



Financial Statements
December 31, 2022 and 2021

McLean County, North Dakota

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December 31, 2022

Steve Lee
Steve Cottingham
Barry Suydam
Beth A Knutson
Heidi J Anderson
Jerry "J.R." Kerzmann
Ladd Erickson

Commissioner – Chairperson
Commissioner – Vice Chairperson
Commissioner
Auditor
Recorder
Sheriff
State's Attorney

December 31, 2021

Barry Suydam
Steve Lee
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Commissioner – Chairperson
Commissioner – Vice Chairperson
Commissioner
Auditor
Recorder
Sheriff
State's Attorney



Independent Auditor's Report

Board of County Commissioners
McLean County
Washburn, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of McLean County, North Dakota (the County) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of McLean County, North Dakota as of December 31, 2022 and 2021, and the respective changes in modified cash basis financial position thereof for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinions

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

Emphasis of Matter - Change of Accounting Method

As discussed in Note 10 to the financial statements, the County has elected to use the modified cash basis of accounting effective January 1, 2021. Accordingly, a restatement has been made to the net position of the governmental activities and component unit and fund balance of the general fund, county road and bridge fund, unorganized township road fund, and nonmajor governmental funds as of January 1, 2021, to remove items not reported under the modified cash basis of accounting. Our opinions are not modified with respect to this matter.

Emphasis of Matter - Correction of Errors

As discussed in Note 10 to the financial statements, the following are correction of errors noted in the financial statements.

The County has identified a discretely presented unit that was reported as a nonmajor governmental fund in the financial statements as of December 31, 2020. Accordingly, a restatement has been made to the fund balance of the nonmajor governmental funds and the net position of the governmental activities and discretely presented component unit as of January 1, 2021, to correct this error. Our opinions are not modified with respect to this matter.

The County did not previously record infrastructure and the related accumulated depreciation in the financial statements. A restatement has been made to the net position of the governmental activities as of January 1, 2021, to correct this error. Our opinions are not modified with respect to this matter.

The County included a fund in both the agency funds and the aggregate remaining. The duplicate portion was removed from agency cash as of January 1, 2021, to correct this error. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to 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 the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2024, on our consideration of McLean County, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McLean County, North Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McLean County, North Dakota's internal control over financial reporting and compliance.

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

Bismarck, North Dakota
September 19, 2024

McLean County, North Dakota
Statement of Net Position – Modified Cash Basis - 2022
December 31, 2022

	Primary Government <u>Governmental Activities</u>	<u>Component Unit</u>
Assets		
Cash and cash equivalents	\$ 10,206,366	\$ 241,249
Capital assets not being depreciated		
Construction in progress	933,090	-
Capital assets (net of accumulated depreciation)		
Buildings	7,427,563	-
Equipment	842,946	-
Infrastructure	20,336,255	-
Vehicles	488,734	-
Total capital assets, net	<u>30,028,588</u>	<u>-</u>
Total assets	<u><u>\$ 40,234,954</u></u>	<u><u>\$ 241,249</u></u>
Liabilities		
Long-term liabilities		
Due within one year		
Loan payable	\$ 424,997	\$ -
Due after one year		
Loan payable	<u>2,889,379</u>	<u>-</u>
Total liabilities	<u><u>\$ 3,314,376</u></u>	<u><u>\$ -</u></u>
Net Position		
Net investment in capital assets	\$ 26,714,212	\$ -
Restricted for		
General government	6,162,094	-
Highways and bridges	725,357	-
Public safety	230,283	-
Flood repair	-	-
Health and welfare	224,682	-
Conservation of natural resources	132,014	241,249
Emergency	-	-
Unrestricted	<u>2,731,936</u>	<u>-</u>
Total net position	<u><u>\$ 36,920,578</u></u>	<u><u>\$ 241,249</u></u>

McLean County, North Dakota
Statement of Activities – Modified Cash Basis -2022
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Grants and Contributions	Governmental Activities	Component Unit
Primary government					
Governmental activities					
General government	\$ 4,716,797	\$ 1,627,564	\$ 3,494,419	\$ 405,186	\$ -
Public safety	3,809,932	-	-	(3,809,932)	-
Highways and bridges	5,375,885	44,313	-	(5,331,572)	-
Culture and recreation	192,901	-	-	(192,901)	-
Conservation of natural resources	149,315	-	-	(149,315)	-
Interest and fees	127,903	-	-	(127,903)	-
Total primary government	<u>\$ 14,372,733</u>	<u>\$ 1,671,877</u>	<u>\$ 3,494,419</u>	<u>(9,206,437)</u>	<u>-</u>
Component unit					
Water Resource Board	113,087	\$ -	\$ -	-	(113,087)
Total component units	<u>\$ 113,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(113,087)</u>
General revenues					
Property Taxes				6,703,537	141,494
Unrestricted state grants/aid				4,331,413	-
Miscellaneous revenue				1,213,520	1,125
Loss on disposal of capital assets				(10,110)	-
Total general revenues				<u>12,238,360</u>	<u>142,619</u>
Change in net position				3,031,923	29,532
Net position - January 1				<u>33,888,655</u>	<u>211,717</u>
Net position - December 31				<u>\$ 36,920,578</u>	<u>\$ 241,249</u>

McLean County, North Dakota
Balance Sheet – Governmental Funds – Modified Cash Basis - 2022
December 31, 2022

