



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Ransom County

Lisbon, North Dakota

Audit Report for the Year Ended December 31, 2021

Client Code: PS37000



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Office of the
State Auditor

RANSOM COUNTY

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RANSOM COUNTY

County Officials
December 31, 2021

COUNTY OFFICIALS

As of December 31, 2021

Joe Mathern
Neil Olerud
Connie Gilbert
Norm Hansen
Greg Schwab

Chairman
Commissioner
Commissioner
Commissioner
Commissioner

Nicole Gentzkow
Kathie Erickson
Shelly Schwab
Darren Benneweis
Fallon Kelly

County Auditor
County Treasurer/Superintendent of Schools
Recorder's Office
Sheriff
State's Attorney

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Ransom County
Lisbon, North Dakota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Ransom County, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Ransom County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Ransom County, North Dakota, as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ransom 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 Ransom County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

RANSOM COUNTY

Independent Auditor's Report - Continued

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2023 on our consideration of Ransom 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 Ransom 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 Ransom County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
May 25, 2023

RANSOM COUNTY

Statement of Net Position

December 31, 2021

	Primary	Component Units	
	Government	Water	RC - MR Water
	Governmental Activities	Resource District	Resource District
ASSETS			
Cash and Investments	\$ 6,979,545	\$ 678,680	\$ 34,659
Intergovernmental Receivable	138,175	-	-
Accounts Receivable	109,134	-	-
Road Accounts Receivable	32,382	-	-
Taxes Receivable	63,995	5,058	-
Capital Assets, Net	12,024,748	300,332	-
Total Assets	\$ 19,347,979	\$ 984,070	\$ 34,659
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 2,122,813	\$ -	\$ -
LIABILITIES			
Accounts Payable	\$ 55,835	\$ -	\$ -
Salary and Benefits Payable	87,885	676	-
Taxes Received in Advance	637,956	-	-
Grants Received in Advance	755,554	-	-
Interest Payable	10,515	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	199,796	-	-
Compensated Absences Payable	81,630	-	-
Due After One Year			
Long-Term Debt	1,778,569	-	-
Compensated Absences Payable	34,985	-	-
Net Pension Liability	1,699,830	-	-
Total Liabilities	\$ 5,342,555	\$ 676	\$ -
DEFERRED INFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 3,245,792	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 10,035,868	\$ 300,332	\$ -
Restricted			
Debt Service	7,935	-	-
Highways and Bridges	1,294,813	-	-
Culture and Recreation	3,359	-	-
Conservation of Natural Resources	29,633	683,062	34,659
Emergencies	108,153	-	-
Unrestricted	1,402,684	-	-
Total Net Position	\$ 12,882,445	\$ 983,394	\$ 34,659

The notes to the financial statements are an integral part of this statement.

RANSOM COUNTY

Statement of Activities

For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	RC - Maple River Water Resource District
Primary Government							
General Government	\$ 1,933,313	\$ 243,614	\$ 83,398	\$ -	\$ (1,606,301)		
Public Safety	949,409	326,420	1,075	-	(621,914)		
Highways and Bridges	2,248,009	(17,581)	684,162	95,709	(1,485,719)		
Flood Repair	66,211	-	66,211	-	-		
Health and Welfare	702,598	71,523	450,788	-	(180,287)		
Culture and Recreation	130,500	-	-	-	(130,500)		
Conservation of Natural Resources	175,112	-	-	-	(175,112)		
Emergency	4,024	-	27,914	-	23,890		
Interest on Long-Term Debt	61,069	-	-	-	(61,069)		
Total Governmental Activities	\$ 6,270,245	\$ 623,976	\$ 1,313,548	\$ 95,709	\$ (4,237,012)		
Component Units							
Ransom County WRD	\$ 226,957	\$ 71,041	\$ 36,500	\$ -		\$ (119,416)	\$ -
Ransom County - Maple River WRD	3,364	-	-	-		-	(3,364)
Total Component Units	\$ 230,321	\$ 71,041	\$ 36,500	\$ -		\$ (119,416)	\$ (3,364)
General Revenues							
Property Taxes					\$ 2,593,076	\$ 154,747	\$ -
Drain Assessments					-	16,295	11,772
Non Restricted Grants and Contributions					626,425	-	-
Unrestricted Investment Earnings					40,872	8,150	-
Gain on Sale of Capital Assets					10,000	-	-
Miscellaneous Revenue					270,006	1,302	-
Total General Revenues					\$ 3,540,379	\$ 180,494	\$ 11,772
Change in Net Position					\$ (696,633)	\$ 61,078	\$ 8,408
Net Position - January 1					\$ 13,579,078	\$ 922,316	\$ 26,251
Net Position - December 31					\$ 12,882,445	\$ 983,394	\$ 34,659

The notes to the financial statements are an integral part of this statement.

