DIVIDE COUNTY
CROSBY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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DIVIDE COUNTY
CROSBY, NORTH DAKOTA
COUNTY OFFICIALS
DECEMBER 31, 2023

Rodney Johnson	Commissioner - Chairman
Ross Eriksmoen	Commissioner - Vice Chairman
Isaac Jacobs	Commissioner
Gayle Jastrzebski	Auditor/Treasurer
Zachary Schroeder	Sheriff
Christina Running	Recorder/Clerk of Court
Seymour Jordan	States Attorney

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Divide County
Crosby, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Divide County as of and for the year ended December 31, 2023, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Divide County, as of December 31, 2023, 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 an 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 Divide 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregated, that raise substantial doubt about Divide County's ability to continue as a going concern for twelve moths beyond the financial statement dates, 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 the 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 Divide 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 Divide 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 information, schedule of employer's share of net pension liability, schedule of employer's share of net OPEB liability, schedule of employer contributions to pension, and schedule of employer contributions to OPEB 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 requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

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 audit of the basic 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 October 1, 2024 on our consideration of Divide County's internal control over financial reporting and on 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 Divide 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 Divide County's internal control over financial reporting and compliance.

Brady Martz

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

October 1, 2024

DIVIDE COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Weed Board
ASSETS			
Cash and cash equivalents	$ 13,753,624	$ 50,865	$ 68,638
Taxes receivable	44,466	-	-
Road receivables	459,217	-	-
Intergovernmental receivable	26,157	-	-
Job development loans receivable	23,084	-	-
Capital assets:			
Land	1,500	-	-
Buildings	12,695,808	-	-
Vehicles and equipment	7,751,897	-	98,440
Infrastructure	46,752,434	-	-
Construction in progress	110,019	-	-
Less: accumulated depreciation	(17,185,389)	-	(61,141)
Total capital assets	50,126,269	-	37,299
Total assets	64,432,817	50,865	105,937
DEFERRED OUTFLOWS OF RESOURCES			
Cost sharing defined benefit pension plan	2,429,722	-	-
Cost sharing defined benefit OPEB plan	65,219	-	-
Total deferred outflows of resources	2,494,941	-	-
LIABILITIES			
Accounts payable and accrued payroll	472,112	-	-
Long-term liabilities:			
Due in more than one year:			
Net pension liability	3,659,707	-	-
Net OPEB liability	171,017		
Total liabilities	4,302,836	-	-
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied - subsequent years	235,494	-	-
Cost sharing defined benefit pension plan	3,082,046	-	-
Cost sharing defined benefit OPEB plan	32,485		
Total deferred inflows of resources	3,350,025	-	-
NET POSITION			
Net investment in capital assets	50,126,269	-	37,299
Restricted for:			
County roads and bridges	862,458	-	-
Farm to market projects	1,179,943	-	-
Other projects	1,230,748	50,865	68,638
Unrestricted	5,875,479	-	-
Total net position	$ 59,274,897	$ 50,865	$ 105,937

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	Weed Board
General government	$ 2,997,505	$ 151,969	$ 134,193	$ -	$ (2,711,343)		
Public safety	760,398	240,953	130,739	-	(388,706)		
Highways	4,423,141	1,212,124	-	20,000	(3,191,017)		
Health and welfare	16,225	-	-	-	(16,225)		
Culture and recreation	194,504	139	-	-	(194,365)		
Conservation of natural resources	87,122	-	-	-	(87,122)		
Economic development	130,773	-	53,149	-	(77,624)		
Other	48,537	-	-	-	(48,537)		
	$ 8,658,205	$ 1,605,185	$ 318,081	$ 20,000	(6,714,939)		
Component units:							
Water resource district	$ 3,093	$ -	$ -	$ -		$ (3,093)	$ -
Weed board	68,841	-	-	-		-	(68,841)
Total component units	$ 71,934	$ -	$ -	$ -		(3,093)	(68,841)
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					1,464,441	-	66,008
Non-restricted grants and contributions					6,173,366	-	9,552
Earnings on investments					102,953	186	-
Miscellaneous revenue					155,126	2,000	-
Gain on disposal of assets					681,000	-	-
Total general revenues					8,576,886	2,186	75,560
Change in net position					1,861,947	(907)	6,719
Net position - beginning of year					57,412,950	51,772	99,218
Net position - end of year					$ 59,274,897	$ 50,865	$ 105,937

