

WARD COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2023
WITH INDEPENDENT AUDITOR'S REPORT

WARD COUNTY
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Page(s)</u> |
|--|----------------|
| County Officials | 1 |
| Independent Auditor's Report | 2 - 4 |
| BASIC FINANCIAL STATEMENTS | |
| Statement of Net Position | 5 |
| Statement of Activities | 6 |
| Balance Sheet - Governmental Funds | 7 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position | 8 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds | 9 |
| Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 10-11 |
| Statement of Fiduciary Net Position | 12 |
| Statement of Changes in Fiduciary Net Position | 13 |
| Notes to Financial Statements | 14-37 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Employer's Share of Net Pension and OPEB Liability | 38 |
| Schedule of Employer Contributions | 39 |
| Budgetary Comparison Schedule - General Fund | 40 |
| Budgetary Comparison Schedule - Special Revenue Fund | 41 |
| Notes to Required Supplementary Information | 42-43 |

**WARD COUNTY
COUNTY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2023**

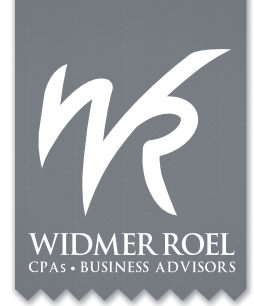
Current

John Fjeldahl
Jim Rostad
Miranda Schuler
Ron Merritt
Jason Olson

Commissioner-Chairperson
Commissioner-Vice Chair
Commissioner
Commissioner
Commissioner

Marisa Haman
Robert Roed
Kristin Kowalczyk
Rozanna Larson

Auditor/Treasurer
Sheriff
Recorder
States Attorney



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INDEPENDENT AUDITOR'S REPORT

County Commission
Ward County
Minot, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Ward County** ("County"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the **Ward County's** basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **Ward 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.

We did not audit the financial statements of the Water Resource District, which represents 4 percent, 4 percent, and 2 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water Resource District, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, 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 **Ward County**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Prior Period Adjustments

As discussed in Note 11 to the financial statements, the 2022 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Ward County's 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 misstatements, 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 **Ward County's** ability to continue as a going concern for twelve months beyond the financial statement date, including any county known information that may rise substantial doubt shortly after.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, 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 **Ward 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 **Ward 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 Schedule of Employer's Share of Net Pension and OPEB Liability, Schedule of Employer Contributions, Budgetary Comparison Schedule - General Fund, Budgetary Comparison Schedule - Special Revenue Fund, and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, 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 this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2025, on our consideration of the **Ward County's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 **Ward County's** internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Wilmer Pool", followed by a stylized flourish.

Fargo, North Dakota
May 14, 2025

WARD COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2023

| | Primary Government Governmental Activities | Component Unit Water Resource District |
|--|---|---|
| ASSETS | | |
| Cash and investments | \$ 27,269,940 | \$ 3,427,775 |
| Inventory | 1,199,270 | - |
| Intergovernmental receivable | 88,096 | - |
| Taxes receivable | 393,353 | 24,559 |
| Special assessments receivable | - | 1,735,378 |
| Due from county treasurer | - | 3,966 |
| Capital assets, not being depreciated | | |
| Land | 698,100 | 113,800 |
| Capital assets, net of accumulated depreciation | | |
| Infrastructure | 109,552,578 | 3,360,367 |
| Buildings | 60,704,689 | - |
| Machinery, vehicles, and equipment | 4,353,318 | - |
| Total assets | <u>204,259,344</u> | <u>8,665,845</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows of resources related to pensions and OPEB | <u>15,521,255</u> | <u>47,760</u> |
| Total assets and deferred outflows of resources | <u>\$ 219,780,599</u> | <u>\$ 8,713,605</u> |
| LIABILITIES | | |
| Interest payable | \$ 22,937 | \$ 12,033 |
| Accounts payable | 3,362 | 49,901 |
| Long-term liabilities | | |
| Portion due or payable within one year | | |
| Compensated absences payable | 138,248 | - |
| Bond payable | 1,835,000 | 125,000 |
| Portion due or payable after one year | | |
| Compensated absences | 922,027 | - |
| Bond payable | - | 1,680,000 |
| Bond premium | 125,745 | - |
| Net pension and OPEB liability | <u>20,719,524</u> | <u>70,187</u> |
| Total liabilities | <u>23,766,843</u> | <u>1,937,121</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows of resources related to pensions and OPEB | <u>18,581,879</u> | <u>51,905</u> |
| NET POSITION | | |
| Net investment in capital assets | 173,347,940 | 1,669,167 |
| Restricted for | | |
| Public safety/911 | 2,859,045 | - |
| Highway and public improvement | 5,982,093 | - |
| Health and welfare | 1,204,931 | - |
| Culture and recreation | 220,305 | - |
| Conservation and economic development | 90,016 | - |
| General government | 8,496,686 | - |
| Debt services | 2,062,929 | 2,070,387 |
| Capital projects | 265,631 | - |
| Unrestricted | <u>(17,097,699)</u> | <u>2,985,025</u> |
| Total net position | <u>177,431,877</u> | <u>6,724,579</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 219,780,599</u> | <u>\$ 8,713,605</u> |

See Notes to Financial Statements

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

| | | | | | Net (Expense) Revenue and Changes in Net Position | |
|---------------------------------------|----------------------|-------------------------|-------------------------|----------------------|--|-----------------------|
| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Primary</u> | <u>Component</u> |
| | | <u>Charges for</u> | <u>Operating Grants</u> | <u>Capital</u> | <u>Governmental</u> | <u>Water Resource</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Grants and</u> | <u>Activities</u> | <u>District</u> |
| | | | <u>Contributions</u> | <u>Contributions</u> | | |
| <u>Functions/Programs</u> | | | | | | |
| Primary Government: | | | | | | |
| <u>Governmental Activities:</u> | | | | | | |
| General government | \$ 13,610,122 | \$ 468,298 | \$ 713,263 | \$ - | \$ (12,428,561) | \$ - |
| Public safety | 14,117,575 | 1,680,332 | 1,859,699 | - | (10,577,544) | - |
| Highways and public improvement | 11,387,598 | 170,323 | 11,473,503 | - | 256,228 | - |
| Health and welfare | 6,845,647 | 6,113,066 | 292,835 | - | (439,746) | - |
| Culture and recreation | 712,827 | 11,604 | 56,973 | - | (644,250) | - |
| Conservation and economic development | 432,281 | - | - | - | (432,281) | - |
| Interest expense | 379,549 | - | - | - | (379,549) | - |
| Total governmental activities | \$ <u>47,485,599</u> | \$ <u>8,443,623</u> | \$ <u>14,396,273</u> | \$ <u>-</u> | \$ <u>(24,645,703)</u> | \$ <u>-</u> |
| Component Units: | | | | | | |
| Water resource district | \$ <u>617,424</u> | \$ <u>5,202</u> | \$ <u>299,326</u> | \$ <u>-</u> | \$ <u>(312,896)</u> | \$ <u>(312,896)</u> |
| Total component units | \$ <u>617,424</u> | \$ <u>5,202</u> | \$ <u>299,326</u> | \$ <u>-</u> | <u>(312,896)</u> | <u>(312,896)</u> |
| GENERAL REVENUES | | | | | | |
| | | | | | | |
| | | | | | 17,311,472 | 678,163 |
| | | | | | 8,023,343 | - |
| | | | | | - | 66,744 |
| | | | | | 4,207,868 | - |
| | | | | | (31,190) | - |
| | | | | | 578,101 | - |
| | | | | | 1,466,860 | - |
| | | | | | <u>31,556,454</u> | <u>744,907</u> |
| | | | | | | |
| | | | | | 6,910,751 | 432,011 |
| | | | | | | |
| | | | | | 170,521,126 | 6,274,229 |
| | | | | | | |
| | | | | | - | 18,339 |
| | | | | | | |
| | | | | | 170,521,126 | 6,292,568 |
| | | | | | | |
| | | | | | \$ <u>177,431,877</u> | \$ <u>6,724,579</u> |

