

**EDDY COUNTY
NEW ROCKFORD, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Eddy County as of and for the year ended December 31, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Eddy 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 our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eddy County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2024 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eddy County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eddy County's internal control over financial reporting and compliance.



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

September 17, 2024

EDDY COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and cash equivalents	\$ 2,781,229	\$ 46,441
Investments	316,069	102,468
Accounts receivable	69,209	-
Taxes receivable	28,746	-
Loans receivable	27,000	-
Capital assets:		
Construction in progress	227,869	-
Infrastructure	8,106,852	-
Building	336,711	-
Equipment	1,881,443	-
Lease assets	53,815	-
Less: accumulated depreciation	(6,102,221)	-
Less: accumulated amortization	(14,232)	-
Total capital assets	<u>4,490,237</u>	<u>-</u>
Total assets	<u>7,712,490</u>	<u>148,909</u>
DEFERRED OUTFLOWS OF RESOURCES		
Cost sharing defined benefit pension plan	980,355	-
Cost sharing defined benefit OPEB plan	<u>25,999</u>	<u>-</u>
Total deferred outflows of resources	<u>1,006,354</u>	<u>-</u>
LIABILITIES		
Accounts payable and accrued expenses	13,720	-
Accrued interest	257	-
Long-term liabilities:		
Due within one year:		
Compensated absences	13,800	-
Lease liability, current portion	8,878	-
Due in more than one year:		
Net pension liability	1,455,966	-
Net OPEB liability	65,120	-
Lease liability	26,058	-
Compensated absences	<u>24,533</u>	<u>-</u>
Total liabilities	<u>1,608,332</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes collected - subsequent years	465,728	-
Cost sharing defined benefit pension plan	1,206,551	-
Cost sharing defined benefit OPEB plan	<u>13,372</u>	<u>-</u>
Total deferred inflows of resources	<u>1,685,651</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	4,455,301	-
Restricted for:		
Health and welfare	32,721	-
Highways	1,488,609	-
Culture and recreation	1,312	-
Special purposes	65,515	148,909
Unrestricted	<u>(618,597)</u>	<u>-</u>
Total net position	<u>\$ 5,424,861</u>	<u>\$ 148,909</u>

See Notes to the Financial Statements

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

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary	Component
				Government Activities	Unit Water Resource District
<u>Governmental Activities:</u>					
General government	\$ 1,190,662	\$ 19,004	\$ 50,000	\$ (1,121,658)	
Public safety	531,558	203,216	69,664	(258,678)	
Highways	903,980	247,916	917,459	261,395	
Health and welfare	82,408	-	-	(82,408)	
Culture and recreation	14,601	-	-	(14,601)	
Conservation of natural resources	79,870	15,485	13,811	(50,574)	
Other	43,900	-	-	(43,900)	
Total governmental activities	<u>\$ 2,846,979</u>	<u>\$ 485,621</u>	<u>\$ 1,050,934</u>	<u>(1,310,424)</u>	
<u>Component Unit:</u>					
Water Resource District	<u>\$ 31,164</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (31,164)</u>
<u>General revenues:</u>					
Taxes:					
Property taxes; levied for general purposes				954,614	1,208
Property taxes; other				335,855	-
Property taxes, levied for debt service					-
Financial institution tax					-
Telecommunications tax					-
State aid distribution not restricted to specific programs				906,922	-
Investment earnings				84,165	2,679
Miscellaneous				31,110	-
Gain on sale of asset				6,015	-
Total general revenues				<u>2,318,681</u>	<u>3,887</u>
Change in net position				1,008,257	(27,277)
Net position - beginning of year				<u>4,416,604</u>	<u>176,186</u>
Net position - end of year				<u>\$ 5,424,861</u>	<u>\$ 148,909</u>