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General	County Road and Bridge	Farm to Market	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 10,608,846	$ 632,000	$ 1,273,016	$ 1,239,763	$ 13,753,625
Taxes receivable	18,615	-	18,010	7,841	44,466
Road receivable	-	459,217	-	-	459,217
Intergovernmental receivable	-	-	-	26,157	26,157
Job development loans receivable	-	-	-	23,084	23,084
Total assets	$ 10,627,461	$ 1,091,217	$ 1,291,026	$ 1,296,845	$ 14,306,549
LIABILITIES					
Accounts payable and accrued payroll	$ 212,247	$ 228,759	$ -	$ 31,106	$ 472,112
Total liabilities	212,247	228,759	-	31,106	472,112
DEFERRED INFLOWS OF RESOURCES					
Property taxed collected - subsequent years	89,421	-	111,082	34,991	235,494
Property taxes collected - delinquent	13,059	-	12,636	5,500	31,195
Total deferred inflows of resources	102,480	-	123,718	40,491	266,689
FUND BALANCES					
Restricted	-	862,458	1,167,308	1,225,248	3,255,014
Unassigned	10,312,734	-	-	-	10,312,734
Total fund balances	10,312,734	862,458	1,167,308	1,225,248	13,567,748
Total liabilities, deferred inflows of resources and fund balances	$ 10,627,461	$ 1,091,217	$ 1,291,026	$ 1,296,845	$ 14,306,549

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total fund balances for governmental funds		$ 13,567,748
Amounts reported for government activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Capital assets	$ 67,311,658	
Less accumulated depreciation	(17,185,389)	
Net capital assets		50,126,269
Property taxes and road billings receivable will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		31,195
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.		(619,590)
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. All liabilities-both current and long-term- are reported in the Statement of Net Position. Balance at December 31, 2023 is:		
Net pension liability		(3,659,707)
Net OPEB liability		(171,018)
Total net position of governmental activities		$ 59,274,897

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General	County Road and Bridge	Farm to Market	Other Non-major Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 617,140	$ -	$ 586,915	$ 258,771	$ 1,462,826
Licenses, permits and fees	80,440	171,511	-	139	252,090
Intergovernmental	5,843,540	2,857	29,284	582,780	6,458,461
Charges for services	281,768	1,040,614	-	30,713	1,353,095
Interest income	102,899	-	-	54	102,953
COVID relief funding	-	-	-	50,000	50,000
Miscellaneous	78,710	3,608	-	72,808	155,126
Total revenues	7,004,497	1,218,590	616,199	995,265	9,834,551
Expenditures:					
Current:					
General government	2,593,414	-	-	89,824	2,683,238
Public safety	644,172	-	-	96,465	740,637
Highways	-	2,940,379	2,282	-	2,942,661
Health and welfare	-	-	-	16,232	16,232
Culture and recreation	-	-	-	194,505	194,505
Conservation of natural resources	-	-	-	87,121	87,121
Economic development	-	-	-	130,773	130,773
Other	-	-	-	48,538	48,538
Capital outlays	73,000	1,386,253	323,281	-	1,782,534
Total expenditures	3,310,586	4,326,632	325,563	663,458	8,626,239
Excess (deficiency) of revenues over expenditures	3,693,911	(3,108,042)	290,636	331,807	1,208,312
Other financing sources (uses):					
Sale of capital assets	-	681,000	-	-	681,000
Transfers in	-	1,825,000	-	35,000	1,860,000
Transfers to custodial fund	(5,000)	-	-	-	(5,000)
Transfers out	(1,560,000)	-	-	(300,000)	(1,860,000)
Total other financing sources and uses	(1,565,000)	2,506,000	-	(265,000)	676,000
Net change in fund balances	2,128,911	(602,042)	290,636	66,807	1,884,312
Fund balance - January 1	8,183,823	1,464,500	876,672	1,158,441	11,683,436
Fund balance - December 31	$ 10,312,734	$ 862,458	$ 1,167,308	$ 1,225,248	$ 13,567,748

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE 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, 2023

Net change in fund balances - total government funds		$ 1,884,312
Amounts reported for governmental activities in the Statement of Activities are 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 those capital outlays that were capitalized exceeded depreciation in the current year.		
Current year capital outlay	$ 1,782,534	
Current year depreciation expense	(1,822,033)	(39,499)
Change in net pension liability		1,994,497
Change in net OPEB liability		38,135
Changes in deferred outflows and inflows of resources related to the net pension liability		(1,973,967)
Changes in deferred outflows and inflows of resources related to the net OPEB liability		(43,146)
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 decrease in deferred inflows of resources.		1,615
Change in net position of governmental activities		$ 1,861,947