See Notes to Financial Statements

WARD COUNTY
BALANCE SHEET - GOVERNMENT FUNDS
DECEMBER 31, 2023

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Total Government Funds</u> |
|--|-------------------------|----------------------------------|------------------------------|----------------------------------|---------------------------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 6,089,204 | \$ 18,852,176 | \$ 2,062,929 | \$ 265,631 | \$ 27,269,940 |
| Inventory | - | 1,199,270 | - | - | 1,199,270 |
| Intergovernmental receivable | 87,196 | 900 | - | - | 88,096 |
| Taxes receivable | <u>363,674</u> | <u>29,679</u> | <u>-</u> | <u>-</u> | <u>393,353</u> |
| Total assets | <u>\$ 6,540,074</u> | <u>\$ 20,082,025</u> | <u>\$ 2,062,929</u> | <u>\$ 265,631</u> | <u>\$ 28,950,659</u> |
| Liabilities | | | | | |
| Accounts payable | \$ <u>3,362</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>3,362</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred tax revenue | <u>363,674</u> | <u>29,679</u> | <u>-</u> | <u>-</u> | <u>393,353</u> |
| FUND BALANCES | | | | | |
| Nonspendable | | | | | |
| Inventory | - | 1,199,270 | - | - | 1,199,270 |
| Restricted for | | | | | |
| Public safety/911 | - | 2,859,045 | - | - | 2,859,045 |
| Highway and public improvement | - | 5,982,093 | - | - | 5,982,093 |
| Health and welfare | - | 1,204,931 | - | - | 1,204,931 |
| Culture and recreation | - | 220,305 | - | - | 220,305 |
| Conservation and economic development | - | 90,016 | - | - | 90,016 |
| General government | - | 8,496,686 | - | - | 8,496,686 |
| Capital project | - | - | - | 265,631 | 265,631 |
| Debt service | - | - | 2,062,929 | - | 2,062,929 |
| Unassigned | <u>6,173,038</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,173,038</u> |
| Total fund balances | <u>6,173,038</u> | <u>20,052,346</u> | <u>2,062,929</u> | <u>265,631</u> | <u>28,553,944</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 6,540,074</u> | <u>\$ 20,082,025</u> | <u>\$ 2,062,929</u> | <u>\$ 265,631</u> | <u>\$ 28,950,659</u> |

WARD COUNTY
RECONCILIATION OF GOVERNMENT FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

| | | |
|---|---------------------|------------------------------|
| Total fund balances for governmental funds | | \$ 28,553,944 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. | | |
| Cost of capital assets | 273,909,563 | |
| Less accumulated depreciation | <u>(98,600,878)</u> | |
| | | 175,308,685 |
| Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds. | | |
| | | 393,353 |
| Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds. | | |
| | | (20,719,524) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Total deferred outflows of resources | 15,521,255 | |
| Total deferred inflows of resources | <u>(18,581,879)</u> | |
| | | (3,060,624) |
| Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences payable | (1,060,275) | |
| Bonds payable | (1,835,000) | |
| Unamortized bond premium | (125,745) | |
| Interest payable | <u>(22,937)</u> | |
| | | <u>(3,043,957)</u> |
| Total net position of governmental activities | | \$ <u>177,431,877</u> |

WARD COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Total Government Funds |
|--|-------------------------|---------------------------------|------------------------------|----------------------------------|---------------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 12,061,527 | \$ 5,134,512 | \$ 8,015,132 | \$ 33,640 | \$ 25,244,811 |
| Special assessments | - | - | - | 34,618 | 34,618 |
| Licenses, permits and fees | 482,240 | 1,762,162 | - | - | 2,244,402 |
| Intergovernmental | 4,409,809 | 18,402,933 | - | - | 22,812,742 |
| Charges and services | 1,680,332 | 19,757 | - | - | 1,700,089 |
| Miscellaneous | 959,625 | 860,862 | 90,324 | 73 | 1,910,884 |
| Total revenues | <u>19,593,533</u> | <u>26,180,226</u> | <u>8,105,456</u> | <u>68,331</u> | <u>53,947,546</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 8,939,814 | 7,930,832 | - | - | 16,870,646 |
| Public safety/911 | 10,981,701 | 2,513,786 | - | - | 13,495,487 |
| Highway and public improvement | - | 9,539,118 | - | - | 9,539,118 |
| Health and welfare | 351,945 | 6,263,304 | - | - | 6,615,249 |
| Culture and recreation | 243,215 | 440,434 | - | - | 683,649 |
| Conservation and economic development | - | 435,730 | - | - | 435,730 |
| Debt service: | | | | | |
| Principal | - | - | 12,860,000 | - | 12,860,000 |
| Interest and fees | - | - | 518,660 | - | 518,660 |
| Total expenditures | <u>20,516,675</u> | <u>27,123,204</u> | <u>13,378,660</u> | <u>-</u> | <u>61,018,539</u> |
| Excess (deficiency) of revenues over expenditures | <u>(923,142)</u> | <u>(942,978)</u> | <u>(5,273,204)</u> | <u>68,331</u> | <u>(7,070,993)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 8,501 | 6,861,582 | 871,292 | - | 7,741,375 |
| Transfers out | (5,242) | (5,543,501) | (1,321,340) | (871,292) | (7,741,375) |
| Total other financing sources (uses) | <u>3,259</u> | <u>1,318,081</u> | <u>(450,048)</u> | <u>(871,292)</u> | <u>-</u> |
| Net change in fund balances | <u>(919,883)</u> | <u>375,103</u> | <u>(5,723,252)</u> | <u>(802,961)</u> | <u>(7,070,993)</u> |
| FUND BALANCES - JANUARY 1 | <u>7,092,921</u> | <u>19,677,243</u> | <u>7,786,181</u> | <u>1,068,592</u> | <u>35,624,937</u> |
| FUND BALANCES - DECEMBER 31 | <u>\$ 6,173,038</u> | <u>\$ 20,052,346</u> | <u>\$ 2,062,929</u> | <u>\$ 265,631</u> | <u>\$ 28,553,944</u> |

WARD 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 \$ (7,070,993)

Amount reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain (or loss) from asset sales and donations is reported. In contrast, in governmental funds, the proceeds from sales contribute to financial resources. As a result, the change in net position differs from the change in fund balance due to the book value of assets sold and donated in the current period. These amounts are:

| | | |
|--------------------------------------|-----------------|-----------|
| Current year capital outlay | 8,232,103 | |
| Depreciation expense | (6,253,287) | |
| Proceeds from sale of capital assets | (253,421) | |
| Loss on disposal of capital assets | <u>(31,190)</u> | |
| | | 1,694,205 |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which payments exceeded proceeds.

| | |
|-------------------|------------|
| Repayment of debt | 12,860,000 |
|-------------------|------------|

Governmental funds report the effect of premiums on refunding when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. This is the change in bond premium. 578,101

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.

| | | |
|------------------------------------|----------------|--------|
| Net change in compensated absences | (51,813) | |
| Net change in interest payable | <u>142,600</u> | |
| | | 90,787 |

WARD 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**

The net pension and OPEB liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to these pension and OPEB items do not involve financial resources, and are not reported in the funds.

| | | |
|--|--------------------|-------------|
| Change in net pension and OPEB liability | 12,367,236 | |
| Change in deferred outflows of resources | (9,397,506) | |
| Change in deferred inflows of resources | <u>(4,271,701)</u> | |
| | | (1,301,971) |

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.

| | | |
|--------------------------------|--|---------------|
| Net change in taxes receivable | | <u>60,622</u> |
|--------------------------------|--|---------------|

| | | |
|--|--|-----------------------------------|
| Change in net position of governmental activities | | \$ <u><u>6,910,751</u></u> |
|--|--|-----------------------------------|

WARD COUNTY
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2023

| | <u>Custodial Funds</u> |
|--------------------------|-----------------------------------|
| ASSETS | |
| Cash and investments | \$ <u><u>11,370,046</u></u> |
| LIABILITIES | |
| Due to other governments | \$ <u><u>11,370,046</u></u> |
| Total net position | \$ <u><u>-</u></u> |

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

| | Custodial Funds |
|--|-----------------------------|
| | <u> </u> |
| ADDITIONS | |
| Contributions | \$ <u>86,299,868</u> |
| DEDUCTIONS | |
| Disbursements | <u>86,299,868</u> |
| CHANGE IN NET POSITION | <u>-</u> |
| NET POSITION - JANUARY 1 | \$ <u>22,471,418</u> |
| Prior Year Adjustments | <u>(22,471,418)</u> |
| NET POSITION - JANUARY 1, AS RESTATED | <u>-</u> |
| NET POSITION - DECEMBER 31 | \$ <u><u>-</u></u> |

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The accompanying financial statements present the activities of the 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 GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization’s governing board and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or imposed specific financial burdens on the County.