RANSOM COUNTY

Balance Sheet – Governmental Funds
December 31, 2021

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 3,026,118	\$ 3,890,306	\$ 63,121	\$ 6,979,545
Intergovernmental Receivable	62,676	75,499	-	138,175
Accounts Receivable	48,215	60,919	-	109,134
Road Receivables	-	32,382	-	32,382
Taxes Receivable	42,267	15,444	6,284	63,995
Total Assets	\$ 3,179,276	\$ 4,074,550	\$ 69,405	\$ 7,323,231
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ 55,835	\$ -	\$ 55,835
Salaries Payable	64,240	23,645	-	87,885
Grants Received in Advance	-	755,554	-	755,554
Total Liabilities	\$ 64,240	\$ 835,034	\$ -	\$ 899,274
Deferred Inflows of Resources				
Taxes Received in Advance	\$ 420,640	\$ 155,846	\$ 61,470	637,956
Road Receivables	-	32,382	-	32,382
Taxes Receivable	42,267	15,444	6,284	63,995
Total Deferred Inflows of Resources	\$ 462,907	\$ 203,672	\$ 67,754	\$ 734,333
Total Liabilities and Deferred Inflows of Resources	\$ 527,147	\$ 1,038,706	\$ 67,754	\$ 1,633,607
Fund Balances				
Restricted				
Debt Service	\$ -	\$ -	\$ 1,651	\$ 1,651
Public Safety	-	484,452	-	484,452
Highways and Bridges	-	1,417,882	-	1,417,882
Health and Welfare	-	453,880	-	453,880
Conservation of Natural Resources	-	50,000	-	50,000
Emergency	-	185,459	-	185,459
Committed for				
Highways and Bridges	-	444,452	-	444,452
Unassigned				
General Fund	2,652,129	-	-	2,652,129
Negative Fund Balances	-	(281)	-	(281)
Total Fund Balances	\$ 2,652,129	\$ 3,035,844	\$ 1,651	\$ 5,689,624
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,179,276	\$ 4,074,550	\$ 69,405	\$ 7,323,231

The notes to the financial statements are an integral part of this statement.

RANSOM COUNTY

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

Total Fund Balances - Governmental Funds \$ 5,689,624

Total *net position* reported for government activities in the statement of net position is different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 12,024,748

Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.

Property Taxes Receivable	\$ 63,995	
Road Accounts Receivable	<u>32,382</u>	96,377

Deferred Outflows and Inflows of Resources related to Pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows related to Pensions & OPEB	\$ 2,122,813	
Deferred Inflows related to Pensions & OPEB	<u>(3,245,792)</u>	(1,122,979)

Long-Term Liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long term are reported in the statement of net position.

Long-Term Debt	\$ (1,978,365)	
Interest Payable	(10,515)	
Compensated Absences Payable	(116,615)	
Net Pension and OPEB Liability	<u>(1,699,830)</u>	<u>(3,805,325)</u>

Total Net Position of Governmental Activities \$ 12,882,445

The notes to the financial statements are an integral part of this statement.