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2023

	Custodial Funds
Assets:	
Cash and investments	$ 2,212,812
Liabilities:	
Accounts payable	$ 5,000
Due to other governments	2,207,812
Total liabilities	$ 2,212,812

SEE NOTES TO THE FINANCIAL STATEMENTS

DIVIDE COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Custodial Funds
Additions	
Property tax collections for other governments	$ 7,387,781
Transfer from general fund	5,000
Total additions	7,392,781
Deductions	
Payments of property tax to other governments	7,392,781
Total deductions	7,392,781
Net position - beginning	-
Net position - ending	$ -

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Divide County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 Divide 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 levying of taxes for the organization.

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

Component Units

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

<u>Discretely Presented Component Units</u>: The component unit columns in the government wide financial statements include the financial data of the County's two component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

<u>Divide County Weed Board</u> - The County's governing board appoints a voting majority of the members of the Divide County Weed Board governing board. The County has the authority to approve or modify the Weed Board’s operational and capital budgets. The County also must approve the tax levy established by the Weed Board.

Complete financial statements of the Divide County Weed Board are included in these financial statements. Additional information may be obtained from the Divide County Auditor; PO Box 49; Crosby, ND 58730-0049.

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

Complete financial statements of the Divide County Water Resource District are included in these financial statements. Additional information may be obtained from the Divide County Auditor; PO Box 49; Crosby, ND 58730-0049.

Basis of Presentation

The County's financial statements have been prepared with the Governmental Accounting Standards Board (GASB). GASB is the standard–setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, Divide County and its component units, Divide County Water Resource District and Divide County Weed Board. 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. The funds of the financial entity are described below:

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 from 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 funds:

County Road and Bridge Fund. This is the County's primary road maintenance fund. It accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund.

Farm to Market Fund. This fund accounts for financial resources related to maintenance and projects on Farm to Market roads within the County.

In addition, the County reports the following fund type:

Custodial Funds. These funds account for assets held by the County in a custodial capacity as an agent on behalf of others. The County's agency funds are 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 and are 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 liabilities are 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 acquisitions are reported as expenditures in government 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 program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

Budgets

Annually, the Board of County Commissioners provides each office a departmental budget. The departments complete their budget and file it with the County Auditor. Based upon the departmental budget requests and other financial information, the County Auditor prepares the preliminary 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.

The Board of County Commissioners holds a public hearing where any taxpayer may testify in favor or against any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1 the Board adopts the final budget. 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 Divide County Water Resource District and Divide County Weed Board, component units of Divide County.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and money market accounts. Deposits must be either deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the County to invest in:

(1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
(2) 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.
(3) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
(4) Obligations of the state.

Capital Assets

Capital assets include plant, 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. Donated capital assets are recorded at acquisition value on 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 capitalized as part of the project.

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

Buildings	15-50 years
Infrastructure	25-50 years
Vehicles and Equipment	5-10 years

Compensated Absences

Full time employees are granted vacation benefits from 5 to 15 days per year depending on tenure with the County. Regular, part-time, and seasonal employees are granted 1 hour of vacation for every 20 hours worked, not to exceed 40 hours vacation granted in any 12 month period. Part-time and seasonal employees who have been employed for ten or more years will be allowed to accrue up to 60 hours per 12 month period. Vacation time that is not used by the end of the year will be forfeited with the exception of social service employees who are under the State of North Dakota benefit policies. Upon termination of employment, social service employees will be paid for vacation benefits that have accrued. Sick leave benefits accrue at the rate of one day per month for full time employees and the rate of 1 hour for every 20 hours worked, not to exceed 40 hours granted in any 12 month period. Part-time and seasonal employees who have been employed for ten or more years will be allowed to accrue up to 60 hours per 12 month period. Unused sick leave benefits are allowed to accumulate indefinitely. Upon termination of employment unused sick leave will not be paid except in case of retirement where unused sick leave will be paid at a rate of 10% of unused days. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Unused sick leave will be paid out of the County's general fund.