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 relationship with the County.

Discretely Presented Component Unit

The component unit column in the basic financial statements includes the financial data of the County’s component unit. The unit is reported in a separate column to emphasize that it is legally separate from the County.

Ward County Water Resource District

The Ward County Water Resource District’s governing board is appointed by the County’s governing board. The County’s governing body has the authority to disapprove, amend, or approve the water resource district budget. The water resource district has the authority to issue its own debt.

Complete financial statements of the Ward County Water Resource District may be obtained at Ward County Water Resource District, PO Box 5055, Minot, ND 58072.

Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, Ward County, and its component unit. These statements include the financial activities of the overall government, except for financial 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 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.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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.

The County reports the following major governmental funds:

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

Special Revenue Fund: This fund accounts for all other resources which are required by law, contract, or policy to be accounted for in another fund, but which do not meet the criteria of debt service or capital projects funds.

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs for the general obligation and sales tax revenue bonds.

Capital Projects Fund: This fund accounts for financial resources dedicated to the construction of new buildings, additions to old buildings, or the making of major repairs to existing buildings.

The County reports the following fiduciary fund type:

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These 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. Accounts past due more than sixty days are analyzed for collectability. When management deems any account receivable to be uncollectible, an allowance is setup and deducted from the related accounts receivable.

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 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-reimbursements grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted components of net position available to finance the problem. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash and Investments

Cash includes amounts in demand deposits money market accounts. Investments consist of certificates of deposit stated at cost. Certificates of deposit principle may be withdrawn at any time before maturity with a penalty of interest.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. The inventory is offset within the non-spendable classification of fund balance in the fund financial statements which indicates that inventory does not constitute “available spending resources” even though it is a component of net current assets.

Capital Assets

Capital assets include property, plant, and equipment. 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 estimated fair market 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 the assets life 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 | 50 to 70 years |
| Buildings | 50 to 100 years |
| Machinery, Vehicles, & Equipment | 10 years |

Interest Payable

Interest payable consists of interest on long-term liabilities accrued to December 31, 2023.

Compensated Absences

Vested or accumulated vacation leave, and compensatory time is reported in government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the County. The employees may carry forward unused vacation leave not to exceed 240 hours. Compensatory time must be used or paid out within six months of accrual. No liability is recorded for non-vesting accumulation rights to receive sick pay benefits.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows and outflows of resources related to pensions and other post-employment benefits.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported separately from the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension

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”); 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 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 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.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as Nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, contributors, or law or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a board motion of the County commission through the adoption of a resolution. The County commission also may modify or rescind the commitment by a board motion.

Assigned – Fund balances are reported as assigned when amounts are constrained by the County’s intent to be used for specific purposes but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County’s policy to use fund balance in the following order:

1. Committed
2. Assigned
3. Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has not spent) for acquisition, construction, or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted. When both restricted and unrestricted amounts of net position are available for use for expenditures incurred, it is the County’s policy to use restricted amounts first and then unrestricted amounts as they are needed.

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.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reporting amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, results could differ from those estimates.

New Accounting Pronouncement

After analyzing GASB 87, management has not recorded any lease liabilities or right of use assets as it has deemed the amounts to be immaterial to the overall financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

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

At year ended December 31, 2023, the County's bank balances were \$38,002,974. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$37,502,974 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2023, the Water Resource District's carrying amount of deposits was \$3,427,775. The amounts on deposit were insured by the FDIC up to \$250,000 per institution. As of December 31, 2023, all of the District's cash balances were either covered by FDIC insurance or collateral held in the District's name.

Credit Risk

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

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

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

- c) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation.
- d) Obligations of the state.

At December 31, 2023 the County held certificates of deposit in the amount of \$515,000 which are all considered deposits.

Concentration of Credit Risk

The County does not have a limit on the amount the County may invest in any one issuer.

NOTE 3 – TAXES RECEIVABLE

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

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Any material tax 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 all the special assessments, 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 5.0% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent, and penalties are assessed.

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

NOTE 4 – CAPITAL ASSETS

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

Primary Government:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|---------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 698,100 | \$ - | \$ - | \$ 698,100 |
| Capital assets, being depreciated | | | | |
| Infrastructure | 178,063,516 | 7,065,461 | - | 185,128,977 |
| Buildings | 72,849,080 | 391,631 | - | 73,240,711 |
| Machinery, vehicles, and equipment | 14,648,075 | 775,012 | 581,312 | 14,841,775 |
| Total capital assets, being depreciated | <u>265,560,671</u> | <u>8,232,103</u> | <u>581,312</u> | <u>273,211,463</u> |

(Continued)

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Ending Balance</u> |
|---|-------------------------------------|-------------------------|----------------------------|----------------------------------|
| Less accumulated depreciation for | | | | |
| Infrastructure | 71,754,996 | 3,821,402 | - | 75,576,399 |
| Buildings | 11,471,108 | 1,064,914 | - | 12,536,022 |
| Machinery, vehicles, and equipment | 9,418,187 | 1,366,971 | 296,701 | 10,488,457 |
| Total accumulated depreciation | <u>92,644,291</u> | <u>6,253,287</u> | <u>296,701</u> | <u>98,600,878</u> |
| Total capital assets, being depreciated, net | <u>172,916,380</u> | <u>1,978,816</u> | <u>284,611</u> | <u>174,610,585</u> |
| Governmental activities capital assets, net | \$ <u>173,614,480</u> | \$ <u>1,978,816</u> | \$ <u>284,611</u> | \$ <u>175,308,685</u> |

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

| | |
|---------------------------------|---------------------|
| General government | \$ 540,271 |
| Public safety | 731,556 |
| Highways and public improvement | <u>4,981,460</u> |
| | \$ <u>6,253,287</u> |

Component Unit:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Ending Balance</u> |
|---|-------------------------------------|-------------------------|----------------------------|----------------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ <u>113,800</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>113,800</u> |
| Capital assets, being depreciated | | | | |
| Infrastructure | <u>3,847,742</u> | <u>402,001</u> | <u>-</u> | <u>4,249,743</u> |
| Less accumulated depreciation for | | | | |
| Infrastructure | <u>808,610</u> | <u>80,766</u> | <u>-</u> | <u>889,376</u> |
| Total capital assets, being depreciated, net | <u>3,039,132</u> | <u>321,235</u> | <u>-</u> | <u>3,360,367</u> |
| Component unit capital assets, net | \$ <u>3,152,932</u> | \$ <u>321,235</u> | \$ <u>-</u> | \$ <u>3,474,167</u> |

Depreciation expense was charged to functions/programs of the water resource district as follows:

| | |
|--------------|------------------|
| Public works | \$ <u>80,766</u> |
|--------------|------------------|

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 5 – LONG-TERM DEBT

Primary Government:

Changes in Long-Term Liabilities

During the year ended December 31, 2023, the following changes occurred in liabilities reported in the long-term liabilities – Governmental Activities:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--------------------------|------------------------------|------------------|----------------------|---------------------------|--------------------------------|
| General obligation bonds | \$ 7,260,000 | \$ - | \$ 7,260,000 | \$ - | \$ - |
| Sales tax revenue bonds | 7,435,000 | - | 5,600,000 | 1,835,000 | 1,835,000 |
| Bond premium | 703,846 | - | 578,101 | 125,745 | - |
| Compensated absences | 1,008,462 | 51,813 | - | 1,060,275 | 138,248 |
| Net pension liability | 31,661,671 | - | 12,043,337 | 19,618,334 | - |
| Net OPEB liability | 1,425,089 | - | 323,899 | 1,101,190 | - |
| Total | \$ <u>49,494,068</u> | \$ <u>51,813</u> | \$ <u>25,805,337</u> | \$ <u>23,740,544</u> | \$ <u>1,973,248</u> |

Outstanding debt at December 31, 2023 consists of the following:

Revenue Bond Debt

The County has issued revenue bonds to provide funds for the construction of new courthouse building. Revenue bonds outstanding at December 31, 2023 are as follows:

| | |
|---|---------------------|
| \$18,135,000 Limited Tax Refunding Bonds, Series 2020 due in annual installments of \$1,835,000 to \$5,600,000 through April 1, 2024; interest at 5.0%. | \$ <u>1,835,000</u> |
|---|---------------------|

Annual debt service requirements to maturity for revenue bond debt are as follows:

| Year Ending December 31 | Principal | Interest | Total |
|------------------------------------|---------------------|------------------|---------------------|
| 2024 | \$ <u>1,835,000</u> | \$ <u>45,875</u> | \$ <u>1,880,875</u> |

Component Units:

Changes in Long-Term Liabilities

During the year ended December 31, 2023, the following changes occurred in liabilities reported in the long-term liabilities.

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Special assessment bonds | \$ 1,925,000 | \$ - | \$ 120,000 | \$ 1,805,000 | \$ 125,000 |
| Net pension and OPEB liability | 97,655 | - | 27,468 | 70,187 | - |
| | \$ <u>2,022,655</u> | \$ <u>-</u> | \$ <u>147,468</u> | \$ <u>1,875,187</u> | \$ <u>125,000</u> |

(Continued)

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Outstanding debt at December 31, 2023 consists of the following:

\$2,546,106 Sanitary Sewer System Improvement Bonds, Series 2016 due in annual installments of \$110,000 to \$165,000 through September 1, 2036; interest at 2.0%.

\$ 1,805,000

Special Assessment Debt

The water resource district has issued special assessment bonds to provide funds for the construction of the Nedrose sanitary sewer. Special assessment bonds outstanding at December 31, 2023, are as follows:

Annual debt service requirements to maturity for special assessment bonds are as follows:

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 125,000 | \$ 36,100 | \$ 161,100 |
| 2025 | 125,000 | 33,600 | 158,600 |
| 2026 | 130,000 | 31,100 | 161,100 |
| 2027 | 135,000 | 28,500 | 163,500 |
| 2028 | 135,000 | 25,800 | 160,800 |
| 2029-2033 | 735,000 | 86,800 | 821,800 |
| 2034-2036 | <u>420,000</u> | <u>15,600</u> | <u>435,600</u> |
| | <u>\$ 1,805,000</u> | <u>\$ 257,500</u> | <u>\$ 2,062,500</u> |

NOTE 6 – TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2023:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|-----------------------|--------------------|---------------------|
| General fund | \$ 8,501 | \$ 5,242 |
| Special revenue funds | | |
| 911 Depreciation | 135,000 | - |
| Highway | 5,405,242 | - |
| Highway-sales tax | 1,321,340 | - |
| Sales tax bond | 871,292 | - |
| 911 Wired/wireless | - | 135,000 |
| Highway users | - | 5,400,000 |
| Gambling tax | - | 8,501 |

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|--------------------|--------------------|---------------------|
| Capital Projects | | |
| Construction fund | - | 871,292 |
| Debt service funds | | |
| Sales tax bond | - | 1,321,284 |
| Bond surplus | - | 56 |
| | <u>7,741,375</u> | <u>1,321,340</u> |
| | \$ | \$ |

NOTE 7 – RISK MANAGEMENT

Ward 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, the 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. The 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 \$2,000,000 per occurrence for general liability and automobile; and \$10,000,000 for public assets.

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

The County has worker’s compensation with the Department of Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 8 – CONTINGENT LIABILITIES

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Ward County State’s Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

NOTE 9 – PENSION PLANS

North Dakota Public Employees Retirement System (Main & Law Enforcement Systems)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to North Dakota Century Code (“NDCC”) Chapter 54-52 for more complete information.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees for 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 NDPERS plan is financed by investment income and contributions.

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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

Main System

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.0% 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 2.0% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Law Enforcement System

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.0% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

Both Systems

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.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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

Main System

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.

Law Enforcement System

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 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 is terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Main System

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7.0% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7.0% and employer contribution rates are 8.26% of covered compensation.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Law Enforcement System

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

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

Both Systems

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25, and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, the County reported a liability for its proportionate share of 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 proportion of the net pension liability was based on the share of covered payroll in the Main System and the Law Enforcement System pension plan relative to the covered payroll of all participating employers.

The table shows the net pension liability and the proportionate share for each system:

| | Net Pension Liability | Proportion Share | Change in Proportion Share |
|-------------------------|----------------------------------|-----------------------------|---|
| Main System | \$ 16,156,904 | 0.837904% | -0.071177% |
| Law Enforcement System | \$ 3,461,430 | 5.713666% | -0.960803% |
| Water Resource District | \$ 66,023 | 0.003420% | 0.000181% |

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

For the year ended December 31, 2023, the County recognized pension expense as follows:

| | <u>Pension Expense</u> |
|-------------------------|-----------------------------------|
| Main System | \$ 683,357 |
| Law Enforcement System | \$ 1,818,172 |
| Water Resource District | \$ 5,623 |

At December 31, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Main System

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 525,959 | \$ 89,104 |
| Changes of assumptions | 8,909,106 | 12,263,500 |
| Net difference between projected and actual earnings on pension plan investments | 423,928 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 62,545 | 1,555,673 |
| County contributions subsequent to the measurement date | <u>432,668</u> | <u>-</u> |
| | <u>\$ 10,354,206</u> | <u>\$ 13,908,277</u> |

\$432,668 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 ended December 31, 2024.

Law Enforcement

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ 1,326,088 | \$ 11,921 |
| Changes of assumptions | 3,047,024 | 4,190,048 |
| Net difference between projected and actual earnings on pension plan investments | 177,095 | - |

(Continued)

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 297,601 |
| County contributions subsequent to the measurement date | <u>205,067</u> | <u>-</u> |
| | \$ <u><u>4,755,274</u></u> | \$ <u><u>4,499,570</u></u> |

\$205,067 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date for the primary government and its component units will be recognized as a reduction of the net pension liability in the year ended December 31, 2024.

Water Resource District

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ 2,149 | \$ 364 |
| Changes of assumptions | 36,407 | 50,113 |
| Net difference between projected and actual earnings on pension plan investments | 1,732 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,846 | 1,018 |
| County contributions subsequent to the measurement date | <u>2,600</u> | <u>-</u> |
| | \$ <u><u>45,734</u></u> | \$ <u><u>51,495</u></u> |

\$2,600 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date for the primary government and its component units will be recognized as a reduction of the net pension liability in the year ended December 31, 2024.