	General	County Road	HB 1505	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	<u>\$ 3,160,366</u>	<u>\$ 484,523</u>	<u>\$ 2,167,218</u>	<u>\$ 1,824,146</u>	<u>\$ 2,570,113</u>	<u>\$ 10,206,366</u>
Total assets	<u><u>\$ 3,160,366</u></u>	<u><u>\$ 484,523</u></u>	<u><u>\$ 2,167,218</u></u>	<u><u>\$ 1,824,146</u></u>	<u><u>\$ 2,570,113</u></u>	<u><u>\$ 10,206,366</u></u>
Fund Balances						
Restricted for						
General government	\$ -	\$ -	\$ 2,167,218	\$ 1,824,146	\$ 2,170,730	\$ 6,162,094
Highways and bridges	-	484,523	-	-	240,834	725,357
Public safety	-	-	-	-	230,283	230,283
Health and welfare	-	-	-	-	224,682	224,682
Conservation of natural resources	-	-	-	-	132,014	132,014
Unassigned	<u>3,160,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(428,430)</u>	<u>2,731,936</u>
Total fund balances	<u><u>\$ 3,160,366</u></u>	<u><u>\$ 484,523</u></u>	<u><u>\$ 2,167,218</u></u>	<u><u>\$ 1,824,146</u></u>	<u><u>\$ 2,570,113</u></u>	<u><u>\$ 10,206,366</u></u>
Total liabilities and fund balances	<u><u>\$ 3,160,366</u></u>	<u><u>\$ 484,523</u></u>	<u><u>\$ 2,167,218</u></u>	<u><u>\$ 1,824,146</u></u>	<u><u>\$ 2,570,113</u></u>	<u><u>\$ 10,206,366</u></u>

McLean County, North Dakota

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Funds – Modified Cash Basis - 2022 December 31, 2022

Total fund balances for governmental funds		\$ 10,206,366
Total net position reported for government activities in the statement of net position is different because		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	\$ 45,822,804	
Less accumulated depreciation	<u>(15,794,216)</u>	
Net capital assets		30,028,588
Long-term liabilities to the County's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		<u>(3,314,376)</u>
Total net position of governmental activities		<u>\$ 36,920,578</u>

McLean County, North Dakota

Statements of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – Modified Cash

Basis - 2022

Year Ended December 31, 2022

	General	County Road	HB 1505	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 3,862,155	\$ 813,952	\$ -	\$ -	\$ 2,027,430	\$ 6,703,537
Intergovernmental	2,969,173	1,270,507	2,167,218	917,776	501,158	7,825,832
Licenses, permits and fees	71,820	-	-	-	-	71,820
Charges for services	1,182,244	44,313	-	-	-	1,226,557
Fines and forfeits	-	-	-	-	373,500	373,500
Miscellaneous	909,986	-	-	-	303,534	1,213,520
Total revenues	8,995,378	2,128,772	2,167,218	917,776	3,205,622	17,414,766
Expenditures						
Current						
General government	4,114,124	-	-	-	433,513	4,547,637
Public safety	3,227,932	-	-	-	449,325	3,677,257
Highways	-	2,508,737	-	-	1,215,202	3,723,939
Health and welfare	-	-	-	-	192,901	192,901
Conservation	-	-	-	-	149,315	149,315
Capital outlay	398,002	933,090	-	-	-	1,331,092
Debt service principal	370,849	-	-	-	40,000	410,849
Debt service interest	127,178	-	-	-	725	127,903
Total expenditures	8,238,085	3,441,827	-	-	2,480,981	14,160,893
Excess (Deficiency) of Revenues over (under) Expenditures	757,293	(1,313,055)	2,167,218	917,776	724,641	3,253,873
Other Financing Sources (Uses)						
Transfers in	172	2,548,516	-	-	186,944	2,735,632
Transfers out	(927,123)	-	-	-	(1,808,509)	(2,735,632)
Total Other Financing Sources (Uses)	(926,951)	2,548,516	-	-	(1,621,565)	-
Net Change in Fund Balances	(169,658)	1,235,461	2,167,218	917,776	(896,924)	3,253,873
Fund Balance - January 1	3,330,024	(750,938)	-	906,370	3,467,037	6,952,493
Fund Balance - December 31	\$ 3,160,366	\$ 484,523	\$ 2,167,218	\$ 1,824,146	\$ 2,570,113	\$ 10,206,366

McLean County, North Dakota

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

Net change in fund balance - total governmental funds		\$ 3,253,873
The change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year		
Current year capital outlay	\$ 1,331,092	
Current year depreciation expense	(1,953,781)	
Loss on disposal of capital assets	<u>(10,110)</u>	(632,799)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of debt		<u>410,849</u>
Change in net position of governmental activities		<u><u>\$ 3,031,923</u></u>

McLean County, North Dakota
Statement of Net Position – Modified Cash Basis - 2021
December 31, 2021

	Primary Government <u>Governmental Activities</u>	<u>Component Unit</u>
Assets		
Cash and cash equivalents	\$ 6,952,493	\$ 211,717
Capital assets (net of accumulated depreciation)		
Buildings	7,547,133	-
Machinery and Equipment	844,496	-
Infrastructure	21,839,432	-
Vehicles	430,326	-
Total capital assets, net	<u>30,661,387</u>	<u>-</u>
Total assets	<u>\$ 37,613,880</u>	<u>\$ 211,717</u>
Liabilities		
Long-term liabilities		
Due within one year		
Loan payable	\$ 410,849	\$ -
Due after one year		
Loan payable	<u>3,314,376</u>	<u>-</u>
Total liabilities	<u>\$ 3,725,225</u>	<u>\$ -</u>
Net Position		
Net investment in capital assets	\$ 26,936,162	\$ -
Restricted for		
General government	1,214,262	-
Highways and bridges	1,162,531	-
Public safety	239,301	-
Health and welfare	219,466	-
Conservation of natural resources	164,506	211,717
Emergency	2,704,264	-
Unrestricted	<u>1,248,163</u>	<u>-</u>
Total net position	<u>\$ 33,888,655</u>	<u>\$ 211,717</u>