See Notes to the Financial Statements

EDDY COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	County Road and Bridge	Law Enforcement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,127,624	\$ 1,465,274	\$ 75,871	\$ 112,461	\$ 2,781,230
Investments	316,069	-	-	-	316,069
Accounts receivable	12,657	56,552	-	-	69,209
Taxes receivable	21,176	3,529	2,059	1,982	28,746
Loans receivable	27,000	-	-	-	27,000
Total assets	<u>\$ 1,504,526</u>	<u>\$ 1,525,355</u>	<u>\$ 77,930</u>	<u>\$ 114,443</u>	<u>\$ 3,222,254</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
<u>Liabilities:</u>					
Accounts payable and accrued expenses	\$ -	\$ -	\$ 2,340	\$ 11,380	\$ 13,720
Total liabilities	<u>-</u>	<u>-</u>	<u>2,340</u>	<u>11,380</u>	<u>13,720</u>
<u>Deferred Inflows of Resources</u>					
Property taxes collected - subsequent years	340,160	48,765	48,765	28,040	465,730
Property taxes collected - delinquent	21,176	3,529	2,059	1,982	28,746
Total deferred inflows of resources	<u>361,336</u>	<u>52,294</u>	<u>50,824</u>	<u>30,022</u>	<u>494,476</u>
<u>Fund Balances:</u>					
Nonspendable - loan receivable	27,000	-	-	-	27,000
Restricted for:					
Health and welfare	-	-	-	32,239	32,239
Highways	-	1,473,061	-	-	1,473,061
Culture and recreation	-	-	-	518	518
Special purposes	-	-	24,766	40,284	65,050
Unassigned	1,116,190	-	-	-	1,116,190
Total fund balances	<u>1,143,190</u>	<u>1,473,061</u>	<u>24,766</u>	<u>73,041</u>	<u>2,714,058</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,504,526</u>	<u>\$ 1,525,355</u>	<u>\$ 77,930</u>	<u>\$ 114,443</u>	<u>\$ 3,222,254</u>

See Notes to the Financial Statements

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

Total fund balances for governmental funds	\$ 2,714,058
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Total net position reported for government activities in the statement of net position is different because:

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

Cost of capital assets	10,552,875
Cost of leased assets	53,815
Less accumulated depreciation	(6,102,221)
Less accumulated amortization	(14,232)

Property taxes will be collected after year end, but are not available within 60 days to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.

28,746

Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit pension plans and OPEB plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.

Deferred outflows - pension	980,355
Deferred inflows - pension	(1,206,551)
Deferred outflows - OPEB	25,999
Deferred inflows - OPEB	(13,372)

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest in long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities- both current and long-term- are reported in the statement of net position.

Net pension liability	(1,455,966)
Net OPEB liability	(65,119)
Lease liability	(34,936)
Compensated absences	(38,590)

Total net position of governmental activities	<u><u>\$ 5,424,861</u></u>
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EDDY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	County Road and Bridge	Law Enforcement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property taxes	\$ 953,551	\$ 157,942	\$ 86,852	\$ 92,496	\$ 1,290,841
Licenses and permits	993	-	-	-	993
Intergovernmental	584,600	1,285,396	-	28,001	1,897,997
Federal revenue	59,859	-	-	-	59,859
Charges for services	221,227	247,916	-	15,485	484,628
Investment earnings	84,165	-	-	-	84,165
Miscellaneous	(15,016)	60,272	4,140	359	49,755
Total revenues	1,889,379	1,751,526	90,992	136,341	3,868,238
<u>Expenditures:</u>					
Current:					
General government	1,128,214	-	-	-	1,128,214
Public safety	388,104	-	123,586	-	511,690
Highways	-	684,168	-	-	684,168
Health and welfare	-	-	-	80,481	80,481
Culture and recreation	10,691	-	-	3,910	14,601
Conservation of natural resources	-	-	-	79,556	79,556
Other	-	-	-	43,900	43,900
Debt service:					
Principal lease retirement	-	14,506	-	-	14,506
Lease interest	-	1,825	-	-	1,825
Capital outlay	108,011	122,815	-	-	230,826
Total expenditures	1,635,020	823,314	123,586	207,847	2,789,767
Excess (deficiency) of revenues over expenditures	254,359	928,212	(32,594)	(71,506)	1,078,471
<u>Other financing sources (uses)</u>					
Sale of capital assets	6,015	-	-	-	6,015
Transfers in	147	142,112	-	56,920	199,179
Transfers out	(199,031)	-	-	-	(199,031)
Total other financing sources (uses)	(192,869)	142,112	-	56,920	6,163
Net change in fund balances	61,490	1,070,324	(32,594)	(14,586)	1,084,634
Fund balances - beginning	1,081,700	402,737	57,360	87,627	1,629,424
Fund balances - ending	\$ 1,143,190	\$ 1,473,061	\$ 24,766	\$ 73,041	\$ 2,714,058