All Systems

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

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Main System

| | |
|---------------------|--------------|
| Year Ended June 30: | |
| 2024 | \$ (548,525) |
| 2025 | (2,292,485) |
| 2026 | (58,035) |
| 2027 | (1,087,694) |
| 2028 | - |
| Thereafter | - |

Law Enforcement System

| | |
|---------------------|------------|
| Year Ended June 30: | |
| 2024 | \$ 178,540 |
| 2025 | 287,871 |
| 2026 | 23,413 |
| 2027 | (159,498) |
| 2028 | (229,108) |
| Thereafter | (50,581) |

Water Resource District

| | |
|---------------------|---------|
| Year Ended June 30: | |
| 2024 | \$ 439 |
| 2025 | (7,089) |
| 2026 | 1,737 |
| 2027 | (3,448) |
| 2028 | - |
| Thereafter | - |

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.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 tables:

| Asset Class - Main | Target Allocation | Long-term Expected Real Rate of Return |
|---------------------------|------------------------------|---|
| Domestic equity | 31.00% | 6.25% |
| International equity | 20.00% | 6.95% |
| Private equity | 7.00% | 9.45% |
| Domestic fixed income | 23.00% | 2.51% |
| Global real assets | 19.00% | 4.33% |

| Asset Class - Law Enforcement | Target Allocation | Long-term Expected Real Rate of Return |
|--------------------------------------|------------------------------|---|
| Domestic equity | 31.00% | 6.25% |
| International equity | 20.00% | 6.95% |
| Private equity | 7.00% | 9.45% |
| Domestic fixed income | 23.00% | 2.51% |
| Global real assets | 19.00% | 4.33% |

| Asset Class - Water Resource District | Target Allocation | Long-term Expected Real Rate of Return |
|--|------------------------------|---|
| Domestic equity | 31.00% | 6.25% |
| International equity | 20.00% | 6.95% |
| Private equity | 7.00% | 9.45% |
| Global fixed income | 23.00% | 2.51% |
| Global real assets | 19.00% | 4.33% |

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Discount Rate

For NDPERS, 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 NDPERS 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 County'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:

Main System

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of net pension liability | \$ <u>22,276,488</u> | \$ <u>16,156,904</u> | \$ <u>11,080,233</u> |

Law Enforcement System

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of net pension liability | \$ <u>5,344,866</u> | \$ <u>3,461,430</u> | \$ <u>2,020,969</u> |

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Water Resource District

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of net pension liability | \$ <u>91,030</u> | \$ <u>66,023</u> | \$ <u>45,278</u> |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Additional financial and actuarial information is available on their website, www.nd.gov/ndpers or may be obtained by contacting the agency at: North Dakota Public Employees Retirement System, 400 E Broadway Ave Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS PLANS

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the NDPERS, 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 NDPERS, 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 ("RHIC"). 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.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 NDPERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2023, the County reported a liability of \$1,101,190 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 employer'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 1.101464 percent, which was an decrease of 0.085804 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the County recognized OPEB expense of \$192,822. 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 | \$ 20,717 | \$ 12,602 |
| Changes of assumptions | 234,859 | 91,192 |
| Net difference between projected and actual earnings on pension plan investments | 79,536 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 9,309 | 70,238 |
| County contributions subsequent to the measurement date | <u>67,354</u> | <u>-</u> |
| | \$ <u><u>411,775</u></u> | \$ <u><u>174,032</u></u> |

\$67,354 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

| | |
|---------------------|-----------|
| Year Ended June 30: | |
| 2024 | \$ 65,573 |
| 2025 | 49,259 |
| 2026 | 91,853 |
| 2027 | (36,296) |
| 2028 | - |
| Thereafter | - |

Water Resource District

At December 31, 2023, the District reported a liability of \$4164 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 employer'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 0.004165 percent, which was an increase of 0.000524 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the County recognized OPEB expense of \$915. 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 | \$ 78 | \$ 48 |
| Changes of assumptions | 888 | 345 |
| Net difference between projected and actual earnings on pension plan investments | 301 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 375 | 17 |
| County contributions subsequent to the measurement date | <u>384</u> | <u>-</u> |
| | \$ <u><u>2,026</u></u> | \$ <u><u>410</u></u> |

\$384 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024.

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

| | |
|---------------------|--------|
| Year Ended June 30: | |
| 2024 | \$ 435 |
| 2025 | 372 |
| 2026 | 503 |
| 2027 | (78) |
| 2028 | - |
| Thereafter | - |

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-----------------------------|--------------------------|---|
| S&P 500 index | 33.00% | 5.50% |
| Small cap domestic equities | 6.00% | 7.65% |
| World equity ex-US | 26.00% | 6.82% |
| US high yield | 3.00% | 5.32% |
| Emerging market debt | 4.00% | 6.25% |
| Core fixed income | 28.00% | 4.04% |

WARD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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:

| | <u>1% Decrease (4.75%)</u> | <u>Current Discount Rate (5.75%)</u> | <u>1% Increase (6.75%)</u> |
|---|--------------------------------|--|--------------------------------|
| County's proportionate share of net pension liability | \$ <u>1,447,233</u> | \$ <u>1,101,190</u> | \$ <u>809,864</u> |

Water Resource District

| | <u>1% Decrease (4.75%)</u> | <u>Current Discount Rate (5.75%)</u> | <u>1% Increase (6.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| District's proportionate share of net OPEB liability | \$ <u>5,472</u> | \$ <u>4,164</u> | \$ <u>3,062</u> |

NOTE 11 PRIOR PERIOD ADJUSTMENT

During the year, it was determined that the balance of the special assessments receivable was understated as of January 1, 2023, due to Ward County Water Resource District reducing the special assessments receivable when payments were made to Ward County, and not when the District received the funds from Ward County. As such, adjustments were made to increase the balance of the special assessments receivable by \$18,339 for a total balance of \$1,865,059 as of January 1, 2023. This led to an increase in the government wide net position and fund balance for the 1st Larson Sewer West Fund by \$18,339.

The 2023 beginning fiduciary net position has been restated to adjust for errors in the calculation of fiduciary net position. This resulted in an adjustment to the January 1, 2023 balance of \$22,471,418 to \$-0-.

NOTE 12 – PENDING/THREATENED LITIGATION

The County is the named defendant in various lawsuits incident to its operations. In the opinion of management and legal counsel, the potential liability that may not be covered by insurance would not materially affect the financial condition of the County. The County is vigorously contesting the lawsuits.

WARD COUNTY

**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

WARD COUNTY
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION AND OPEB LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net Pension Liability

| <u>Pension Plan</u> | <u>Measurement Date</u> | <u>Employer's Proportion of the Net Pension Liability</u> | <u>Employer's Proportionate Share of the Net Pension Liability</u> | <u>Employer's Covered-Employee Payroll</u> | <u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|---------------------------|-------------------------|---|--|--|--|---|
| ND PERS - Main System | 6/30/2023 | 0.837904% | \$ 16,156,904 | \$ 10,246,476 | 157.68% | 65.31% |
| ND PERS - Main System | 6/30/2022 | 0.909081% | \$ 26,182,138 | \$ 10,552,942 | 248.10% | 54.47% |
| ND PERS - Main System | 6/30/2021 | 0.902620% | \$ 9,408,013 | \$ 10,221,189 | 92.04% | 78.26% |
| ND PERS - Main System | 6/30/2020 | 0.939229% | \$ 29,548,345 | \$ 10,360,833 | 285.19% | 48.91% |
| ND PERS - Main System | 6/30/2019 | 0.992173% | \$ 11,628,985 | \$ 10,320,290 | 112.68% | 71.66% |
| ND PERS - Main System | 6/30/2018 | 1.015218% | \$ 17,132,911 | \$ 10,429,512 | 164.27% | 62.80% |
| ND PERS - Main System | 6/30/2017 | 0.998332% | \$ 16,046,472 | \$ 10,191,403 | 157.45% | 61.98% |
| ND PERS - Main System | 6/30/2016 | 0.936847% | \$ 9,130,487 | \$ 9,441,211 | 96.71% | 70.46% |
| ND PERS - Main System | 6/30/2015 | 0.913962% | \$ 6,214,786 | \$ 8,142,296 | 76.33% | 77.15% |
| ND PERS - Main System | 6/30/2014 | 0.946207% | \$ 6,005,778 | \$ 7,970,652 | 75.35% | 77.70% |
| ND PERS - Law Enforcement | 6/30/2023 | 5.713666% | \$ 3,461,430 | \$ 4,088,418 | 84.66% | 67.61% |
| ND PERS - Law Enforcement | 6/30/2022 | 6.674469% | \$ 5,479,533 | \$ 4,321,459 | 126.80% | 57.48% |
| ND PERS - Law Enforcement | 6/30/2021 | 7.707725% | \$ 1,277,286 | \$ 4,742,833 | 26.93% | 87.10% |
| ND PERS - Law Enforcement | 6/30/2020 | 7.987957% | \$ 5,235,938 | \$ 3,625,242 | 144.43% | 53.12% |
| ND PERS - Law Enforcement | 6/30/2019 | 7.991588% | \$ 950,427 | \$ 3,219,967 | 29.52% | 84.95% |
| ND PERS - Law Enforcement | 6/30/2018 | 10.183491% | \$ 2,373,185 | \$ 3,515,450 | 67.51% | 71.64% |
| ND PERS - Law Enforcement | 6/30/2017 | 11.462062% | \$ 2,523,509 | \$ 3,297,140 | 76.54% | 69.86% |
| ND PERS - Law Enforcement | 6/30/2016 | 11.286701% | \$ 1,293,281 | \$ 3,185,768 | 40.60% | 78.73% |
| ND PERS - Law Enforcement | 6/30/2015 | 14.574460% | \$ 885,474 | \$ 2,136,098 | 41.45% | 83.61% |
| ND PERS - Law Enforcement | 6/30/2014 | 16.688576% | \$ 1,032,479 | \$ 2,181,867 | 47.32% | 80.56% |