McLean County, North Dakota
Statement of Activities – Modified Cash Basis - 2021
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Grants and Contributions	Governmental Activities	Component Unit
Primary government					
Governmental activities					
General government	\$ 4,908,820	\$ 1,969,706	\$ 1,330,506	\$ (1,608,608)	\$ -
Public safety	3,086,216	-	-	(3,086,216)	-
Highways and bridges	4,711,576	44,045	-	(4,667,531)	-
Culture and recreation	49,095	-	-	(49,095)	-
Conservation of natural resources	149,017	-	-	(149,017)	-
Interest and fees	141,776	-	-	(141,776)	-
Total primary government	<u>\$ 13,046,500</u>	<u>\$ 2,013,751</u>	<u>\$ 1,330,506</u>	<u>(9,702,243)</u>	<u>-</u>
Component unit					
Water Resource Board	105,767	-	-	-	(105,767)
Total component units	<u>\$ 105,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(105,767)</u>
General revenues					
Property Taxes				6,453,698	164,565
Unrestricted state grants/aid				4,385,154	1,279
Miscellaneous revenue				970,249	7,297
Total general revenues				<u>11,809,101</u>	<u>173,141</u>
Change in net position				2,106,858	67,374
Net position - January 1, as restated (Note 9)				<u>31,781,797</u>	<u>144,343</u>
Net position - December 31				<u>\$ 33,888,655</u>	<u>\$ 211,717</u>

McLean County, North Dakota
Balance Sheet – Governmental Funds – Modified Cash Basis - 2021
December 31, 2021

	General	County Road	Emergency	Unorganized Township Road	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 2,579,086	\$ -	\$ 750,539	\$ 1,047,355	\$ 906,370	\$ 1,669,143	\$ 6,952,493
Due from other funds	750,938	-	-	-	-	-	750,938
Total assets	<u>\$ 3,330,024</u>	<u>\$ -</u>	<u>\$ 750,539</u>	<u>\$ 1,047,355</u>	<u>\$ 906,370</u>	<u>\$ 1,669,143</u>	<u>\$ 7,703,431</u>
Liabilities							
Due to other funds	<u>\$ -</u>	<u>\$ 750,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750,938</u>
Fund Balances							
Restricted for							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,214,262	\$ 1,214,262
Highways and bridges	-	-	-	-	-	1,162,531	1,162,531
Public safety	-	-	-	-	-	239,301	239,301
Health and welfare	-	-	-	-	-	219,466	219,466
Conservation of natural resources	-	-	-	-	-	164,506	164,506
Emergency	-	-	750,539	1,047,355	906,370	-	2,704,264
Unassigned	<u>3,330,024</u>	<u>(750,938)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,330,923)</u>	<u>1,248,163</u>
Total fund balances	<u>\$ 3,330,024</u>	<u>\$ (750,938)</u>	<u>\$ 750,539</u>	<u>\$ 1,047,355</u>	<u>\$ 906,370</u>	<u>\$ 1,669,143</u>	<u>\$ 6,952,493</u>
Total liabilities and fund balances	<u>\$ 3,330,024</u>	<u>\$ -</u>	<u>\$ 750,539</u>	<u>\$ 1,047,355</u>	<u>\$ 906,370</u>	<u>\$ 1,669,143</u>	<u>\$ 7,703,431</u>

McLean County, North Dakota

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Funds –
Modified Cash Basis - 2021
December 31, 2021

Total fund balances for governmental funds		\$ 6,952,493
Total net position reported for government activities in the statement of net position is different because		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	\$ 44,548,949	
Less accumulated depreciation	<u>(13,887,562)</u>	
Net capital assets		30,661,387
Long-term liabilities to the County's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Bonds payable		<u>(3,725,225)</u>
Total net position of governmental activities		<u>\$ 33,888,655</u>

McLean County, North Dakota

Statements of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – Modified Cash Basis - 2021
Year Ended December 31, 2021