See Notes to the Financial Statements

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

Net change in Fund Balances - total governmental funds \$ 1,084,634

The change in net position reported for governmental activities in the statement of activities is different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. In the current period, these amounts are:

Capital outlay	230,826	
Depreciation expense	(280,819)	
Amortization expense	<u>(17,006)</u>	
		(66,999)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable. (4,513)

Change in net pension liability	840,772
Change in net OPEB liability	19,371

Changes in deferred outflows and inflows of resources related to the net pension liability (856,301)

Changes in deferred outflows and inflows of resources related to the net OPEB liability (22,257)

Governmental funds report repayment of principal on long-term liabilities as an expenditure because the repayments use current financial resources. In contrast, the repayments reduce the balance of the long-term liabilities in the Statement of Net Position.

Lease liability	14,506
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:

Compensated absences	(1,024)	
Accrued interest	<u>68</u>	
		<u>(956)</u>

Change in net position of governmental activities	<u>\$ 1,008,257</u>
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See Notes to the Financial Statements

EDDY COUNTY
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2023

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and cash equivalents	<u>\$ 1,031,066</u>
<u>Liabilities:</u>	
Due to other governments	<u>\$ 1,031,066</u>
<u>Net Position:</u>	
Restricted for:	
Other governments	<u>\$ -</u>
Total liabilities and net position	<u>\$ 1,031,066</u>

See Notes to the Financial Statements

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

	Custodial Funds
<u>Additions</u>	
Property tax collections for other governments	\$ 836,825
<u>Deductions</u>	
Payments of property tax to other governments	836,825
Transfer to general fund	-
Total deductions	836,825
Net position - beginning	-
Net position - ending	\$ -

See Notes to the Financial Statements

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Unit

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

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

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental special revenue fund:

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

Law Enforcement Fund. This is the County's fund used for costs to support the County's law enforcement.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Additionally, the County reports the following fund types:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Budgets

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

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

Cash and Cash Equivalents

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

Capital Assets

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

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

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

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

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the County is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the County uses its incremental borrowing rate based on the information available at the lease commencement date. The County has made an accounting policy election to use a risk free rate based on US Treasury T bill rate as of the lease commencement. The County accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

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

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

Compensated Absences

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

Unearned Revenue

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

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

Long-Term Obligations

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Pensions

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

Other Post Employment Benefits (OPEB)

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

Interfund Transactions

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

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

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

Fund Balance Classifications

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

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items, and loans receivable.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

Committed – consists of internally imposed constraints. These constraints are established by the Board of County Commissioners.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the County's intended use. These constraints are established by the Board of County Commissioners and/or management.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

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

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

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

Net Position

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

Deferred Outflows/Inflows of Resources

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Use of Estimates

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

NOTE 2 CASH AND CASH EQUIVALENTS

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

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

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

At December 31, 2023, the County's bank balance totaled approximately \$4,182,000. Of the bank balance, approximately \$750,000 was covered by federal depository insurance. The County's remaining deposits were covered by pledged collateral under the pooling method. State statute requires the market value of collateral pledged to equal 110% of the deposits not covered by federal depository insurance.

At December 31, 2023, the Eddy County Water Resource District's (a discretely presented component unit of Eddy County) bank balance totaled approximately \$149,000. The bank balance at December 31, 2023 was fully covered by Federal Depository Insurance.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Credit Risk

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

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

As of December 31, 2023, the County held certificates of deposit in the amount of approximately \$316,000, and the Water Resource District held certificates of deposit in the amount of \$102,000, which are shown as investments.

NOTE 3 ACCOUNTS RECEIVABLE

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

NOTE 4 TAXES RECEIVABLE

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

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 5 LOANS RECEIVABLE

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

<u>Receivable Fund</u>	<u>Loaned to</u>	<u>Balance at 12/31/23</u>
General	Lake Washington Township	\$ 27,000
	Total Loans Receivable	<u>\$ 27,000</u>

The Lake Washington Township will be repaid in annual installments of \$3,000.