Schedule of Employer's Share of Net Pension Liability

| <u>Pension Plan</u> | <u>Measurement Date</u> | <u>Employer's Proportion of the Net Pension Liability</u> | <u>Employer's Proportionate Share of the Net Pension Liability</u> | <u>Employer's Covered-Employee Payroll</u> | <u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|---------------------|-------------------------|---|--|--|--|---|
| OPEB | 6/30/2023 | 1.104640% | \$ 1,101,190 | \$ 11,071,728 | 9.95% | 62.74% |
| OPEB | 6/30/2022 | 1.187268% | \$ 1,425,089 | \$ 12,257,418 | 11.63% | 56.28% |
| OPEB | 6/30/2021 | 1.208499% | \$ 672,134 | \$ 13,175,759 | 5.10% | 76.63% |
| OPEB | 6/30/2020 | 1.163779% | \$ 978,968 | \$ 13,266,742 | 7.38% | 63.38% |
| OPEB | 6/30/2019 | 1.213440% | \$ 974,620 | \$ 13,540,257 | 7.20% | 63.13% |
| OPEB | 6/30/2018 | 1.274424% | \$ 1,003,696 | \$ 13,944,962 | 7.20% | 61.89% |
| OPEB | 6/30/2017 | 1.246814% | \$ 986,243 | \$ 13,488,543 | 7.31% | 59.78% |

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

WARD COUNTY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS*

| Schedule of Employer's Contributions | | | | | | |
|---|-------------------------|--|---|---|--|--|
| <u>Pension Plan</u> | <u>Measurement Date</u> | <u>Statutorily Required Contribution</u> | <u>Contributions in Relation to the Statutorily Required Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Employer's Covered-Employee Payroll</u> | <u>Contributions as a Percentage of Covered-Employee Payroll</u> |
| ND PERS - Main System | 6/30/2023 | \$ 775,154 | \$ (800,630) | \$ (25,476) | \$ 10,246,476 | 7.81% |
| ND PERS - Main System | 6/30/2022 | \$ 794,816 | \$ (785,208) | \$ 9,608 | \$ 10,552,942 | 7.44% |
| ND PERS - Main System | 6/30/2021 | \$ 753,768 | \$ (707,525) | \$ 46,243 | \$ 10,221,189 | 6.92% |
| ND PERS - Main System | 6/30/2020 | \$ 733,637 | \$ (822,460) | \$ (88,823) | \$ 10,360,833 | 7.94% |
| ND PERS - Main System | 6/30/2019 | \$ 734,805 | \$ (734,805) | \$ - | \$ 10,320,290 | 7.12% |
| ND PERS - Main System | 6/30/2018 | \$ 742,581 | \$ (742,581) | \$ - | \$ 10,429,512 | 7.12% |
| ND PERS - Main System | 6/30/2017 | \$ 725,628 | \$ (725,628) | \$ - | \$ 10,191,403 | 7.12% |
| ND PERS - Main System | 6/30/2016 | \$ 672,214 | \$ (672,214) | \$ - | \$ 9,441,211 | 7.12% |
| ND PERS - Main System | 6/30/2015 | \$ 579,731 | \$ (579,731) | \$ - | \$ 8,142,296 | 7.12% |
| ND PERS - Main System | 6/30/2014 | \$ 567,510 | \$ (567,510) | \$ - | \$ 7,970,652 | 7.12% |
| ND PERS - Law Enforcement | 6/30/2023 | \$ 380,421 | \$ (421,662) | \$ (41,241) | \$ 4,088,418 | 10.31% |
| ND PERS - Law Enforcement | 6/30/2022 | \$ 434,371 | \$ (522,596) | \$ (88,225) | \$ 4,321,459 | 12.09% |
| ND PERS - Law Enforcement | 6/30/2021 | \$ 421,665 | \$ (425,842) | \$ (4,177) | \$ 4,742,833 | 8.98% |
| ND PERS - Law Enforcement | 6/30/2020 | \$ 387,037 | \$ (386,310) | \$ 727 | \$ 3,625,242 | 10.66% |
| ND PERS - Law Enforcement | 6/30/2019 | \$ 315,879 | \$ (315,879) | \$ - | \$ 3,219,967 | 9.81% |
| ND PERS - Law Enforcement | 6/30/2018 | \$ 344,866 | \$ (344,866) | \$ - | \$ 3,515,450 | 9.81% |
| ND PERS - Law Enforcement | 6/30/2017 | \$ 323,449 | \$ (323,449) | \$ - | \$ 3,297,140 | 9.81% |
| ND PERS - Law Enforcement | 6/30/2016 | \$ 312,524 | \$ (312,524) | \$ - | \$ 3,185,768 | 9.81% |
| ND PERS - Law Enforcement | 6/30/2015 | \$ 209,551 | \$ (209,551) | \$ - | \$ 2,136,098 | 9.81% |
| ND PERS - Law Enforcement | 6/30/2014 | \$ 214,041 | \$ (214,041) | \$ - | \$ 2,181,867 | 9.81% |
| Schedule of Employer's Contributions | | | | | | |
| <u>Pension Plan</u> | <u>Measurement Date</u> | <u>Statutorily Required Contribution</u> | <u>Contributions in Relation to the Statutorily Required Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Employer's Covered-Employee Payroll</u> | <u>Contributions as a Percentage of Covered-Employee Payroll</u> |
| OPEB | 6/30/2023 | \$ 133,690 | \$ (137,183) | \$ (3,493) | \$ 11,071,728 | 1.24% |
| OPEB | 6/30/2022 | \$ 149,187 | \$ (158,320) | \$ (9,133) | \$ 12,257,418 | 1.29% |
| OPEB | 6/30/2021 | \$ 158,442 | \$ (146,744) | \$ 11,698 | \$ 13,175,759 | 1.11% |
| OPEB | 6/30/2020 | \$ 155,856 | \$ (174,049) | \$ (18,193) | \$ 13,266,742 | 1.31% |
| OPEB | 6/30/2019 | \$ 154,359 | \$ (154,359) | \$ - | \$ 13,540,257 | 1.14% |
| OPEB | 6/30/2018 | \$ 158,973 | \$ (158,973) | \$ - | \$ 13,944,962 | 1.14% |
| OPEB | 6/30/2017 | \$ 153,769 | \$ (153,769) | \$ - | \$ 13,488,543 | 1.14% |