RANSOM COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2021

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,714,390	\$ 631,322	\$ 247,458	\$ 2,593,170
Intergovernmental	726,555	1,213,418	-	1,939,973
Charges for Services	487,968	151,841	-	639,809
Licenses, Permits and Fees	2,250	-	-	2,250
Interest Income	40,872	-	-	40,872
Miscellaneous	120,057	149,947	-	270,004
Total Revenues	\$ 3,092,092	\$ 2,146,528	\$ 247,458	\$ 5,486,078
EXPENDITURES				
Current				
General Government	\$ 1,858,554	\$ 281	\$ -	\$ 1,858,835
Public Safety	796,160	128,906	-	925,066
Highways and Bridges	-	1,749,589	-	1,749,589
Flood Repair	-	66,211	-	66,211
Health and Welfare	380,569	283,646	-	664,215
Culture and Recreation	130,500	-	-	130,500
Conserv. of Natural Resources	-	180,613	-	180,613
Debt Service				
Principal	-	-	190,000	190,000
Interest & Fees	-	-	66,498	66,498
Total Expenditures	\$ 3,165,783	\$ 2,409,246	\$ 256,498	\$ 5,831,527
Excess (Deficiency) of Revenues Over Expenditures	\$ (73,691)	\$ (262,718)	\$ (9,040)	\$ (345,449)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ 10,000	\$ -	\$ -	\$ 10,000
Total Other Financing Sources and Uses	\$ 10,000	\$ -	\$ -	\$ 10,000
Net Change in Fund Balances	\$ (63,691)	\$ (262,718)	\$ (9,040)	\$ (335,449)
Fund Balances - January 1	\$ 2,715,820	\$ 3,298,562	\$ 10,691	\$ 6,025,073
Fund Balances - December 31	<u>\$ 2,652,129</u>	<u>\$ 3,035,844</u>	<u>\$ 1,651</u>	<u>\$ 5,689,624</u>

The notes to the financial statements are an integral part of this statement.

RANSOM COUNTY

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

Net Change in Fund Balances - Total Governmental Funds **\$ (335,449)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 173,271	
Capital Contributions	95,709	
Depreciation Expense	<u>(647,338)</u>	(378,358)

In the Statement of Activities, only the loss on sale of assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources.

Gain on Sale of Capital Assets	10,000	
Sale of Capital Assets	<u>(10,000)</u>	-

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 190,000

Bond premium amortization is a reduction to interest expense as it is amortized over the life of the outstanding bonds using the straight-line method. 4,796

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 Interest Payable	\$ 633	
Net Change in Compensated Absences	<u>(13,149)</u>	(12,516)

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	\$ (94)	
Net Change in Road Accounts Receivable	<u>(18,081)</u>	(18,175)

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

Net Change in Net Pension and OPEB liability	\$ 2,867,308	
Net Change in Deferred Outflows of Resources Related to Pensions and OPEB	(551,723)	
Net Change in Deferred Inflows of Resources Related to Pensions and OPEB	<u>(2,462,516)</u>	<u>(146,931)</u>

Change in Net Position of Governmental Activities **\$ (696,633)**

The notes to the financial statements are an integral part of this statement.

RANSOM COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,549,525</u>
LIABILITIES	
Liabilities	
Funds Held for Other Governmental Units	<u>\$ 88,213</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 1,461,312</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,549,525</u>

The notes to the financial statements are an integral part of this statement.

RANSOM COUNTY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 9,650,488
Grant Collections for Other Governments	740,920
Miscellaneous Collections	<u>92,698</u>
Total Additions	<u>\$ 10,484,106</u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 9,650,488
Grant Disbursements to Other Governments	740,920
Miscellaneous Disbursements	<u>92,698</u>
Total Deductions	<u>\$ 10,484,106</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

RANSOM COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Based on these criteria, there are two discretely presented component units to be included within the County as a reporting entity and one blended component unit as outlined below.

Component Units

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

Blended Component Unit - Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Ransom County Public Health Unit - The activities of the Ransom County Public Health Unit have been blended in the activities of the general fund as the health unit only serves the County. The Public Health Unit does not have the right to sue in its own name without recourse to the County. Therefore, it is reported as if it were part of the County's operations.

Discretely Presented Component Units - The component unit columns in the basic financial statements includes the financial data of the County's two discretely presented component units. These units are reported in separate columns to emphasize that it is legally separate from the County.

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

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

Basis of Presentation

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

RANSOM COUNTY

Notes to the Financial Statements – Continued

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

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

The 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 financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/Federal grants/reimbursements.

Additionally, the County reports the following fiduciary fund type:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the County consist of certificates of deposit stated at cost with maturities in excess of three months.