NOTE 6 CAPITAL ASSETS

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

	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2023</u>
Governmental Activities:				
Capital assets not being depreciated				
Construction in Progress	\$ 153,673	\$ 74,196	\$ -	\$ 227,869
Capital assets being depreciated/amortized				
Infrastructure	8,076,995	29,857	-	8,106,852
Buildings	303,017	33,694	-	336,711
Equipment	1,825,834	93,079	(37,470)	1,881,443
Leased equipment	155,360	-	(108,142)	47,218
Leased land	4,816	-	-	4,816
Leased building	13,692	-	(11,911)	1,781
 Total capital assets being depreciated/amortized	 <u>10,379,714</u>	 <u>156,630</u>	 <u>(157,523)</u>	 <u>10,378,821</u>
Less accumulated depreciation/amortization				
Infrastructure	5,069,749	83,292	-	5,153,041
Buildings	125,449	9,435	-	134,884
Equipment	663,674	188,092	(37,470)	814,296
Leased equipment	109,716	9,443	(108,142)	11,017
Leased land	1,014	1,014	-	2,028
Leased building	6,549	6,549	(11,911)	1,187
 Total accumulated depreciation/amortization	 <u>5,976,151</u>	 <u>297,825</u>	 <u>(157,523)</u>	 <u>6,116,453</u>
Net capital assets being depreciated	<u>4,403,563</u>	<u>(141,195)</u>	<u>-</u>	<u>4,262,368</u>
Net capital assets for governmental activities	<u>\$ 4,557,236</u>	<u>\$ (66,999)</u>	<u>\$ -</u>	<u>\$ 4,490,237</u>

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

Governmental Activities:	
Public safety	\$ 18,987
Highway	232,821
General	27,082
Health and welfare	1,929
	<hr/>
Total	<u>\$ 280,819</u>

Following is the total lease expense for the year ended December 31, 2023:

Amortization expense by class of underlying asset	
Equipment	\$ 9,443
Land	1,014
Building	6,549
	<hr/>
Total amortization expense	17,006
Interest on lease liabilities	1,825
	<hr/>
Total	<u>\$ 18,831</u>

The County leases equipment, building space, and land. The terms of the leases range from 24 – 61 months, and terminating at various dates within 2024 - 2027, with annual rent payments ranging from \$600 - \$8,798, and monthly payments of \$2,000.

Following is a schedule of the lease liability for the year ended December 31, 2023:

	<u>Beginning of</u> <u>Year</u>	<u>Additions</u>	<u>Subtractions</u>	<u>End of Year</u>	<u>Amounts Due</u> <u>Within One Year</u>
Lease Liabilities	<u>\$ 49,442</u>	<u>\$ -</u>	<u>\$ (14,506)</u>	<u>\$ 34,936</u>	<u>\$ 8,878</u>

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

<u>For the year ending</u> <u>December</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2024	\$ 8,878	\$ 1,520	\$ 10,398
2025	8,641	1,157	9,798
2026	9,014	784	9,798
2027	8,404	394	8,798
Total	<u>\$ 34,936</u>	<u>\$ 3,854</u>	<u>\$ 38,790</u>

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

NOTE 8 PENSION PLAN

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM (MAIN SYSTEM)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a board comprised of 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 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The 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.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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 \$1,455,966 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 0.075507 percent which was a decrease of 0.004239 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the County recognized pension expense of \$86,731. At December 31, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 47,396	\$ (8,030)
Changes of assumptions	802,836	(1,105,115)
Net difference between projected and actual earnings on pension plan investments	38,202	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	56,461	(93,406)
Employer contributions subsequent to the measurement date	<u>35,460</u>	<u>-</u>
Total	<u>\$ 980,355</u>	<u>\$ (1,206,551)</u>

\$35,460 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.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

Year ending December 31:

2024	\$	(9,850)
2025		(165,534)
2026		7,138
2027		(93,410)

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%

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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	\$ 2,007,427	\$ 1,455,966	\$ 998,486

Pension Plan Fiduciary Net Position

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 9 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.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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 \$65,120 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 0.065136 percent which was a decrease of 0.005255 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the County recognized OPEB expense of \$10,565. At December 31, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,225	\$ (745)
Changes of assumptions	13,889	(5,393)
Net difference between projected and actual earnings on OPEB plan investments	4,703	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,438	(7,234)
Employer contributions subsequent to the measurement date	<u>3,744</u>	<u>-</u>
Total	<u><u>\$ 25,999</u></u>	<u><u>\$ (13,372)</u></u>

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

\$3,744 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	\$	3,076
2025		2,204
2026		5,789
2027		(2,186)

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.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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	\$ 85,583	\$ 65,120	\$ 47,892

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 10 RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. All members joined to help capitalize the NDIRF. Eddy 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.