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

WARD COUNTY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Final Budget</u> |
|---|----------------------------|-------------------------|---------------------|--------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 12,663,953 | \$ 12,663,953 | \$ 12,061,527 | \$ (602,426) |
| Licenses, permits and fees | 497,800 | 497,800 | 482,240 | (15,560) |
| Intergovernmental | 3,824,007 | 3,824,007 | 4,409,809 | 585,802 |
| Charges and services | 1,515,000 | 1,515,000 | 1,680,332 | 165,332 |
| Miscellaneous | <u>435,460</u> | <u>435,460</u> | <u>959,625</u> | <u>524,165</u> |
| Total revenues | <u>18,936,220</u> | <u>18,936,220</u> | <u>19,593,533</u> | <u>657,313</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 9,640,004 | 9,703,533 | 8,939,814 | (763,719) |
| Public safety/911 | 12,146,725 | 12,184,383 | 10,981,701 | (1,202,682) |
| Highway and public improvement | 396,331 | 396,331 | - | (396,331) |
| Health and welfare | 170,000 | 243,215 | 351,945 | 108,730 |
| Culture and recreation | <u>-</u> | <u>-</u> | <u>243,215</u> | <u>243,215</u> |
| Total expenditures | <u>22,353,060</u> | <u>22,527,462</u> | <u>20,516,675</u> | <u>(2,010,787)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,416,840)</u> | <u>(3,591,242)</u> | <u>(923,142)</u> | <u>2,668,100</u> |
| OTHER FINANCING USES | | | | |
| Transfers in | - | - | 8,501 | 8,501 |
| Transfers out | <u>-</u> | <u>-</u> | <u>(5,242)</u> | <u>(5,242)</u> |
| Net change in fund balance | <u>\$ (3,416,840)</u> | <u>\$ (3,591,242)</u> | (919,883) | <u>\$ 2,671,359</u> |
| FUND BALANCE, JANUARY 1 | | | <u>7,092,921</u> | |
| FUND BALANCE, DECEMBER 31 | | | <u>\$ 6,173,038</u> | |

WARD COUNTY

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Final Budget</u> |
|--|----------------------------|-------------------------|----------------------|--------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 5,321,871 | \$ 5,321,871 | \$ 5,134,512 | \$ (187,359) |
| Licenses, permits and fees | 1,560,000 | 1,560,000 | 1,762,162 | 202,162 |
| Intergovernmental | 11,377,117 | 16,603,586 | 18,402,933 | 1,799,347 |
| Charges and services | - | - | 19,757 | 19,757 |
| Miscellaneous | <u>206,200</u> | <u>206,200</u> | <u>860,862</u> | <u>654,662</u> |
| Total revenues | <u>18,465,188</u> | <u>23,691,657</u> | <u>26,180,226</u> | <u>2,488,569</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 326,983 | 7,947,603 | 7,930,832 | (16,771) |
| Public safety/911 | 3,474,888 | 3,488,194 | 2,513,786 | (974,408) |
| Highway and public improvement | 9,754,814 | 10,001,871 | 9,539,118 | (462,753) |
| Health and welfare | 6,529,706 | 6,563,496 | 6,263,304 | (300,192) |
| Culture and recreation | 581,645 | 581,645 | 440,434 | (141,211) |
| Conservation and economic development | <u>398,144</u> | <u>448,144</u> | <u>435,730</u> | <u>(12,414)</u> |
| Total expenditures | <u>21,066,180</u> | <u>29,030,953</u> | <u>27,123,204</u> | <u>(1,907,749)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,600,992)</u> | <u>(5,339,296)</u> | <u>(942,978)</u> | <u>4,396,318</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 6,861,582 | 6,861,582 |
| Transfers out | <u>135,000</u> | <u>135,000</u> | <u>(5,543,501)</u> | <u>(5,678,501)</u> |
| Total other financing sources (uses) | <u>135,000</u> | <u>135,000</u> | <u>1,318,081</u> | <u>1,183,081</u> |
| Net change in fund balances | <u>\$ (2,465,992)</u> | <u>\$ (5,204,296)</u> | 375,103 | <u>\$ 5,579,399</u> |
| FUND BALANCE, JANUARY 1 | | | <u>19,677,243</u> | |
| FUND BALANCE, DECEMBER 31 | | | <u>\$ 20,052,346</u> | |

WARD COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT BUDGET POLICIES

Annually, the board of county commissioners provides each office a department 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, special revenue and debt service funds on the modified accrual basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

The board of county commissioners holds a public hearing where any taxpayer may testify in favor or against any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before the October meeting, the board adopts the final budget and shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. 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, except for property taxes, 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.

NOTE 2 – LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the County's budget for the year ending December 31, 2023:

| | <u>Original Budget</u> | <u>Amendment</u> | <u>Amended Budget</u> |
|-------------------------------------|----------------------------|------------------|---------------------------|
| General fund - expenditures | \$ 22,353,060 | \$ 174,402 | \$ 22,527,462 |
| Special revenue fund - expenditures | \$ 21,066,180 | \$ 7,964,773 | \$ 29,030,953 |

NOTE 3 – PENSIONS AND OPEB

Changes of Assumptions

Main System and Law Enforcement System

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.

OPEB

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.

WARD COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

Changes of Benefit Terms

Main System and Law Enforcement System

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

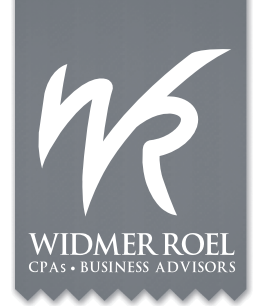
Legislation was passed relating to the Public Safety with Prior Service System. The Public Safety with Prior Service System was expanded to allow peace officers employed by the State to participate. The provisions are similar to the Public Safety with Prior Service System, but with a 6.00 percent employee contribution rate. The benefit multiplier and the vesting requirements for the Bureau of Criminal Investigation group were changed.

OPEB

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

WARD COUNTY

**SINGLE AUDIT REPORTS AND
SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
DECEMBER 31, 2023**



4220 31st Avenue S.
Fargo, ND 58104-8725

Phone: 701.237.6022
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Fax: 701.280.1495

**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**

County Commission
Ward County
Minot, 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, each major fund, and the aggregate remaining fund information of **Ward County**, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise **Ward County's** basic financial statements and have issued our report thereon dated May 14, 2025.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 **Ward County's** financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *schedule of findings and questioned costs* as item 2023-002 to be a material weakness.

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. We consider the deficiencies described in the accompanying *schedule of findings and questioned costs* as item 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Ward 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 determination of financial statement amounts. 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*.

Ward County's Response to Findings

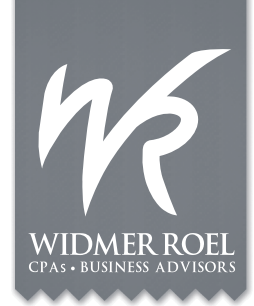
Ward County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Ward County's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Widmer Poel" followed by a stylized flourish.

Fargo, North Dakota
May 14, 2025



4220 31st Avenue S.
Fargo, ND 58104-8725

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

County Commission
Ward County
Minot, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Ward County's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Ward County's** major federal program for the year ended December 31, 2023. **Ward County's** major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, **Ward County** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **Ward County** and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of **Ward County's** compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to **Ward County's** federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **Ward County's** compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **Ward County's** compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **Ward County's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **Ward County's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **Ward County's** internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Ward County**, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise **Ward County's** basic financial statements. We issued our report thereon date May 14, 2025, which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink, appearing to read "Wilmer Poel" followed by a stylized flourish.

