liability for the year ended December 31, 2022:

| | Beginning of Year | Additions | Subtractions | End of Year | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Lease liabilities | $ 86,992 | $ 38,420 | $ (75,970) | $ 49,442 | $ 14,506 |

Following is a schedule by years of future minimum rental payments required under the leases:

| For the year ending December | Principal | Interest | Total Payments |
|---|---|---|---|
| 2023 | $ 14,506 | $ 1,892 | $ 16,398 |
| 2024 | 8,878 | 1,520 | 10,398 |
| 2025 | 8,641 | 1,157 | 9,798 |
| 2026 | 9,014 | 784 | 9,798 |
| 2027 | 8,404 | 394 | 8,798 |
| Total | $ 49,442 | $ 5,746 | $ 55,188 |

## NOTE 9 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued payroll consist of amounts on open account for goods and services received prior to December 31, 2022 and wages for services provided in 2022 that are chargeable to appropriations for the year ended December 31, 2022, but paid for subsequent to that date.

## NOTE 10 PENSION PLAN

### NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM (MAIN SYSTEM)

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

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

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

### Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is to set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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. Employer contribution rates increased by 1% beginning January 1, 2024.

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, 2022, the County reported a liability of $2,296,738 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the County's proportion was 0.079746 percent which was an increase of 0.001564 from its proportion measured as of June 30, 1899.

For the year ended December 31, 2022, the County recognized pension expense of $295,606. At December 31, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 11,981 | $ (43,872) |
| Changes of assumptions | 1,373,483 | (851,483) |
| Net difference between projected and actual earnings on pension plan investments | 84,060 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 88,402 | (67,036) |
| Employer contributions subsequent to the measurement date | 34,570 | - |
| Total | $ 1,592,496 | $ (962,391) |

$34,570 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

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

| **Year ended December 31:** | | |
|---|---|---|
| 2023 | $ | 149,743 |
| 2024 | | 197,670 |
| 2025 | | 32,321 |
| 2026 | | 215,800 |

**Actuarial Assumptions**

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.25% |
| Salary Increases | 3.5% to 17.75% including inflation |
| Investment rate of return | 5.10%, 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% | 5.75% |
| International Equity | 21% | 6.45% |
| Private Equity | 7% | 9.20% |
| Domestic Fixed Income | 23% | 0.34% |
| Global Real Assets | 19% | 4.35% |

**Discount Rate**

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

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).
For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

**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 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

| | 1% Decrease 4.10% | Current Discount Rate 5.10% | 1% Increase 6.10% |
|---|---|---|---|
| Employer's proportionate share of the net pension liability | $ 3,031,536 | $ 2,296,738 | $ 1,693,494 |

**Pension Plan Fiduciary Net Position**

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

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS**

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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, 2022, the County reported a liability of $84,491 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on the County's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the County's proportion was 0.070391 percent which was an increase of 0.006302 from its proportion measured as of June 30, 1899.

For the year ended December 31, 2022, the County recognized OPEB expense of $12,922. At December 31, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 2,003 | $ (727) |
| Changes of assumptions | 21,282 | - |
| Net difference between projected and actual earnings on OPEB plan investments | 11,376 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,440 | (6,432) |
| Employer contributions subsequent to the measurement date | 3,941 | - |
| Total | $ 42,043 | $ (7,159) |

$3,941 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2023.

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

| Year ended December 31: | |
|---|---|
| 2023 | $ 7,717 |
| 2024 | 7,122 |
| 2025 | 6,171 |
| 2026 | 9,933 |

### Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.25% |
| Salary increases | Not applicable |
| Investment rate of return | 5.75%, net of investment expenses |
| Cost-of-living adjustments | None |

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 July 1, 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Broad US Equities | 39% | 5.75% |
| International Equities | 26% | 6.00% |
| Core-Plus Fixed Income | 35% | 0.22% |

### Discount Rate

The discount rate used to measure the total OPEB liability was 5.39%. 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, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

| | 1% Decrease 4.39% | Current Discount Rate 5.39% | 1% Increase 6.39% |
|---|---|---|---|
| Employer's proportionate share of the net OPEB liability | $ 107,848 | $ 84,491 | $ 64,884 |

### OPEB plan fiduciary net position

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

## NOTE 12 RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. All members joined to help capitalize the NDIRF. pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

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

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

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

## NOTE 13 JOINT VENTURES

### Lake Region Law Enforcement Center

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

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

### Lake Region District Health Unit

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

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

### Public Library

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

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

### North Central Planning Council

Under the authorization of state statutes, Eddy County joined the North Central Planning Council. The Council was established to better coordinate and facilitate the provision of economic and social opportunities to residents within the County by assisting in planning for orderly development, improvement and conservation of the planning district, its people and resources. The County gives half mill each year to the Council.