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

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

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

NOTE 11 RELATED-PARTY TRANSACTIONS

The County provides stipends to each board commissioner as compensation for their services. These stipends are intended to recognize time and effort contributed by board commissioners in fulfilling their governance responsibilities. During the year ended December 31, 2023, related-party transactions totaled \$47,000.

NOTE 12 JOINT VENTURES

Lake Region Law Enforcement Center

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

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

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Lake Region District Health Unit

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

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

Public Library

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

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

NOTE 13 TRANSFERS

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

	General Fund	County Road and Bridge	Other Governmental Funds	Custodial	Total
Transfer In	\$ 147	\$ 142,112	\$ 56,919	\$ -	\$ 199,178
Transfer Out	(199,031)	-	-	(147)	(199,178)
	<u>\$ (198,884)</u>	<u>\$ 142,112</u>	<u>\$ 56,919</u>	<u>\$ (147)</u>	<u>\$ -</u>

NOTE 14 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 standard 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 standard is effective for fiscal years beginning after December 15, 2023.

EDDY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 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 entity's financial statements.

NOTE 15 SUBSEQUENT EVENTS

No significant events occurred subsequent to the County's year-end. Subsequent events were evaluated through September 17, 2024, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

EDDY COUNTY
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Property taxes	\$ 986,402	\$ 986,402	\$ 953,551	\$ (32,851)
Licenses and permits	843	843	993	150
Intergovernmental	718,658	718,658	644,459	(74,199)
Charges for services	217,810	217,810	221,227	3,417
Investment earnings	10,000	10,000	84,165	74,165
Miscellaneous	110,300	110,300	(15,016)	(125,316)
Total revenues	<u>2,044,013</u>	<u>2,044,013</u>	<u>1,889,379</u>	<u>(154,634)</u>
EXPENDITURES				
Current:				
General government	1,496,777	1,502,728	1,128,214	374,514
Public safety	492,078	492,078	388,104	103,974
Culture and recreation	55,000	55,000	10,691	44,309
Capital outlay	-	-	108,011	(108,011)
Total expenditures	<u>2,043,855</u>	<u>2,049,806</u>	<u>1,635,020</u>	<u>414,786</u>
Excess (deficiency) of revenues over expenditures	<u>158</u>	<u>(5,793)</u>	<u>254,359</u>	<u>260,152</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	3,000	3,000	6,015	3,015
Transfers in	-	-	147	147
Transfers out	-	-	(199,031)	(199,031)
Total other financing sources and uses	<u>3,000</u>	<u>3,000</u>	<u>(192,869)</u>	<u>(195,869)</u>
Net change in fund balances	3,158	(2,793)	61,490	
Fund balances - beginning	<u>1,081,700</u>	<u>1,081,700</u>	<u>1,081,700</u>	
Fund balances - ending	<u>\$ 1,084,858</u>	<u>\$ 1,078,907</u>	<u>\$ 1,143,190</u>	

See Notes to the Required Supplementary Information

EDDY COUNTY
BUDGETARY COMPARISON SCHEDULE – COUNTY ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original/Final Budget Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Property taxes	\$ 164,017	\$ 157,942	\$ (6,075)
Intergovernmental	341,974	1,285,396	943,422
Charges for services	144,488	247,916	103,428
Miscellaneous	917,459	60,272	(857,187)
Total revenues	<u>1,567,938</u>	<u>1,751,526</u>	<u>183,588</u>
EXPENDITURES			
Current:			
Highways and roads	3,441,000	684,168	2,756,832
Debt service:			
Principal lease retirement	-	14,506	(14,506)
Lease interest	-	1,825	(1,825)
Capital outlay	-	122,815	(122,815)
Total expenditures	<u>3,441,000</u>	<u>823,314</u>	<u>2,617,686</u>
Excess (deficiency) of revenues over expenditures	<u>(1,873,062)</u>	<u>928,212</u>	<u>2,801,274</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	142,112	142,112
Total other financing sources and uses	<u>-</u>	<u>142,112</u>	<u>142,112</u>
Net change in fund balances	(1,873,062)	1,070,324	
Fund balances - beginning	402,737	402,737	
Fund balances - ending	<u>\$ (1,470,325)</u>	<u>\$ 1,473,061</u>	