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 future period(s) and so will not be recognized as an outflow or 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 future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has four 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 – subsequent years* are reported only in the governmental funds balance sheet. The other 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.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the County's government wide financial statements. The County's governmental fund financials report only those obligations that will be paid from current financial resources.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

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 North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS's fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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 position invested in capital assets consists of the remaining undepreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset.

Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the County. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Fund Balance

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, loans receivable, or prepaid items.

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 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 considers the spendable fund balances 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.

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 are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

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

Custodial Credit Risk

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "all state funds must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

All deposits of the County are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal deposit insurance coverage level are collateralized with securities held by the County or an agent in the County's name. Under the Pooling Method, which is a collateral pool, 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 to the Bank of North Dakota the adequacy of their pooled collateral covering uninsured deposits. The financial institution confirms the adequacy of the pledge for the pool. However, all financial institutions do not confirm the County's deposits included in the pool. Because of the inability to measure the exact deposits included for the County under the Pooling Method, the potential exists for under collateralization.

At December 31, 2023, the County bank balance totaled approximately $16,050,000. Of the bank balance, $250,000 was covered by federal depository insurance with each financial institution. The County's remaining deposits were covered by pledged collateral under the pooling method. State statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance.

As of December 31, 2023, the cash accounts of the County's discretely presented component units were fully covered by federal depository insurance.

NOTE 3 EXPENDITURES IN EXCESS OF APPROPRIATIONS

The County's following funds had expenditures that exceeded budget appropriations for the year ended December 31, 2023.

Fund	2023
County Road and Bridge	$ 389,312

No remedial action is anticipated or required by the County regarding the above excess expenditures.

NOTE 4 TAXES RECEIVABLE

Taxes receivable represent the past four years of delinquent uncollected taxes and special assessments. No allowance has been established for uncollectible taxes and special assessment receivables.

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 5 ACCOUNTS RECEIVABLE

Accounts receivable consists of money due to the County at December 31, 2023. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 6 ROAD RECEIVABLES

Road receivable consists of amounts due for roadwork for individuals, townships, and cities. No allowance has been established for uncollectible road billings receivable.

NOTE 7 JOB DEVELOPMENT LOANS RECEIVABLE

The County provides loans to businesses for either start up costs or expansion costs. The Job Development Authority receives applications from various businesses. The Job Development Authority screens the applications and then brings the applications to the governing Board who either approves or denies the application. The County sets up a payment schedule with interest for the loans to be repaid. The County expects all accounts to be fully collectible as of December 31, 2023.

The County has the following loans outstanding as of December 31, 2023:

IPH	$ 8,634
Mixing Pot	14,450
Total	$ 23,084

NOTE 8 INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various welfare, emergency management and highway programs. These amounts consist of a mix of state and federal dollars.

NOTE 9 CAPITAL ASSETS

The following is a summary of changes in capital assets for the primary government for the year ended December 31, 2023:

	Balance 1/1/23	Increases	Decreases	Balance 12/31/23
Governmental Activities				
Capital assets not being depreciated				
Land	$ 1,500	$ -	$ -	$ 1,500
Construction in progress	5,412,931	110,019	5,412,931	110,019
Total capital assets, not being depreciated	5,414,431	110,019	5,412,931	111,519
Capital assets, being depreciated:				
Buildings	12,695,808	-	-	12,695,808
Infrastructure	41,076,242	5,676,192	-	46,752,434
Vehicles and equipment	7,569,794	1,409,253	1,227,150	7,751,897
Total capital assets, being depreciated	61,341,844	7,085,445	1,227,150	67,200,139
Less accumulated depreciation for:				
Buildings	2,048,068	321,215	-	2,369,283
Infrastructure	8,007,370	904,828	-	8,912,198
Vehicles and equipment	6,535,068	595,990	1,227,150	5,903,908
Total accumulated depreciation	16,590,506	1,822,033	1,227,150	17,185,389
Total capital assets being depreciated, net	44,751,338	5,263,412	-	50,014,750
Governmental activities capital assets, net	$ 50,165,769	$ 5,373,431	$ 5,412,931	$ 50,126,269

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

General Government	$ 321,791
Public Safety	1,480,481
Highways	19,761
Total Depreciation Expense - Governmental Activities	$ 1,822,033

The following is a summary of changes in capital assets for the Weed Board component unit for the year ended December 31, 2023:

	Balance 1/1/23	Increases	Decreases	Balance 12/31/23
Component Unit				
Capital assets, being depreciated:				
Vehicles and equipment	$ 52,768	$ 45,672	$ -	$ 98,440
Total capital assets, being depreciated	52,768	45,672	-	98,440
Less accumulated depreciation for:				
Vehicles and equipment	52,768	8,373	-	61,141
Total accumulated depreciation	52,768	8,373	-	61,141
Component unit capital assets, net	$ -	$ 37,299	$ -	$ 37,299

NOTE 10 ACCOUNTS PAYABLE AND ACCRUED PAYROLL

Accounts payable and accrued payroll consist of amounts on open account for goods and services received prior to December 31, 2023 and wages for services provided in 2023 that are chargeable to the appropriations for the year ended December 31, 2023, but paid for subsequent to that date.

NOTE 11 RISK MANAGEMENT

Divide 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 mid 1980's, the County was not able to obtain general liability insurance at a cost it considered to be economically justifiable.

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. Divide County 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.

Divide 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.

Divide County has workers compensation coverage with the North Dakota Workforce Safety and Insurance. The County provides health coverage for full-time employees. For part-time employees, the County pays for a full single policy or up to two-thirds of a family policy.

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

NOTE 12 PENSION PLAN

NORTH DAKOTA PUBLIC EMPLOYEE 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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

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 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. The Main Plan will be closed to new employees with the passage of North Dakota House Bill 1040. The closure of the plan will be effective on 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.

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, 2023, the County reported a liability of $3,659,707 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the County's proportion was 0.189794 percent which was a decrease of 0.006528 from its proportion measured as of June 30, 2022

For the year ended December 31, 2023, the County recognized pension expense of $159,548. At December 31, 2023, 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	$ 119,135	$ (20,183)
Changes of assumptions	2,018,005	(2,777,811)
Net difference between projected and actual earnings on pension plan investments	96,024	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	106,278	(284,052)
Employer contributions subsequent to the measurement date	90,280	-
Total	$ 2,429,722	$ (3,082,046)

$90,280 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, 2024.

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:	
2024	$ (109,752)
2025	(458,403)
2026	51,779
2027	(226,228)

Actuarial Assumptions

The total pension liability in the July 1, 2023 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	6.50%, 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	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
Global Real Assets	19%	4.33%

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 3.86%; and the resulting Single Discount Rate is 6.50%.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net pension liability	$ 5,045,857	$ 3,659,707	$ 2,509,788

Pension Plan Fiduciary Net Position

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

NOTE 13 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, 2023, the County reported a liability of $171,017 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2023, the County's proportion was 0.171060 percent which was a decrease of 0.003188 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the County recognized OPEB expense of $25,656. At December 31, 2023, 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	$ 3,217	$ (1,957)
Changes of assumptions	36,474	(14,162)
Net difference between projected and actual earnings on OPEB plan investments	12,352	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,767	(16,366)
Employer contributions subsequent to the measurement date	10,409	-
Total	$ 65,219	$ (32,485)

$10,409 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, 2024.

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 ending December 31:	
2024	$ 5,886
2025	5,492
2026	15,824
2027	(4,877)

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
S&P 500 Index	33%	5.50%
US Small Cap Equity	6%	7.65%
World Equity ex-US	26%	6.82%
US High Yield	3%	5.32%
Emerging Markets Debt	4%	6.25%
Core Fixed Income	28%	4.04%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. 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, 2023, calculated using the discount rate of 5.75%, 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Employer's proportionate share of the net OPEB liability	$ 224,759	$ 171,017	$ 125,774

NOTE 14 RESTRICTED FUND BALANCES

Restricted fund balances consist of the following as of December 31, 2023:

County Road and Bridges	$ 862,458
Farm to Market projects	1,167,308
Covid grant purposes	100,000
Emergency	145,159
Veteran's	50,295
Library	83,804
Extension Agent	141,918
County Correction Center	21,436
Highway Distribution	201,419
Hazardous Chemical Response	44,090
Delinquent Tax Acquired Property	7,526
DC 911 Wireless	49,515
DC 911 Emergency	7,354
Document Preservation	62,514
Crosby/Divide JDA	155,348
Senior Citizens	154,870
Total	$ 3,255,014