RANSOM COUNTY

Notes to the Financial Statements – Continued

Capital Assets

Capital assets include 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Asset	County	WRD
Buildings	50	30
Equipment and Vehicles	3-15	3-10
Infrastructure	25	-

Compensated Absences

Vacation leave is earned by County employees at the rate of 8 hours to 16 hours per month for employees depending on years of service. Up to 240 hours of vacation leave may be carried over at each year-end by all County employees. Sick leave benefits are earned by all benefitted employees at the rate of one day per month for employees regardless of the years of service. An unlimited number of sick leave hours may be carried over and employees are not paid for sick leave upon termination of employment. Vested or accumulated vacation leave is reported in government-wide statement of net position.

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.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. 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) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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 as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

Fund Balance Spending Policy. It is the policy of the County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

RANSOM COUNTY

Notes to the Financial Statements – Continued

Minimum Fund Balance Policy/Budget Stabilization. The County adopted a minimum fund balance policy for the general fund to protect against cash flow shortfalls related to timing of project revenues and receipts and to maintain a budget stabilization commitment. The County intends to maintain a minimum unassigned fund balance in its general fund of \$350,000, but not less than 15% of annual general fund expenditures.

When fund balance falls below 15% range, the County will replenish shortages/deficiencies using the budget strategies and time frames described below:

- a. Reduce recurring expenditures to eliminate any structural deficit, or
 - b. Increase revenues or pursue other funding sources, or
 - c. Some combination of the two options above
- Deficiency resulting in a minimum fund balance between 12.5 percent and 15 percent shall be replenished over a period not exceeding one year
 - Deficiency resulting in a minimum fund balance between 10 percent and 12.5 percent shall be replenished over a period not to exceed 3 years
 - Deficiency resulting in a minimum fund balance of less than 10 percent shall be replenished over a period not to exceed five years

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants & reimbursements).

Committed Fund Balances. Committed fund balances are reported in the special revenue fund at year end for funds committed for equipment improvement.

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

Net Position

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted state and federal grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund.

Interfund Transactions

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

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

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

RANSOM COUNTY

Notes to the Financial Statements – Continued

NOTE 2: DEPOSITS

Custodial Credit Risk

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

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

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

At year ended December 31, 2021, the County's carrying amount of deposits totaled \$8,530,264, and the bank balances totaled \$8,622,494. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2021, the Water Resource District's carrying amount of deposits totaled \$678,679, and the bank balances totaled \$685,603. Of the bank balances, \$435,403 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2021, the RC-MR Water Resource District's carrying amount of deposits and bank balances totaled \$34,659. All of the bank balances were covered by Federal Depository Insurance.

NOTE 3: PROPERTY TAXES

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

RANSOM COUNTY

Notes to the Financial Statements – Continued

NOTE 4: CAPITAL ASSETS

Primary Government

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

2021	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated					
Land	\$ 12,101	\$ -	\$ -	\$ -	\$ 12,101
Construction in Progress	-	186,840	-	-	186,840
Total Capital Assest not being depreciated	\$ 12,101	\$ 186,840	\$ -	\$ -	\$ 198,941
Capital assets, being depreciated					
Buildings	\$ 2,401,523	\$ -	\$ -	\$ -	\$ 2,401,523
Equipment & Vehicles	2,462,083	82,140	30,396	-	2,513,827
Infrastructure	12,480,440	-	-	-	12,480,440
Total Capital Assets, Being Depreciated	\$ 17,344,046	\$ 82,140	\$ 30,396	\$ -	\$ 17,395,790
Less accumulated depreciation					
Buildings	\$ 915,277	\$ 43,367	\$ -	\$ -	\$ 958,644
Equipment & Vehicles	1,823,801	104,753	30,396	-	1,898,158
Infrastructure	2,213,963	499,218	-	-	2,713,181
Total Accumulated Depreciation	\$ 4,953,041	\$ 647,338	\$ 30,396	\$ -	\$ 5,569,983
Total Capital Assets Being Depreciated, Net	\$ 12,391,005	\$ (565,198)	\$ -	\$ -	\$ 11,825,807
Total Capital Assets, Net	\$ 12,403,106	\$ (378,358)	\$ -	\$ -	\$ 12,024,748

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

	2021
General Government	\$ 26,524
Public Safety	25,100
Conservation	250
Health and Welfare	10,636
Highways	584,828
Total Depreciation Expense	\$ 647,338