See Notes to the Required Supplementary Information

EDDY COUNTY
BUDGETARY COMPARISON SCHEDULE – LAW ENFORCEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Property taxes	\$ 90,659	\$ 90,659	\$ 86,852	\$ (3,807)
Miscellaneous	-	-	4,140	4,140
Total revenues	<u>90,659</u>	<u>90,659</u>	<u>90,992</u>	<u>333</u>
EXPENDITURES				
Current:				
Public safety	116,953	124,000	123,586	414
Total expenditures	<u>116,953</u>	<u>124,000</u>	<u>123,586</u>	<u>414</u>
Excess (deficiency) of revenues over expenditures	<u>(26,294)</u>	<u>(33,341)</u>	<u>(32,594)</u>	<u>747</u>
Net change in fund balances	(23,294)	(33,341)	(32,594)	
Fund balances - beginning	57,360	57,360	57,360	
Fund balances - ending	<u><u>\$ 34,066</u></u>	<u><u>\$ 24,019</u></u>	<u><u>\$ 24,766</u></u>	

See Notes to the Required Supplementary Information

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.07551%	\$ 1,455,966	\$ 954,985	152.46%	65.31%
2022	0.07975%	2,296,738	925,721	248.10%	54.47%
2021	0.07818%	814,891	859,345	94.83%	78.26%
2020	0.07189%	2,261,612	793,014	285.19%	48.91%
2019	0.07872%	922,597	818,775	112.68%	71.66%
2018	0.09121%	1,539,234	936,993	164.27%	62.80%
2017	0.08809%	1,415,815	899,207	157.45%	61.98%
2016	0.08574%	835,630	864,069	96.71%	70.46%
2015	0.08318%	565,630	741,056	76.33%	77.15%

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

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

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	0.065136%	\$ 65,120	\$ 654,732	9.95%	62.74%
2022	0.070391%	84,491	726,720	11.63%	56.28%
2021	0.064089%	35,645	698,740	5.10%	76.63%
2020	0.064912%	54,604	739,976	7.38%	63.38%
2019	0.073376%	58,935	818,775	7.20%	63.13%
2018	0.085631%	67,440	936,993	7.20%	59.78%

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

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

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 71,203	\$ (71,203)	\$ -	\$ 954,985	7.46%
2022	69,452	(69,452)	-	939,586	7.39%
2021	66,685	(66,685)	-	907,687	7.35%
2020	61,805	(61,805)	-	859,345	7.19%
2019	58,714	(58,714)	-	824,628	7.12%
2018	68,896	(68,896)	-	967,646	7.12%
2017	67,962	(67,962)	-	954,525	7.12%
2016	62,945	(62,945)	-	884,065	7.12%
2015	57,926	(57,926)	-	813,574	7.12%

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

EDDY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED DECEMBER 31, 2023

	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	\$ 7,679	\$ (7,679)	\$ -	\$ 954,985	0.80%
2022	8,158	(8,158)	-	939,586	0.87%
2021	8,290	(8,290)	-	727,193	1.14%
2020	9,152	(9,152)	-	859,345	1.06%
2019	9,401	(9,401)	-	824,628	1.14%
2018	11,031	(11,031)	-	967,464	1.14%

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

EDDY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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 an 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.

EDDY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
DECEMBER 31, 2023

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.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Eddy County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Eddy County's basic financial statements and have issued our report thereon dated September 17, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Eddy County's Response to Findings

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

Purpose of This Report

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



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

September 17, 2024

EDDY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-001 *Preparation of Financial Statements*

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

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

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

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

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

Views of responsible officials and planned corrective action:

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

EDDY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-002 *Adjusting Journal Entries*

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

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

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

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

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

Views of responsible officials and planned corrective action:

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

EDDY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-003 Segregation of Duties

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

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

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

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

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

Views of responsible officials and planned corrective action:

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