Fargo, North Dakota
May 14, 2025

WARD COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

| Federal Grantor/ Pass- Through Grantor/Program or Cluster Title | Federal ALN | Pass-through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|------------------------|---|--|---|
| U.S. Department of Justice Direct Assistance | | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | \$ - | \$ 7,221 |
| Total U.S. Department of Justice | | | - | 7,221 |
| U.S. Department of Transportation passed through North Dakota Department of Transportation | | | | |
| National Priority Safety Programs - | | | | |
| State and Community Highway Safety | 20.600 | PHSPOP2305-05-42 | - | 3,161 |
| State and Community Highway Safety | 20.600 | PHSPDD2311-02-20 | - | 1,987 |
| State and Community Highway Safety | 20.600 | PHSPSC2307-04-44 | - | 4,500 |
| State and Community Highway Safety | 20.600 | PHSPOP2405-05-00 | - | 4,127 |
| National Priority Safety Programs | 20.616 | PHSPID2310-02-35 | - | 10,276 |
| Total U.S. Department of Transportation | | | - | 24,051 |
| U.S. Department of the Treasury Direct Assistance | | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | 3,900,126 | 3,925,030 |
| U.S. Centers for Disease Control passed through North Dakota Department of Health and Human Services | | | | |
| Detection and Mitigation of COVID-19 in Confinement | 92.323 | G21.1249 | - | 11,513 |
| Total U.S Center for Disease Control | | | - | 11,513 |
| U.S. Department of Homeland Security passed through North Dakota Adjutant General Services | | | | |
| Emergency Management Performance Grant | 97.042 | EMD-2022-EP-00005 | - | 41,714 |
| Emergency Management Performance Grant | 97.042 | EMD-2023-EP-00005 | - | 25,727 |
| Homeland Security Grant Program | 97.067 | EMW-2021-SS-00063 | - | 52,677 |
| Homeland Security Grant Program | 97.067 | EMW-2022-SS-00076 | - | 26,800 |
| State and Local Cybersecurity Grant Program | 97.137 | EMW-2022-CY-00014 | - | 39,280 |
| Total U.S Center for Disease Control | | | - | 186,198 |
| Total expenditures of federal awards | | | \$ 3,900,126 | \$ 4,154,013 |

WARD COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Ward County under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Ward County, it is not intended to and does not present the financial position or changes in net assets of Ward County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

Ward County has not elected to use the 10 percent de minimis cost rate as allowed under Uniform Guidance.

NOTE 4 – PASS THROUGH GRANT NUMBER

For Federal Pass-through programs marked “N/A”, Ward County was unable to obtain a pass-through grant number.

WARD COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

| | | |
|---|-------------------|-----------------------------|
| Material weakness(es) identified? | <u>X</u> yes | <u> </u> no |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <u>X</u> yes | <u> </u> none reported |
| Noncompliance material to financial statements noted? | <u> </u> yes | <u>X</u> no |

Federal Awards

Internal control over major programs:

| | | |
|---|-------------------|------------------------|
| Material weakness(es) identified? | <u> </u> yes | <u>X</u> no |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <u> </u> yes | <u>X</u> none reported |

Type of auditor’s report issued on compliance for major programs:
American Rescue Plan Act (21.027) Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)? yes X no

Identification of major programs:

| | |
|-------------|--|
| CFDA Number | Name of Federal Program |
| 21.027 | COVID 19 – Coronavirus State and Local Fiscal Recovery Funds |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

WARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 (SIGNIFICANT DEFICIENCY) – CAPITALIZATION POLICY

Condition

The County's capital asset policy is not consistent. One of the County's policies calls for capitalizing assets over \$500, another policy capitalizes assets over \$5,000.

Criteria

The County's policies should be sufficient to ensure a complete and accurate presentation of capital assets in accordance with generally accepted accounting principles.

Cause

When the County adopted its comprehensive internal control manual, management forgot that there was mention of the capitalization threshold in the other policy.

Effect

The County's property and equipment records could be materially misstated.

Recommendation

We recommend the County review its capitalization policies to ensure all are consistent. We further recommend the County auditor/treasurer review the capital asset listing which we will provide and ensure the County's records are complete.

Views of Responsible Officials

We agree. Management plans to update and implement a more consistent policy in 2025. Policy updates were approved March 18th, 2025.

2023-002 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS

Condition

During the audit we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

Criteria

Ward County is responsible for the presentation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

WARD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cause

Ward County did not have procedures in place to reconcile financial statements and account balances to ensure the financial statements are complete and accurate.

Effect

Without the adjustments that were proposed and accepted by management, the financial statements would have been materially misstated.

Recommendation

We recommend Ward County review its procedures for reconciling the financial statement and account balances to ensure the financial statements are complete and accurate in accordance with GAAP.

Views of Responsible Officials

I agree. Ward County will continue to update its procedures to ensure the financial statements are in accordance with GAAP.

SECTION III – MAJOR FEDERAL AWARDS FINDINGS

None Noted

WARD COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

2022-001 (MATERIAL WEAKNESS) – GAAP FINANCIAL STATEMENT PRESENTATION

Condition

Widmer Roel assists the County with preparation of its financial statements and related disclosures in accordance with generally accepted accounting principles (GAAP).

Recommendation

We recommend management carefully review the County's financial statements and note disclosures and be able to understand the purpose and source of all material financial statement amounts and disclosures. We recommend management continue to prepare all requested supporting schedules, understanding their importance to the financial statements.

Current Status

Partially Implemented. We have continued to improve our review process of financial reporting and supporting schedules that are used for the preparation of the financial statements.

SECTION III – MAJOR FEDERAL AWARD FINDINGS

2022-002 (MATERIAL WEAKNESS) – SUSPENDED AND DEBARRED PARTIES – ALN 21.027 – COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

Condition

The County did not have an effective process in place to ensure subrecipients of pass-through federal awards were not suspended or debarred from participating in federally supported programs.

Recommendation

We recommend the County adopt controls to ensure contractors and subrecipients are not suspended or debarred.

Current Status

Implemented. The county added information to the Payment Request Form to make sub recipients aware that their organization along with any respective Contractors need an active UEI and must be registered in SAM.

WARD COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

2022-003 (MATERIAL WEAKNESS) – SUBRECIPIENT MONITORING– ALN 21.027 – COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

Condition

The County did not have an effective process in place to ensure required communications occur with subrecipients of federal awards. The agreements with the subrecipients did not explicitly include certain information required under 2 CFR 200.332(a)(1).

Recommendation

We recommend the County update its communications with subrecipients to include the required communications of the subrecipients' responsibilities under the federal requirements, grant agreements and award requirements including, but not limited to its audit obligations under the Uniform Guidance.

Current Status

Implemented. The county added information to the Payment Request Form to ensure that sub recipients are aware of possible single audit requirements, active SAM registry and UEI.



VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

The Ward County respectfully submits the following views of responsible officials and planned corrective action for the year ended December 31, 2023.

Name and address of independent public accounting firm:

Widmer Roel PC
4220 31st Avenue S
Fargo, ND 58104

Audit period: December 31, 2023

Contact person: Marisa Haman, County Auditor

The findings from the December 31, 2023 Schedule of Findings and Responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

2023-001 (SIGNIFICANT DEFICIENCY) – CAPITALIZATION POLICY

Condition

The County's capital asset policy is not consistent. One of the County's policies calls for capitalizing assets over \$500, another policy capitalizes assets over \$5,000.

Recommendation

We recommend the County review its capitalization policies to ensure all are consistent. We further recommend the County auditor/treasurer review the capital asset listing which we will provide and ensure the County's records are complete.

Views of Responsible Officials

We agree. Management plans to update and implement a more consistent policy in 2025.

Anticipated Completion Date: April 30, 2025

2023-002 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS

Condition

During the audit we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

Recommendation

We recommend Ward County review its procedures for reconciling the financial statement and account balances to ensure the financial statements are complete and accurate in accordance with GAAP.

Views of Responsible Officials

I agree. Ward County will continue to update its procedures to ensure the financial statements are in accordance with GAAP.

Anticipated Completion Date: Unknown

Sincerely yours,

A handwritten signature in black ink, appearing to read "Marisa" followed by a stylized flourish.

Marisa Haman,
Auditor/Treasurer
Ward County