	General	County Road	Emergency	Unorganized Township Road	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 3,791,292	\$ 777,303	\$ 11,397	\$ 469,196	\$ -	\$ 1,404,510	\$ 6,453,698
Intergovernmental	2,918,507	1,326,785	-	438,126	917,776	114,466	5,715,660
Licenses, permits and fees	52,263	-	-	-	-	-	52,263
Charges for services	1,515,444	44,045	-	-	-	-	1,559,489
Fines and forfeits	-	-	-	-	-	401,999	401,999
Miscellaneous	756,851	-	-	-	-	213,398	970,249
Total revenues	<u>9,034,357</u>	<u>2,148,133</u>	<u>11,397</u>	<u>907,322</u>	<u>917,776</u>	<u>2,134,373</u>	<u>15,153,358</u>
Expenditures							
Current							
General government	4,140,513	-	-	-	-	638,540	4,779,053
Public safety	2,442,371	-	-	55	11,406	493,925	2,947,757
Highways	-	1,941,531	-	-	-	1,103,811	3,045,342
Culture and recreation	-	-	-	-	-	49,095	49,095
Conservation	-	-	-	-	-	149,017	149,017
Capital outlay	670,395	1,011,640	-	-	-	-	1,682,035
Debt service principal	357,220	-	-	-	-	40,000	397,220
Debt service interest	140,766	-	-	-	-	1,010	141,776
Total expenditures	<u>7,751,265</u>	<u>2,953,171</u>	<u>-</u>	<u>55</u>	<u>11,406</u>	<u>2,475,398</u>	<u>13,191,295</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,283,092</u>	<u>(805,038)</u>	<u>11,397</u>	<u>907,267</u>	<u>906,370</u>	<u>(341,025)</u>	<u>1,962,063</u>
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	159,878	159,878
Transfers out	(159,878)	-	-	-	-	-	(159,878)
Total Other Financing Sources (Uses)	<u>(159,878)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,878</u>	<u>-</u>
Net Change in Fund Balances	1,123,214	(805,038)	11,397	907,267	906,370	(181,147)	1,962,063
Fund Balance - January 1, as Restated (Note 9)	2,206,810	54,100	739,142	140,088	-	1,850,290	4,990,430
Fund Balance - December 31	<u>\$ 3,330,024</u>	<u>\$ (750,938)</u>	<u>\$ 750,539</u>	<u>\$ 1,047,355</u>	<u>\$ 906,370</u>	<u>\$ 1,669,143</u>	<u>\$ 6,952,493</u>

McLean County, North Dakota

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

Net change in fund balance - total governmental funds		\$ 1,962,063
The change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year		
Current year capital outlay	\$ 1,682,035	
Current year depreciation expense	<u>(1,970,991)</u>	(288,956)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is an increase to net position		
		36,531
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of debt		<u>397,220</u>
Change in net position of governmental activities		<u>\$ 2,106,858</u>

McLean County, North Dakota
Statements of Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	<u>\$ 3,267,853</u>	<u>\$ 4,163,772</u>
Net Position		
Restricted	<u>\$ 3,267,853</u>	<u>\$ 4,163,772</u>

McLean County, North Dakota

Statements of Changes in Fiduciary Net Position – Fiduciary Funds – Modified Cash Basis

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Additions		
Tax collections for other governments	\$ 12,951,593	\$ 12,947,467
Grant collection for other governments	737,244	727,259
Miscellaneous collections	<u>1,652,953</u>	<u>1,701,810</u>
Total revenues	<u>15,341,790</u>	<u>15,376,536</u>
Deductions		
Disbursements to other governments	<u>16,237,709</u>	<u>15,817,706</u>
Change in net position	(895,919)	(441,170)
Net position, beginning, as restated	<u>4,163,772</u>	<u>4,604,942</u>
Net position, ending	<u><u>\$ 3,267,853</u></u>	<u><u>\$ 4,163,772</u></u>

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Component Unit

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

Discretely Presented Component Unit – The component unit column in the government wide financial statements include the financial data of the County's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the County.

Water Resource Board ("Water Resource Board") - The County's governing board appoints a voting majority of the members of the Water Resource Board members. The County has the authority to approve or modify the Water Resource Board's operational and capital budgets. The County also must approve the tax levy established by the Water Resource Board.

Government-Wide and Fund Financial Statements

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

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

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

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

The County reports the following major governmental funds:

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

County Road – This fund accounts for financial resources that exist for maintaining and improving the county's roads and bridges. The major sources of revenues are a restricted tax levy and charges for services provided to cities and townships for road maintenance.

HB 1505 – This fund accounts for the State of North Dakota's allocation of State and Local Fiscal Recovery Funds (SLFRF) to counties and the related expenditures.

ARPA – This fund accounts for the American Rescue Plan Act (ARPA) federal grant awarded to the County and the related expenditures.

Emergency – This fund accounts for financial resources that exist for providing emergency services. The major source of revenue is a restricted tax levy.

Unorganized Township Road – This fund accounts for financial resources that exist for maintaining and improving roads and bridges in unorganized townships within the county. The major source of revenue is a restricted tax levy.

Additionally, the County reports the following fiduciary fund type:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

Fund Balance Classifications**Government-wide Statements**

Fund balance is classified as net position and is displayed in three components:

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

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

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

Fund Balance Classification Policies and Procedures

The County classifies governmental fund balances as follows:

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

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

Cash and Cash Equivalents

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

Legal Compliance – Budgets

The County commission adopts an “appropriated budget” on the modified cash basis of accounting. The County auditor prepares an annual budget for the General Fund and each special revenue fund of the County. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them. The current budget, except for property taxes, may be amended throughout the year for revenues or appropriations anticipated when the budget was prepared. NDCC 57-15-31.1. Each budget is controlled by the County auditor at the revenue and expenditure function/object level. All appropriations lapse at year-end. When expenditures are in excess of appropriations, the County will fund these items through revenues in excess of budget, cash reserves of the fund, or from a cash transfer from other funds.

The County holds public hearings regarding disbursements. All tax levies and all taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04. The County commissioners meet on or before October to determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05.

The unorganized township road fund had expenditures exceeding appropriations of \$55 during the year ended December 31, 2021. These over expenditures were funded by revenues exceeding budget and existing fund balance. The ARPA fund had expenditures exceeding appropriations of \$11,406 during the year ended December 31, 2021. These expenditures were funded by revenues exceeding budget.

Capital Assets

Capital assets include buildings, 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	75 years
Machinery and Equipment	5 to 10 years
Infrastructure	10 to 50 years
Vehicles	5 to 10 years

Tax Revenues

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 the month.

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

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

Interfund Transactions

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

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

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

Note 2 - Deposits and Investments

Deposits

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.