Complete financial information can be obtained from North Central Planning Council, 417 5th Street North East, Devils Lake, ND 58301.

**Lake Washington Township**

Under authorization of state statutes, Eddy County joined Lake Washington Township to loan the Township $45,000 at 0% interest for roadwork necessary to improve the roads located in the Township to make them legal and passible roads for residents and emergency access. The loan is due in annual principal installments of $3,000 beginning June 2021 through June 2035. See Note 5 for disclosure of the loan receivable.

Complete financial information can be obtained from Lake Washington Township, 8761 Eddy County 8, McHenry, ND 58464.

## NOTE 14 TRANSFERS

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

| | General Fund | Veterans Service | Other Governmental Funds | Custodial | Total |
|---|---|---|---|---|---|
| Transfer In | $ 108 | $ 15,000 | $ 51,100 | $ - | $ 66,208 |
| Transfer Out | (66,100) | - | - | (108) | (66,208) |
| | $ (65,992) | $ 15,000 | $ 51,100 | $ (108) | $ - |

## NOTE 15 NEW ACCOUNTING PRONOUNCEMENTS

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

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

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

## NOTE 16 SUBSEQUENT EVENTS

No additional significant events occurred subsequent to the County's year-end. Subsequent events were evaluated through January 15, 2024, which is the date these financial statements were available to be issued.

# REQUIRED SUPPLEMENTARY INFORMATION

**EDDY COUNTY**
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Original Budget Amounts | Final Budget Amounts | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property taxes | $ 960,759 | $ 960,759 | $ 917,574 | $ (43,185) |
| Licenses and permits | 843 | 843 | 883 | 40 |
| Intergovernmental | 594,461 | 594,461 | 589,436 | (5,025) |
| Charges for services | 207,821 | 207,821 | 230,963 | 23,142 |
| Investment earnings | 10,000 | 10,000 | 9,457 | (543) |
| Miscellaneous | 258,600 | 258,600 | 66,012 | (192,588) |
| Total revenues | 2,032,484 | 2,032,484 | 1,814,325 | (218,159) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | 1,488,304 | 1,503,078 | 1,298,449 | 204,629 |
| Public safety | 464,892 | 464,892 | 389,572 | 75,320 |
| Culture and recreation | 15,000 | 20,950 | 20,932 | 18 |
| Capital outlay | - | - | 18,226 | (18,226) |
| Total expenditures | 1,968,196 | 1,988,920 | 1,727,179 | 261,741 |
| Excess (deficiency) of revenues over expenditures | 64,288 | 43,564 | 87,146 | 43,582 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Sale of capital assets | 10,000 | 10,000 | 1,500 | (8,500) |
| Transfers in | - | - | 108 | 108 |
| Transfers out | - | - | (66,100) | (66,100) |
| Total other financing sources and uses | 10,000 | 10,000 | (64,492) | (74,492) |
| Net change in fund balances | 74,288 | 53,564 | 22,654 | |
| Fund balances - beginning | 1,059,046 | 1,059,046 | 1,059,046 | |
| Fund balances - ending | $ 1,133,334 | $ 1,112,610 | $ 1,081,700 | |

See Notes to the Required Supplementary Information

**EDDY COUNTY**
BUDGETARY COMPARISON SCHEDULE – COUNTY ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Original/Final Budget Amounts | Actual Amounts | Variance with Final Budget |
|---|---|---|---|
| **REVENUES** | | | |
| Property taxes | $ 159,843 | $ 152,173 | $ (7,670) |
| Intergovernmental | 274,483 | 806,511 | 532,028 |
| Charges for services | 132,000 | 184,337 | 52,337 |
| COVID relief funding | - | 222,112 | 222,112 |
| Miscellaneous | 15,000 | 22,485 | 7,485 |
| Total revenues | 581,326 | 1,387,618 | 806,292 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Highways and roads | 1,023,100 | 684,469 | 338,631 |
| Debt service: | | | |
| Principal | - | 75,970 | (75,970) |
| Interest and other charges | - | 2,740 | (2,740) |
| Capital outlay | - | 270,595 | (270,595) |
| Total expenditures | 1,023,100 | 1,033,774 | (10,674) |
| Excess (deficiency) of revenues over expenditures | (441,774) | 353,844 | 795,618 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Proceeds from issuance of lease | - | 38,420 | 38,420 |
| Total other financing sources and uses | - | 38,420 | 38,420 |
| Net change in fund balances | (441,774) | 392,264 | |
| Fund balances - beginning | 10,473 | 10,473 | |
| Fund balances - ending | $ (431,301) | $ 402,737 | |