NOTE 15 TRANSFERS

2023	General Fund	County Roads and Bridges	Other Governmental	Custodial Funds	Total
Transfers In	$ -	$ 1,825,000	$ 35,000	$ 5,000	$ 1,865,000
Transfers Out	(1,565,000)	-	(300,000)	-	(1,865,000)
	$ (1,565,000)	$ 1,825,000	$ (265,000)	$ 5,000	$ -

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, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* enhances the accounting and financial reporting requirements for accounting changes and error corrections. The statement is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences,* updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

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

NOTE 17 SUBSEQUENT EVENTS

No significant events occurred subsequent to the County's year-end. Subsequent events were evaluated through October 1, 2024, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original & Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	$ 629,000	$ 617,140	$ (11,860)
Licenses, permits and fees	55,100	80,440	25,340
Intergovernmental	2,886,087	5,843,540	2,957,453
Charges for services	218,000	281,768	63,768
Interest income	8,000	102,899	94,899
Miscellaneous	78,000	78,710	710
Total revenues	3,874,187	7,004,497	3,130,310
Expenditures:			
Current:			
General government	2,872,948	2,593,414	279,534
Public safety	650,010	644,172	5,838
Capital outlays	-	73,000	(73,000)
Total expenditures	3,522,958	3,310,586	212,372
Excess (deficiency) of revenues over expenditures	351,229	3,693,911	3,342,682
Other financing sources (uses):			
Transfer to custodial fund	-	(5,000)	(5,000)
Transfers out	(1,629,000)	(1,560,000)	69,000
Total other financing sources and uses	(1,629,000)	(1,565,000)	64,000
Net change in fund balances	$ (1,277,771)	2,128,911	$ 3,406,682
Fund balance - January 1		8,183,823	
Fund balance - December 31		$ 10,312,734	

See Notes to the Required Supplementary Information

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original & Final Budget	Actual	Variance with Final Budget
Revenues:			
Licenses, permits and fees	$ -	$ 171,511	$ 171,511
Intergovernmental	2,270	2,857	587
Charges for services	800,000	1,040,614	240,614
Miscellaneous	-	3,608	3,608
Total revenues	802,270	1,218,590	416,320
Expenditures:			
Current:			
Highways	3,521,000	2,940,379	580,621
Capital outlays	-	1,386,253	(1,386,253)
Total expenditures	3,521,000	4,326,632	(805,632)
Excess (deficiency) of revenues over expenditures	(2,718,730)	(3,108,042)	(389,312)
Other financing sources:			
Sale of capital assets	-	681,000	681,000
Transfers in	2,000,000	1,825,000	(175,000)
Total other financing sources and uses	2,000,000	2,506,000	506,000
Net change in fund balances	$ (718,730)	(602,042)	$ 116,688
Fund balance - January 1		1,464,500	
Fund balance - December 31		$ 862,458	

See Notes to the Required Supplementary Information

DIVIDE COUNTY
CROSBY, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original & Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	$ 600,000	$ 586,915	$ (13,085)
Intergovernmental	21,038	29,284	8,246
Total revenues	621,038	616,199	(4,839)
Expenditures:			
Current:			
Highways	620,000	2,282	617,718
Capital outlays	-	323,281	(323,281)
Total expenditures	620,000	325,563	294,437
Excess (deficiency) of revenues over expenditures	1,038	290,636	289,598
Net change in fund balances	$ 1,038	290,636	$ 289,598
Fund balance - January 1		876,672	
Fund balance - December 31		$ 1,167,308	

See Notes to the Required Supplementary Information

DIVIDE 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
2023	0.18979%	$ 3,659,707	$ 2,380,029	153.77%	65.31%
2022	0.19632%	5,654,204	2,283,234	247.64%	54.47%
2021	0.18568%	1,935,354	2,099,791	92.17%	78.26%
2020	0.20160%	6,342,285	2,360,375	268.70%	48.91%
2019	0.23163%	2,714,895	2,438,974	111.31%	71.66%
2018	0.23073%	3,893,837	2,485,464	156.66%	63.53%
2017	0.25203%	4,050,997	2,572,859	157.45%	61.98%
2016	0.27245%	2,655,330	2,745,697	96.71%	70.46%
2015	0.28793%	1,957,868	2,565,097	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.

See Notes to the Required Supplementary Information

DIVIDE 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
2023	0.171060%	$ 171,017	$ 2,380,029	7.19%	62.74%
2022	0.174248%	209,152	2,283,234	9.16%	56.28%
2021	0.165506%	92,050	1,804,438	5.10%	76.63%
2020	0.192633%	162,042	2,195,958	7.38%	63.38%
2019	0.215920%	173,424	2,409,362	7.20%	63.13%
2018	0.216625%	170,607	2,370,343	7.20%	61.89%

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.