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

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

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

At December 31, 2022, the pooled bank balance of the County funds, custodial fund deposits and discretely presented component unit was \$13,919,250. The carrying amount of deposits was \$13,715,468, which consisted of County deposits, custodial fund deposits, and discretely presented component unit deposits. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of 13,669,250 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2021, the pooled bank balance of the County funds, custodial fund deposits and discretely presented component unit was \$11,485,867. The carrying amount of deposits was \$11,327,982, which consisted of County deposits, custodial fund deposits, and discretely presented component unit deposits. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of 11,235,867 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Note 3 - Capital Assets

Primary Government

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

<u>Governmental Activities</u>	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 933,090	\$ -	\$ 933,090
Capital assets being depreciated				
Buildings	8,967,751	-	-	8,967,751
Machinery and Equipment	2,896,296	196,809	-	3,093,105
Infrastructure	31,199,148	-	-	31,199,148
Vehicles	1,485,754	201,193	57,237	1,629,710
Total capital assets being depreciated	44,548,949	398,002	57,237	44,889,714
Less accumulated depreciation for				
Buildings	1,420,618	119,570	-	1,540,188
Equipment	2,051,800	198,359	-	2,250,159
Infrastructure	9,359,716	1,503,177	-	10,862,893
Vehicles	1,055,428	132,675	47,127	1,140,976
Total accumulated depreciation	13,887,562	1,953,781	47,127	15,794,216
Total capital assets being depreciated, net	30,661,387	(1,555,779)	10,110	29,095,498
Governmental activities - capital assets, net	\$ 30,661,387	\$ (622,689)	\$ 10,110	\$ 30,028,588

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

<u>Governmental Activities</u>	
General Government	\$ 169,160
Public Safety	132,675
Highways and Bridges	1,651,946
Total depreciation expense - governmental activities	\$ 1,953,781

McLean County, North Dakota

Notes to Financial Statements

December 31, 2022 and 2021

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

Governmental Activities	Balance January 1, 2021, as restated	Increases	Decreases	Balance December 31, 2021
Capital assets being depreciated				
Buildings	\$ 8,967,751	\$ -	\$ -	\$ 8,967,751
Machinery and Equipment	2,445,061	456,735	5,500	2,896,296
Infrastructure	30,187,508	1,011,640	-	31,199,148
Vehicles	1,300,844	213,660	28,750	1,485,754
Total capital assets being depreciated	42,901,164	1,682,035	34,250	44,548,949
Less accumulated depreciation for				
Buildings	1,301,048	119,570	-	1,420,618
Machinery and Equipment	1,870,388	186,912	5,500	2,051,800
Infrastructure	7,833,666	1,526,050	-	9,359,716
Vehicles	945,719	138,459	28,750	1,055,428
Total accumulated depreciation	11,950,821	1,970,991	34,250	13,887,562
Total capital assets being depreciated, net	30,950,343	(288,956)	-	30,661,387
Governmental activities - capital assets, net	<u>\$ 30,950,343</u>	<u>\$ (288,956)</u>	<u>\$ -</u>	<u>\$ 30,661,387</u>

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

<u>Governmental Activities</u>	
General Government	\$ 166,298
Public Safety	138,459
Highways and Bridges	<u>1,666,234</u>
Total depreciation expense - governmental activities	<u>\$ 1,970,991</u>

Note 4 - Interfund Transfers

Interfund transfers were used to move revenues from the funds that are required to collect them to funds that are allowed to expend them and to subsidize other programs. Transfers were also made to close out funds and to finance various road projects. The following is a reconciliation between transfers in and out for the year ended December 31, 2022:

Funds	Transfers In	Transfers Out
General	\$ 172	\$ 927,123
County Road	2,548,516	-
Farm to Market Roads	-	-
Nonmajor Governmental Funds	186,944	1,808,509
Total transfers	<u>\$ 2,735,632</u>	<u>\$ 2,735,632</u>

The following is a reconciliation between transfers in and out for the year ended December 31, 2021:

Funds	Transfers In	Transfers Out
General Fund	\$ -	\$ 159,878
Nonmajor Governmental Funds	159,878	-
Total transfers	<u>\$ 159,878</u>	<u>\$ 159,878</u>

Note 5 - Long-Term Liabilities

Changes in long-term liabilities for the Primary Government

During the year ended December 31, 2022, the following changes occurred in liabilities reported as long-term debt:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Coal impact loans	\$ 3,560,225	\$ -	\$ 370,849	\$ 3,189,376	\$ 384,997
Special assessment bonds	165,000	-	40,000	125,000	40,000
Total	<u>\$ 3,725,225</u>	<u>\$ -</u>	<u>\$ 410,849</u>	<u>\$ 3,314,376</u>	<u>\$ 424,997</u>

McLean County, North Dakota
Notes to Financial Statements
December 31, 2022 and 2021

During the year ended December 31, 2021, the following changes occurred in liabilities reported as long-term debt:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Coal impact loans	\$ 3,917,445	\$ -	\$ 357,220	\$ 3,560,225	\$ 370,849
Special assessment bonds	205,000	-	40,000	165,000	40,000
Total	<u>\$ 4,122,445</u>	<u>\$ -</u>	<u>\$ 397,220</u>	<u>\$ 3,725,225</u>	<u>\$ 410,849</u>

Outstanding debt at December 31, 2022, consists of the following:

Coal Impact Loans	
\$2,500,000 coal impact loan - dated October 2007 with monthly payments through October 2027 with interest at 3.75%	\$ 785,162
\$4,500,000 coal impact loan - dated November 2011 with monthly payments through October 2031 with interest at 3.75%	2,404,214
	<u>\$ 3,189,376</u>
Special Assessment Bonds	
\$205,000 refunding improvement bonds of 2020 due in annual installment through May 1, 2025, with interest at 0.5%	\$ 125,000

Outstanding debt at December 31, 2021, consists of the following:

Coal Impact Loans	
\$2,500,000 coal impact loan - dated October 2007 with monthly payments through October 2027 with interest at 3.75%	\$ 930,614
\$4,500,000 coal impact loan - dated November 2011 with monthly payments through October 2031 with interest at 3.75%	2,629,611
	<u>\$ 3,560,225</u>
Special Assessment Bonds	
\$205,000 refunding improvement bonds of 2020 due in annual installment through May 1, 2025, with interest at 0.5%	\$ 165,000

Debt service requirements on long-term debt at December 31, 2022, are as follows:

Years Ending December 31	Long term debt	
	Principal	Interest
2023	\$ 424,997	\$ 113,554
2024	439,685	98,666
2025	459,934	83,205
2026	430,764	67,262
2027	417,507	50,874
2028-2031	<u>1,141,489</u>	<u>85,789</u>
Totals	<u>\$ 3,314,376</u>	<u>\$ 499,350</u>

Note 6 - Pension Plans

North Dakota Public Employees Retirement System (Main System and Law Enforcement System)

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

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

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members of the Law Enforcement 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 (55) with three or more years of service. 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 first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

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

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System or the Law Enforcement 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 or Law Enforcement 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.

Member and Employer Contributions

Main System 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.

Law Enforcement System member and employer contributions paid to NDPERS are established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

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 Contributions

During the years ended December 31, 2022 and 2021, the County made employer cash contributions for the pension and OPEB plans totaling \$804,392 and \$784,741, respectively.

Note 7 - Other Post-Employment Benefits

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Contributions

During the years ended December 31, 2022 and 2021, the County made employer cash contributions for the pension and OPEB plans totaling \$804,392 and \$784,741, respectively.

Note 8 - Risk Management

The 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. During the years ended December 31, 2022 and 2021, the County managed its risks as follows:

Liability Insurance

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDRF is limited to losses of six million dollars per occurrence for general liability, six million for automobile, and \$5,857,894 for public assets/mobile equipment and portable property.

Property and Bond Insurance

The 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.

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

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

Note 9 - Construction Commitments

As of December 31, 2022, the County had an ongoing construction projects with costs incurred to date of \$933,090. Estimated total cost of these projects is approximately \$1,000,000. Construction was completed in spring 2023.

Note 10 - Restatements

Change in Accounting Method

Effective January 2021, the County has elected to present its financial statements under the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This method was adopted to more accurately reflect how the County is managed. As a result, net position of the governmental activities and the discretely presented component unit and fund balances of the general fund, county road and bridge fund, unorganized township road fund, and the nonmajor governmental funds at January 1, 2021, have been restated to remove certain assets, deferred inflows of resources, liabilities, and deferred outflows of resources not reported under the modified cash basis of accounting. A summary of these changes is included at the end of this note.

Correction of Error

During the year ended December 31, 2021, the County identified a discretely presented component unit that was omitted from the financial statements as of December 31, 2020. As a result, net position of the discretely presented component unit at January 1, 2021, has been restated to include these activities. A summary of these changes is included at the end of this note.

During the year ended December 31, 2021, the County identified infrastructure assets and the related depreciation was omitted from the financial statements as of December 31, 2020. As a result, net position of the governmental activities at January 1, 2021, has been restated to include these activities. A summary of these changes is included at the end of this note.

During the year ended December 31, 2021, the County identified a fund had been included in two fund types. As a result, Agency cash has been restated at January 1, 2021, to exclude this cash balance. A summary of these changes is included at the end of this note.

McLean County, North Dakota
Notes to Financial Statements
December 31, 2022 and 2021

	General	County Road	Unorganized Township Road	Nonmajor Governmental Funds	Total Governmental Funds	Governmental Activities	Component Unit	Agency Funds
Fund balance / net position, January 1, as previously reported	\$ 1,148,422	\$ (189,780)	\$ (9,894)	\$ 1,421,327	3,109,217	\$ 3,481,953	\$ -	\$ 4,609,591
Restatement due to a fund incorrectly added to agency fund	-	-	-	-	-	-	-	(4,649)
Restatement due to fund that should be reported as a discretely presented component unit	-	-	-	(144,343)	(144,343)	-	144,343	-
Restatement due to change in accounting methods to modified cash basis of accounting	1,058,388	243,880	149,982	573,306	2,025,556	5,946,002	-	-
Restatement due to reporting infrastructure and related depreciation	-	-	-	-	-	22,353,842	-	-
Fund balance/net position, January 1, 2021, as restated	<u>\$ 2,206,810</u>	<u>\$ 54,100</u>	<u>\$ 140,088</u>	<u>\$ 1,850,290</u>	<u>\$ 4,990,430</u>	<u>\$ 31,781,797</u>	<u>\$ 144,343</u>	<u>\$ 4,604,942</u>