Discretely Presented Component Unit

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

2021	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets, being depreciated					
Buildings	\$ 496,251	\$ -	\$ -	\$ -	\$ 496,251
Equipment & Vehicles	200,173	-	-	-	200,173
Total Capital Assets, Being Depreciated	\$ 696,424	\$ -	\$ -	\$ -	\$ 696,424
Less accumulated depreciation					
Buildings	\$ 245,762	\$ 11,009	\$ -	\$ -	\$ 256,771
Equipment & Vehicles	127,073	12,248	-	-	139,321
Total Accumulated Depreciation	\$ 372,835	\$ 23,257	\$ -	\$ -	\$ 396,092
Total Capital Assets Being Depreciated, Net	\$ 323,589	\$ (23,257)	\$ -	\$ -	\$ 300,332
Total Capital Assets, Net	\$ 323,589	\$ (23,257)	\$ -	\$ -	\$ 300,332

Depreciation expense was charged to conservation of natural resources function.

RANSOM COUNTY

Notes to the Financial Statements – Continued

NOTE 5: LONG-TERM LIABILITIES**Primary Government**

During the year ended December 31, 2021, the following changes occurred in governmental activities long-term liabilities:

2021	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
G.O. Bonds Payable	\$ 2,130,000	\$ -	\$ 190,000	\$ 1,940,000	\$ 195,000
Bond Premium	43,161	-	4,796	38,365	4,796
Total Long-Term Debt	\$ 2,173,161	\$ -	\$ 194,796	\$ 1,978,365	\$ 199,796
Compensated Absences *	\$ 103,466	\$ 13,149	\$ -	\$ 116,615	\$ 81,630
Net Pension & OPEB Liability	4,567,138	-	2,867,308	1,699,830	-
Total Long-Term Liabilities	\$ 6,843,765	\$ 13,149	\$ 3,062,104	\$ 3,794,810	\$ 281,426

* The change to compensated absences are the net changes for the year.

Debt service requirements on long-term debt is as follows:

Year Ending Dec 31	G.O. Bonds Payable		Bond Premium
	Principal	Interest	
2022	\$ 195,000	59,188	\$ 4,796
2023	200,000	51,288	4,796
2024	200,000	43,288	4,796
2025	210,000	36,400	4,795
2026	215,000	30,556	4,795
2027-2031	920,000	56,250	14,387
Total	\$ 1,940,000	\$ 276,970	\$ 38,365

NOTE 6: PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

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

RANSOM COUNTY

Notes to the Financial Statements – Continued

Pension Benefits

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

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

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

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

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

RANSOM COUNTY

Notes to the Financial Statements – Continued

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

At December 31, 2021, the County reported a liability of \$1,616,754, for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2021, the County had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 Measurement	Pension Expense
Primary Government	0.155114%	0.013528%	\$ 282,973

At December 31, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 27,913	\$ 165,012
Changes of Assumptions	1,789,433	2,333,046
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	599,629
Changes in Proportion and Differences Between Employer Contributions and Proportionate share of Contributions	203,344	112,024
Contributions - Employer	64,499	-
Total Deferred Outflows and Inflows of Resources	\$ 2,085,189	\$ 3,209,711

\$64,499 was reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022.

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

2022	\$ (159,441)
2023	(269,787)
2024	(213,416)
2025	(546,377)

Actuarial Assumptions

The total pension liability in the July 1, 2021 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	7.00%, net of investment expenses
Cost-of-living adjustments	None

RANSOM COUNTY

Notes to the Financial Statements – Continued

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	30%	6.00%
International Equities	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

Discount rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's Proportionate Share of the Net Pension Liability	\$ 2,571,182	\$ 1,616,754	\$ 822,043

Pension Plan Fiduciary Net Position

RANSOM COUNTY

Notes to the Financial Statements – Continued

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

NOTE 7: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

RANSOM COUNTY

Notes to the Financial Statements – Continued

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

At December 31, 2021, the County reported a liability of \$83,076, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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 OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2021, the County had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30 2020 Measurement	OPEB Expense
Primary Government	0.149371%	0.015262%	\$ 11,992

At December 31, 2021, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 4,771	\$ 2,277
Changes of Assumptions	12,865	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	28,464
Changes in Proportion and Differences Between Employer Contributions and Proportionate share of Contributions	9,661	5,340
Contributions - Employer	10,327	-
Total Deferred Outflows and Inflows of Resources	\$ 37,624	\$ 36,081

\$10,327 for the County was 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 OPEB liability in the year ended December 31, 2022.