See Notes to the Required Supplementary Information

DIVIDE 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
2023	$ 174,846	$ (174,846)	$ -	$ 2,380,029	7.35%
2022	159,826	(159,826)	-	2,283,234	7.00%
2021	152,232	(152,232)	-	2,099,791	7.25%
2020	165,226	(165,226)	-	2,360,375	7.00%
2019	170,889	(173,655)	(2,766)	2,438,974	7.12%
2018	174,586	(176,965)	(2,379)	2,485,464	7.12%
2017	186,564	(194,776)	(8,212)	2,572,859	7.57%
2016	198,784	(199,845)	(1,061)	2,745,697	7.28%
2015	194,840	(193,690)	1,150	2,565,097	7.55%

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.

See Notes to the Required Supplementary Information

DIVIDE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEUDLE OF EMPLOYER CONTRIBUTIONS – OPEB
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
2023	$ 20,644	$ (20,644)	$ -	$ 2,380,029	0.87%
2022	20,857	(20,857)	-	2,283,234	0.91%
2021	21,211	(21,211)	-	2,099,791	1.01%
2020	26,313	(26,313)	-	2,360,375	1.11%
2019	28,021	(27,805)	216	2,438,974	1.15%
2018	27,803	(28,334)	(531)	2,485,464	1.12%

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.

See Notes to the Required Supplementary Information

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

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

Changes of Assumptions

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

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, 2022.

Changes of Assumptions

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

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
Divide County
Crosby, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Divide County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Divide County's basic financial statements and have issued our report thereon dated October 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Divide 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 Divide County's internal control. Accordingly, we do not express an opinion on the effectiveness of Divide 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 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Divide 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are listed in the accompanying schedule of findings and responses as items 2023-004 and 2023-005.

Divide County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Divide County's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Divide 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 entity'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

October 1, 2024

2023-001 Preparation of Financial Statements – Material Weakness

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 board. However, the County currently does not prepare the financial statements, including accompanying note disclosures, as required by accounting principles general 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 that 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 County 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.

Response: 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.

2023-002 Adjusting Journal Entries – Material Weakness

Criteria: The County is required to maintain internal controls at a level where 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's financial statements were misstated prior to adjustments detected as a result of audit procedures.

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

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

2023-003 Segregation of Duties – Material Weakness

Criteria:	An appropriate system of internal controls provides for an adequate segregation of duties.
Condition:	All of the accounting functions of the Water Resource District and the Weed Board (component units of the County) are performed by a limited number of personnel.
Cause:	The limited number of employees prevents proper segregation of accounting functions necessary to ensure effective internal control.
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 the component units 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.
Response:	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.

2023-004 Compliance Finding

Criteria:	North Dakota Century Code (NDCC) 11-23-02 states that the County budget amount of cash reserve for the general fund and each special revenue fund may not exceed seventy-five percent of the appropriation for the fund.
Condition:	During our audit, we noted 5 of the special revenue funds had cash reserves exceeding the seventy-five percent appropriation of the fund.
Cause:	Cash reserves by the County were not properly budgeted.
Effect:	The County is not in compliance with NDCC 11-23-02.
Recommendation:	We recommend that the County review the cash reserves prior to approving the budget to ensure the reserves are no greater than seventy-five percent of the appropriation of the fund.
Response:	The County will review cash reserve amounts prior to approving the annual budget each year.

2023-005 Compliance Finding

Criteria:	North Dakota Century Code (NDCC) 21-04-09 states that any financial institution pledging securities, at any time it deems it advisable or desirable, may substitute other eligible securities for all or any part of the securities pledged. The securities substituted must, at the time of the substitution, have a market value at least equal to the market value of the securities released and delivered to the depository.
Condition:	During our audit, we reviewed the net deposits held at Bank of Tioga exceeded the market value of pledged securities held by the Bank of Tioga.
Cause:	Net deposits were not properly covered by pledged securities.
Effect:	The County is not in compliance with NDCC 21-04-09.
Recommendation:	We recommend that the County review net deposits and pledged securities balances every three months to ensure pledged securities cover the number of net deposits held at Bank of Tioga.
Response:	The County will review net deposits and pledged securities every three months.