Supplementary Information
December 31, 2022

McLean County, North Dakota

McLean County, North Dakota
Budgetary Comparison Schedule – General Fund - 2022
Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Taxes	\$ 25,000	\$ 3,862,155	\$ 3,837,155
Intergovernmental	1,879,200	2,969,173	1,089,973
Licenses, permits and fees	37,000	71,820	34,820
Charges for services	1,256,168	1,182,244	(73,924)
Miscellaneous	450,000	909,986	459,986
Total revenues	<u>3,647,368</u>	<u>8,995,378</u>	<u>5,348,010</u>
Expenditures			
Current			
General government	5,426,077	4,114,124	1,311,953
Public safety	3,387,306	3,227,932	159,374
Conservation	686,800	-	686,800
Capital outlay		398,002	(398,002)
Debt service			
Principal	-	370,849	(370,849)
Interest and service charges	-	127,178	(127,178)
Total expenditures	<u>9,500,183</u>	<u>8,238,085</u>	<u>1,262,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,852,815)</u>	<u>757,293</u>	<u>6,610,108</u>
Other Financing Sources (Uses)			
Transfers in	-	172	172
Transfers out	-	(927,123)	(927,123)
Total other financing sources (uses)	<u>-</u>	<u>(926,951)</u>	<u>(926,951)</u>
Net change in fund balances	<u>\$ (5,852,815)</u>	<u>(169,658)</u>	<u>\$ 5,683,157</u>
Fund balance - January 1		<u>3,330,024</u>	
Fund Balance - December 31		<u>\$ 3,160,366</u>	

McLean County, North Dakota
 Budgetary Comparison Schedule – County Road Fund - 2022
 Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Taxes	\$ 852,190	\$ 813,952	\$ (38,238)
Intergovernmental	1,407,484	1,270,507	(136,977)
Charges for services	37,000	44,313	7,313
Total revenues	2,296,674	2,128,772	(167,902)
Expenditures			
Current			
Highways	4,083,750	2,508,737	1,575,013
Capital Outlay	-	933,090	(933,090)
Total expenditures	4,083,750	3,441,827	641,923
Deficiency of revenues under expenditures	(1,787,076)	(1,313,055)	474,021
Other Financing Sources			
Transfers in	500,000	2,548,516	2,048,516
Net change in fund balances	\$ (1,287,076)	1,235,461	\$ 2,522,537
Fund balance - January 1		(750,938)	
Fund Balance - December 31		\$ 484,523	

McLean County, North Dakota
 Budgetary Comparison Schedule – HB 1505 Fund - 2022
 Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Intergovernmental	\$ -	\$ 2,167,218	\$ 2,167,218
Net change in fund balances	<u>\$ -</u>	\$ 2,167,218	<u>\$ 2,167,218</u>
Fund balance - January 1		-	
Fund Balance - December 31		<u>\$ 2,167,218</u>	

McLean County, North Dakota
 Budgetary Comparison Schedule – ARPA Fund - 2022
 Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Intergovernmental	\$ -	\$ 917,776	\$ 917,776
Net change in fund balances	<u>\$ -</u>	917,776	<u>\$ 917,776</u>
Fund balance - January 1		<u>906,370</u>	
Fund Balance - December 31		<u>\$ 1,824,146</u>	

McLean County, North Dakota
 Budgetary Comparison Schedule – General Fund -2021
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Taxes	\$ 4,149,973	\$ 3,791,292	\$ (358,681)
Intergovernmental	1,904,000	2,918,507	1,014,507
Licenses, permits and fees	27,500	52,263	24,763
Charges for services	1,434,108	1,515,444	81,336
Miscellaneous	560,000	756,851	196,851
Total revenues	<u>8,075,581</u>	<u>9,034,357</u>	<u>958,776</u>
Expenditures			
Current			
General government	5,273,004	4,140,513	1,132,491
Public safety	3,264,774	2,442,371	822,403
Conservation	678,306	-	678,306
Capital outlay	-	670,395	(670,395)
Debt service principal	-	357,220	(357,220)
Debt service interest	-	140,766	(140,766)
Total expenditures	<u>9,216,084</u>	<u>7,751,265</u>	<u>1,464,819</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,140,503)</u>	<u>1,283,092</u>	<u>2,423,595</u>
Other Financing Uses			
Transfers out	-	(159,878)	(159,878)
Net change in fund balances	<u>\$ (1,140,503)</u>	<u>1,123,214</u>	<u>\$ 2,103,839</u>
Fund balance - January 1, as restated (Note 10)		<u>2,206,810</u>	
Fund Balance - December 31		<u>\$ 3,330,024</u>	

McLean County, North Dakota
 Budgetary Comparison Schedule – County Road Fund -2021
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Taxes	\$ 836,193	\$ 777,303	\$ (58,890)
Intergovernmental	1,191,590	1,326,785	135,195
Charges for services	55,000	44,045	(10,955)
	<u>2,082,783</u>	<u>2,148,133</u>	<u>65,350</u>
Expenditures			
Current			
Highways	3,942,833	<u>2,953,171</u>	989,662
Deficiency of revenues under expenditures	<u>(1,860,050)</u>	<u>(805,038)</u>	<u>1,055,012</u>
Other Financing Sources			
Transfers in	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Net change in fund balances	<u><u>\$ (1,360,050)</u></u>	<u>(805,038)</u>	<u><u>\$ 555,012</u></u>
Fund balance - January 1, as restated (Note 10)		<u>54,100</u>	
Fund Balance - December 31		<u><u>\$ (750,938)</u></u>	

McLean County, North Dakota
 Budgetary Comparison Schedule – Emergency Fund -2021
 Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Taxes	\$ -	\$ 11,397	\$ 11,397
Net change in fund balances	<u>\$ -</u>	11,397	<u>\$ 11,397</u>
Fund balance - January 1		<u>739,142</u>	
Fund Balance - December 31		<u>\$ 750,539</u>	