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

2022	\$ (1,081)
2023	(1,286)
2024	(2,553)
2025	(4,734)
2026	870

Actuarial Assumptions

The total pension liability in the July 1, 2021 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	6.50%, net of investment expenses
Cost-of-living adjustments	None

RANSOM COUNTY

Notes to the Financial Statements – Continued

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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
International Equities	21%	6.25%
Domestic Fixed Income	40%	0.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. 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, 2021, calculated using the discount rate of 6.50%, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County's Proportionate Share of the net OPEB Liability	\$ 123,213	\$ 83,076	\$ 49,115

NOTE 8 OPERATING LEASES

The County is engaged in various operating leases. Total lease payments were \$182,665 during the year ended December 31, 2021. Future operating lease payments are as follows:

Year Ending Dec 31	Amount
2022	\$ 126,709
2023	126,709
2024	84,854
Totals	\$ 338,272

RANSOM COUNTY

Notes to the Financial Statements – Continued

NOTE 9: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of two million dollars per occurrence for general liability and automobile, and \$4,561,579 for public assets/mobile equipment and portable property.

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 two 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.

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

NOTE 10: JOINT VENTURE

Under authorization of state statutes, the Ransom County Water Resource District joined Maple River Water Resource District, Rush River Water Resource District, Southeast Cass Water Resource District, North Cass Water Resource District, and the water resource districts of Richland County, Pembina County, Grand Forks County, Traill County, Walsh County, Nelson County, Sargent County, and Steele County to establish and operate a joint exercise of powers agreement for water management districts located within the Red River Valley, known as the Red River Valley Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution depends on where the Red River Joint Water Resource Board projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2021:

	Red River Joint Water Resource Board
Total Assets	\$ 17,087,415
Total Liabilities	30,427
Net Position	\$ 17,056,988
Revenues	\$ 2,796,564
Expenses	708,528
Change in Net Position	\$ 2,088,036

Complete financial statements for the Red River Joint Water Resource District may be obtained from the Treasurer's office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

NOTE 11: CONTINGENT LIABILITIES

The County is a plaintiff and defendant in various lawsuits incident to its operations. In the opinion of County Counsel and management, such claims against the County not covered by insurance would not materially affect the financial condition of the County.

RANSOM COUNTY

Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,715,538	\$ 1,715,538	\$ 1,714,390	\$ (1,148)
Intergovernmental	634,000	634,000	726,555	92,555
Charges for Services	414,577	414,577	487,968	73,391
Licenses, Permits and Fees	2,000	2,000	2,250	250
Interest Income	125,000	125,000	40,872	(84,128)
Miscellaneous	61,507	61,507	120,057	58,550
Total Revenues	\$ 2,952,622	\$ 2,952,622	\$ 3,092,092	\$ 139,470
EXPENDITURES				
Current				
General Government	\$ 2,491,252	\$ 2,491,252	\$ 1,858,554	\$ 632,698
Public Safety	728,568	728,568	796,160	(67,592)
Health and Welfare	272,362	272,362	380,569	(108,207)
Culture and Recreation	130,690	130,690	130,500	190
Total Expenditures	\$ 3,622,872	\$ 3,622,872	\$ 3,165,783	\$ 457,089
Excess (Deficiency) of Revenues Over Expenditures	\$ (670,250)	\$ (670,250)	\$ (73,691)	\$ 596,559
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	\$ -	\$ -	\$ 10,000	(10,000)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 10,000	\$ (10,000)
Net Change in Fund Balances	\$ (670,250)	\$ (670,250)	\$ (63,691)	\$ 586,559
Fund Balances - January 1	\$ 2,715,820	\$ 2,715,820	\$ 2,715,820	-
Fund Balances - December 31	\$ 2,045,570	\$ 2,045,570	\$ 2,652,129	\$ 586,559

The notes to the required supplementary information are an integral part of this statement.