See Notes to the Required Supplementary Information

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

| | Employer's proportion of the net pension liability (asset) | Employer's proportionate share of the net pension liability (asset) | Employer's covered-employee payroll | Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---|---|---|---|---|---|
| 2022 | 0.07975% | $ 2,296,738 | $ 925,721 | 248.10% | 54.47% |
| 2021 | 0.07818% | 814,891 | 859,345 | 94.83% | 78.26% |
| 2020 | 0.07189% | 2,261,612 | 793,014 | 285.19% | 48.91% |
| 2019 | 0.07872% | 922,597 | 818,775 | 112.68% | 71.66% |
| 2018 | 0.09121% | 1,539,234 | 936,993 | 164.27% | 62.80% |
| 2017 | 0.08809% | 1,415,815 | 899,207 | 157.45% | 61.98% |
| 2016 | 0.08574% | 835,630 | 864,069 | 96.71% | 70.46% |
| 2015 | 0.08318% | 565,630 | 741,056 | 76.33% | 77.15% |

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

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

| | Employer's proportion of the net OPEB liability (asset) | Employer's proportionate share of the net OPEB liability (asset) | Employer's covered-employee payroll | Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|---|---|---|---|---|---|
| 2022 | 0.070391% | $ 84,491 | $ 726,720 | 11.63% | 56.28% |
| 2021 | 0.064089% | 35,645 | 698,740 | 5.10% | 76.63% |
| 2020 | 0.064912% | 54,604 | 739,976 | 7.38% | 63.38% |
| 2019 | 0.073376% | 58,935 | 818,775 | 7.20% | 63.13% |
| 2018 | 0.085631% | 67,440 | 936,993 | 7.20% | 59.78% |

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

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

| | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered-employee payroll | Contributions as a percentage of covered-employee payroll |
|---|---|---|---|---|---|
| 2022 | $ 69,452 | $ (69,452) | $ - | $ 939,586 | 7.39% |
| 2021 | 66,685 | (66,685) | - | 907,687 | 7.35% |
| 2020 | 61,805 | (61,805) | - | 859,345 | 7.19% |
| 2019 | 58,714 | (58,714) | - | 824,628 | 7.12% |
| 2018 | 68,896 | (68,896) | - | 967,646 | 7.12% |
| 2017 | 67,962 | (67,962) | - | 954,525 | 7.12% |
| 2016 | 62,945 | (62,945) | - | 884,065 | 7.12% |
| 2015 | 57,926 | (57,926) | - | 813,574 | 7.12% |

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

**EDDY COUNTY**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered-employee payroll | Contributions as a percentage of covered-employee payroll |
|---|---|---|---|---|---|
| 2022 | $ 8,158 | $ (8,158) | $ - | $ 939,586 | 0.87% |
| 2021 | 8,290 | (8,290) | - | 727,193 | 1.14% |
| 2020 | 9,152 | (9,152) | - | 859,345 | 1.06% |
| 2019 | 9,401 | (9,401) | - | 824,628 | 1.14% |
| 2018 | 11,031 | (11,031) | - | 967,464 | 1.14% |

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

## NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The county commission adopts an "appropriated budget" on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- The county auditor prepares an annual budget for the general fund and each special revenue fund of the county. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.
- The county commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The board of county commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the county auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

## NOTE 2 CHANGE OF BENEFIT TERMS AND ASSUMPTIONS

### NDPERS Pension Plan

***Changes of Benefit Terms***

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (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, 2020.

### *Changes of Assumptions*

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

## NDPERS OPEB

### *Changes of Benefit Terms*

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

### *Changes of Assumptions*

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

BradyMartz

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Eddy County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Eddy County's basic financial statements and have issued our report thereon dated January 15, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Eddy County's internal control over financial reporting (internal control) 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 our opinions on the effectiveness of Eddy County's internal control. Accordingly, we do not express an opinion on the effectiveness of Eddy County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings 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 Eddy County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**Eddy County's Response to Findings**

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

**Purpose of This Report**

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

Brady Martz

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

January 15, 2024

**2022-001** ***Preparation of Financial Statements***

Criteria: An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition: The County's personnel prepare periodic financial information for internal use that meets the needs of management and the County Commissioners. However, the County currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The County has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause: The County elected to not allocate resources for the preparation of the financial statements.

Effect: There is an increased risk of material misstatement to the County's financial statements.

Recommendation: We recommend the County consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of responsible officials and planned corrective action:

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

**2022-002** ***Adjusting Journal Entries***

Criteria: The County is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America.

Condition: During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Views of responsible officials and planned corrective action:

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

**2022-003 Segregation of Duties**

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

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

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

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

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

Views of responsible officials and planned corrective action:

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