McLean County, North Dakota
 Budgetary Comparison Schedule – Unorganized Township Road Fund -2021
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Taxes	\$ 500,000	\$ 469,196	\$ (30,804)
Intergovernmental	-	438,126	438,126
Total revenues	<u>500,000</u>	<u>907,322</u>	<u>407,322</u>
Expenditures			
Current			
Highways	-	55	(55)
Excess of revenues over expenditures	<u>500,000</u>	<u>907,267</u>	<u>407,322</u>
Other Financing Sources			
Transfers out	<u>500,000</u>	-	<u>(500,000)</u>
Net change in fund balances	<u><u>\$ 1,000,000</u></u>	907,267	<u><u>\$ (92,678)</u></u>
Fund balance - January 1, as restated (Note 10)		<u>140,088</u>	
Fund Balance - December 31		<u><u>\$ 1,047,355</u></u>	

McLean County, North Dakota
 Budgetary Comparison Schedule – ARPA Fund -2021
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Intergovernmental	\$ -	\$ 917,776	\$ 917,776
Expenditures			
Current			
Public safety	-	11,406	(11,406)
Net change in fund balances	<u>\$ -</u>	906,370	<u>\$ 917,776</u>
Fund balance - January 1		<u>-</u>	
Fund Balance - December 31		<u>\$ 906,370</u>	



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

Board of County Commissioners
McLean County
Washburn, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the modified cash basis financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of McLean County, North Dakota ("the County"), as of and for the years ended December 31, 2022 and 2021, and the related notes to the modified cash basis financial statements, which collectively comprise McLean County's basic financial statements and have issued our report thereon dated September 19, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 the County's modified cash basis 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 modified cash basis 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 instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2022-004 and 2022-005.

McLean County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The County's responses were not subjected to the other auditing procedures applied in the audits 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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Bismarck, North Dakota
September 19, 2024

Financial Statement Findings

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

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

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

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

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

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

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

**2022-002 Segregation of Duties
Material Weakness**

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

Condition: The County and component unit have a lack of segregation of duties in certain areas due to a limited staff.

Cause: The County and component unit have limited staff to adequately segregate duties.

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

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

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

2022-003 Material Journal Entries, including Restatements
Material Weakness

Criteria: A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Condition: We identified misstatements in the County financial statements causing us to propose material audit adjustments.

Cause: The County has not trained staff in the recording of certain transactions.

Effect: Inadequate internal controls over recording of transactions affects the County's ability to detect misstatements in amounts that would be material in relation to the financial statements.

Recommendation: We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted. Also, any adjustments needed to present the financial statements on a modified cash basis should be recorded.

Response: Management agrees with the finding. The County will continue to try to identify all of the items that need to be adjusted at year end and make the necessary adjustments.

State Compliance Item

**2022-004 County Budget
Material Noncompliance**

Criteria: N.D.C.C. 11-23-02 states, "The county auditor shall prepare an annual budget for the general fund, each special revenue fund, and each debt service fund of the county in the form prescribed by the state auditor. The budget must set forth specifically:

1. The detailed breakdown of the estimated revenues and appropriations requested for each fund for the ensuing year.
2. The detailed breakdown of the revenues and expenditures for each fund for the preceding year.
3. The detailed breakdown of estimated revenues and expenditures for each fund for the current year.
4. The transfers in or out for each fund for the preceding year and the estimated transfers in or out for the current year and ensuing year.
5. The beginning and ending balance of each fund or estimates of the balances for the preceding year, current year, and ensuing year.
6. The tax levy request for any funds levying taxes for the ensuing year.
7. The certificate of levy showing the amount levied for each fund and the total amount levied.
8. The budget must be prepared on the same basis of accounting used by the county for its annual financial reports.
9. The amount of cash reserve for the general fund and each special revenue fund, not to exceed seventy-five percent of the appropriation of the fund.

Condition: McLean County did not prepare their 2021 and 2022 budgets in compliance with all attributes of N.D.C.C. 11-23-02.

Cause: McLean County may not have been aware of all compliance requirements of N.D.C.C. 11-23-02.

Effect: The attributes identified in N.D.C.C. 11-23-02 are key components in the tax levy calculation in any budget year. Thus, McLean County may have improperly calculated the tax levies.

Recommendation: We recommend that McLean County ensure its compliance with all aspects of N.D.C.C. 11-23-02 and resolve any current circumstances if deemed appropriate by management.

Response: Management agrees with the finding. McLean County is working on preparing a budget in compliance with N.D.C.C. 11-23-02.

**2022-005 Financial Statements Prepared in Accordance with Generally Accepted Accounting Principles
Material Noncompliance**

Criteria: N.D.C.C. 11-11-11, item 4, requires the County Commissioners before November fifteenth of each year, shall have the county auditor prepare general purpose financial statements in accordance with generally accepted accounting principles. Public notice that financial statements have been prepared and are available for inspection must be published in the official newspaper.

Condition: For the years ended December 31, 2022 and 2021, the County did not meet this requirement.

Cause: The County was not aware of this specific requirement within N.D.C.C. 11-11-11.

Effect: The County being out of compliance with the financial statement requirements of N.D.C.C. 11-11-011 during 2021 and 2022. There is no other effect to the County.

Recommendation: The North Dakota State Auditor requires Counties to submit the December 31, 2023 report in compliance with N.D.C.C. 11-11-11. We recommend that the County develop a plan to comply with N.D.C.C. 11-11-11 for the December 31, 2023 report.

Response: Management agrees with the finding. The County is working towards having its financial statements prepared in accordance with GAAP by November 15.