RANSOM COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
 For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 631,551	\$ 631,551	\$ 631,322	\$ (229)
Intergovernmental	1,034,096	1,034,096	1,213,418	179,322
Charges for Services	105,000	105,000	151,841	46,841
Miscellaneous	50,000	50,000	149,947	99,947
Total Revenues	\$ 1,820,647	\$ 1,820,647	\$ 2,146,528	\$ 325,881
EXPENDITURES				
Current				
General Government	\$ -	\$ 281	\$ 281	\$ -
Public Safety	442,750	444,179	128,906	315,273
Highways and Bridges	2,624,322	2,624,322	1,749,589	874,733
Health and Welfare	345,228	354,078	283,646	70,432
Cons. of Natural Resources	237,856	237,856	180,613	57,243
Flood Repair	15,000	15,000	66,211	(51,211)
Total Expenditures	\$ 3,665,156	\$ 3,675,716	\$ 2,409,246	\$ 1,266,470
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,844,509)	\$ (1,855,069)	\$ (262,718)	\$ 1,592,351
Net Change in Fund Balances	\$ (1,844,509)	\$ (1,855,069)	\$ (262,718)	\$ 1,592,351
Fund Balances - January 1	\$ 3,298,562	\$ 3,298,562	\$ 3,298,562	\$ -
Fund Balances - December 31	\$ 1,454,053	\$ 1,443,493	\$ 3,035,844	\$ 1,592,351

The notes to the required supplementary information are an integral part of this statement.

RANSOM COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
 For the Year Ended December 31, 2021

**Schedule of Employer's Share of Net Pension Liability
 ND Public Employee's Retirement System
 Last 10 Fiscal Years**

Primary Government	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.155114%	\$ 1,616,754	\$ 1,756,494	92.04%	78.26%
2020	0.141586%	4,454,326	1,561,863	285.19%	48.91%
2019	0.156236%	1,831,199	1,625,124	112.68%	71.66%
2018	0.157275%	2,654,187	1,615,718	164.27%	62.80%
2017	0.150459%	2,418,370	1,535,953	157.45%	61.98%
2016	0.147837%	1,440,816	1,489,844	96.71%	70.46%
2015	0.149648%	1,017,581	1,333,185	76.33%	77.15%
2014	0.152402%	967,328	1,283,803	75.35%	77.70%

**Schedule of Employer Contributions
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

Primary Government	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 129,534	\$ 123,350	6,184	\$ 1,792,196	6.88%
2020	110,594	118,716	(8,122)	1,854,046	6.40%
2019	118,318	121,106	(2,788)	1,625,124	7.45%
2018	119,004	114,322	4,682	1,615,718	7.08%
2017	111,375	112,401	(1,026)	1,535,953	7.32%
2016	107,863	105,791	2,072	1,489,844	7.10%
2015	101,266	98,477	2,789	1,333,185	7.39%
2014	91,407	91,407	-	1,283,803	7.12%

The accompanying required supplementary information notes are an integral part of this schedule.

RANSOM COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2020

**Schedule of Employer's Share of Net OPEB Liability
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

Primary Government	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.149371%	\$ 83,076	\$ 1,628,524	5.10%	76.63%
2020	0.134109%	112,812	1,528,799	7.38%	63.38%
2019	0.145639%	116,975	1,625,124	7.20%	63.13%
2018	0.147660%	116,292	1,615,718	7.20%	61.89%
2017	0.141976%	112,305	1,535,953	7.31%	59.78%

**Schedule of Employer Contributions
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

Primary Government	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 19,584	\$ 18,678	906	\$ 1,792,196	1.04%
2020	17,960	18,796	(836)	1,854,046	1.01%
2019	18,900	19,391	(491)	1,625,124	1.19%
2018	18,951	18,304	647	1,615,718	1.13%
2017	17,854	17,997	(143)	1,535,953	1.17%

The accompanying required supplementary information notes are an integral part of this schedule.

RANSOM COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

NOTE 3 CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

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.

NOTE 4 CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Pension and OPEB

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.



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

Board of County Commissioners
Ransom County
Lisbon, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component units and aggregate remaining fund information of Ransom County as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Ransom County's basic financial statements, and have issued our report thereon dated May 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2021-001 through 2021-003 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ransom County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings* as 2021-001.

RANSOM COUNTY

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* - Continued

Ransom County’s Response to Findings

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

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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
May 25, 2023

RANSOM COUNTY

Summary of Auditor's Results
For the Years Ended December 31, 2021

Financial Statements

Type of Report Issued:

Governmental Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified? X Yes None Noted

Significant deficiencies identified not considered to be material weaknesses? Yes X None Noted

Noncompliance material to financial statements noted? X Yes None Noted

RANSOM COUNTY

Schedule of Audit Findings

For the Years Ended December 31, 2021

2021-001 LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – MATERIAL NONCOMPLIANCE – MATERIAL WEAKNESS

Condition

Ransom County did not have supporting documentation for the estimated cash amount for the 2021 General Fund budget. Additionally, there is no formal review process to ensure the estimated cash is properly calculated.

Effect

The estimates for year-end cash are key components in the tax levy calculation in any budget year. Thus, Ransom County may have improperly calculated the tax levies for General Fund.

Cause

Ransom County did not have a process of calculating the estimated cash balance for the preliminary and final budget for the General Fund.

Criteria

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

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

Additionally, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the budgeting process, management is responsible for adequate internal controls surrounding the budgeting process.

Prior Recommendation

No.

RANSOM COUNTY

Schedule of Audit Findings – Continued

Recommendation

We recommend that Ransom County ensure its compliance with all aspects of N.D.C.C. §11-23-02. We further recommend that Ransom County review budgeted cash estimates carefully to ensure proper documentation exists to support the estimated cash used in the preliminary and final budgets prior to approval.

Ransom County Response

We agree, we will ensure future budgets are in compliance with NDCC 11-23-02 and will attempt to use the budget form on the auditor's website.

2021-002 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

Auditor-identified adjusting entries related to payables, receivables, and capital assets were proposed to properly reflect the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements reflect the adjustments and were approved by management.

Effect

The financial statements may have been misstated if the receivables had not been adjusted during the audit.

Cause

Ransom County does not have sufficient procedures in place to ensure an accurate listing of receivables, payables, and capital assets are used in the preparation of its financial statements.

Criteria

Ransom County is responsible to ensure the financial statements are reliable, free of material misstatements, and in accordance with GAAP.

Prior Recommendation

Yes.

Recommendation

We recommend Ransom County review all adjusting entries to the financial statements to properly reflect the financial statements are in accordance with GAAP.

Ransom County Response

We agree will review all adjusting entries to ensure all receivables, payables, and any other entries such as capital assets are included in the financial statements in accordance with GAAP.

2021-003 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS

Condition

Ransom County Water Resource District and Maple River Water Resource District have limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the district's financial condition.

Cause

Management has chosen to allocate economic resources to other functions of the Water Resource Districts.

Criteria

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the districts.

Prior Recommendation

Yes.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Ransom County Component Units Responses

We agree that a lack of segregation of duties exists as there are a limited number of staff responsible for most accounting functions and if the board does hire more administration that duties will be further segregated to the extent possible. However, the boards for both water resource districts review and approve financial statements and bills on a monthly basis as a control related to revenues and expenditures following through the districts.



GOVERNANCE COMMUNICATION

May 25, 2023

Board of County Commissioners
Ransom County
Lisbon, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ransom County, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, GAS and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 7, 2023. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ransom County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by Ransom County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules list all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

PRIMARY GOVERNMENT	Audit Adjustments	
	Debit	Credit
General Fund		
<i>To Adjust Receivable Amounts</i>		
Revenue	37,974	-
Accounts Receivable	-	37,974
Special Revenue Funds		
<i>To Accrue Payable Amounts</i>		
Expenditures	55,835	-
Accounts Payable	-	55,835
Government Wide Adjustments		
<i>To Record Capital Asset Adjustment</i>		
Capital Assets, Net	218,704	-
Expenditures	-	218,704
<i>To Record Capital Contribution for Capital Assets</i>		
Expenditures	95,708	-
Capital Contribution	-	95,708
Fiduciary State of Net Position Adjustment		
<i>To adjust Prepaid Tax Amount</i>		
Prepaid Taxes	8,492	-
Funds Held for Other Governmental Units	-	8,492

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 25, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Stark County’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

RANSOM COUNTY

Governance Communication – Continued

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the *budgetary comparison information, schedule of employer’s share of net pension liability and employer contributions, schedule of employer’s share of net OPEB liability and employer contributions, and notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Ransom County board members and management of Ransom County, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Ransom County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Ransom County.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
May 25, 2023



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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