North Dakota Office of the State Auditor
Division of Local Government

Stark County

Audit Report for the Year Ended December 31, 2018
Client Code PS45000

North Dakota State Auditor
Joshua C. Gallion

STARK COUNTY
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For the Year Ended December 31, 2018

COUNTY OFFICIALS

Ken Zander	Chairman
Pete Kuntz	Vice Chairman
Jay Elkin	Commissioner
Dean Franchuk	Commissioner
Carla Arthaud	Commissioner
Kay Haag	Auditor/Treasurer
Terry Oestreich	Sheriff
Kim Kasian	Recorder
Tom Henning	States Attorney

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Jonathan Worrall, CPA	Audit In-Charge

STATE AUDITOR
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
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1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the discretely presented component units and aggregate remaining fund information of Stark County, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the discretely presented component units and aggregate remaining fund information of Stark County, North Dakota, as of December 31, 2018, 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.

Other Matters

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* as listed in the table of contents be presented to supplement the basic financial statements. Such 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stark County's basic financial statements. The s*chedule of fund activity - cash basis* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of fund activity - cash basis* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity - cash basis* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of Stark 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 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 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 Stark County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
October 30, 2019

STARK COUNTY
Statement of Net Position
December 31, 2018

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Job Development Authority
ASSETS			
Cash and Investments	$ 46,284,929	$ 406,792	$ 30,098
Accounts Receivable	222,898	-	-
Intergovernmental Receivable	1,456,483	-	-
Taxes Receivable	446,601	-	-
Capital Assets			
Nondepreciable	11,010,113	-	-
Depreciable, Net	56,098,196	-	-
Total Assets	$ 115,519,220	$ 406,792	$ 30,098
DEFERRED OUTFLOWS OF RESOURCES			
Pensions & OPEB	$ 4,626,277	$ -	$ -
LIABILITIES			
Accounts Payable	$ 930,565	$ -	$ -
Salaries and Benefits Payable	194,116	1,031	-
Contracts Payable	491,106	-	-
Retainage Payable	45,212	-	-
Interest Payable	5,459	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	256,379	-	-
Compensated Absences Payable	288,126	-	-
Due After One Year			
Long-Term Debt	328,827	-	-
Compensated Absences Payable	432,189	-	-
Net Pension & OPEB Liability	11,286,057	-	-
Total Liabilities	$ 14,258,036	$ 1,031	$ -
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	$ 2,852,620	$ -	$ -
Pensions & OPEB	756,412	-	-
Total Deferred Inflows of Resources	$ 3,609,032	$ -	$ -
NET POSITION			
Net Investment in Capital Assets	$ 66,472,432	$ -	$ -
Restricted for			
Public Safety	148,390	-	-
Highways & Bridges	8,218,470	-	-
Conservation of Nat Resources	2,109,244	405,761	-
Emergencies	496,672	-	-
Economic Development	10,508	-	30,098
Capital Projects	7,026,886	-	-
Unrestricted	17,795,827	-	-
Total Net Position	$ 102,278,429	$ 405,761	$ 30,098

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

STARK COUNTY
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
Functions/Programs	Expenses	Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	Job Development Authority
Primary Government							
Government Activities							
General Government	$ 5,797,342	$ 580,779	$ 12,251	$ -	$ (5,204,312)		
Public Safety	6,064,049	802,051	279,875	-	(4,982,123)		
Highways & Bridges	7,264,896	457,085	4,494,320	827,688	(1,485,803)		
Health & Welfare	4,244,614	721	4,115,302	-	(128,591)		
Economic Development	133,169	-	-	-	(133,169)		
Culture and Recreation	266,819	-	-	-	(266,819)		
Conserv. of Natural Resources	731,576	-	162,304	-	(569,272)		
Interest on Long-Term Debt	25,507	-	-	-	(25,507)		
Total Primary Government	$ 24,527,972	$1,840,636	$ 9,064,052	$ 827,688	$ (12,795,596)		
Component Units							
Water Resource District	$ 50,857	$ -	$ -	$ -	$ -	$ (50,857)	$ -
Job Development Authority	185,000	-	-	-	-	-	(185,000)
Total Component Units	$ 235,857	$ -	$ -	$ -	$ -	$ (50,857)	$ (185,000)
	General Revenues						
	Property Taxes				$ 12,738,879	$ 11,888	$ 203,438
	Unrestricted Grants and Contributions				5,604,138	-	-
	Unrestricted Investment Earnings				356,049	2,832	52
	Net Gain on Sale of Capital Assets				25,837	-	-
	Miscellaneous Revenue				440,604	413	-
	Total General Revenues				$ 19,165,507	$ 15,133	$ 203,490
	Change in Net Position				$ 6,369,911	$ (35,724)	$ 18,490
	Net Position - January 1				$ 95,908,518	$ 441,485	$ 11,608
	Net Position - December 31				$ 102,278,429	$ 405,761	$ 30,098

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

STARK COUNTY
Balance Sheet – Governmental Funds
December 31, 2018

	General	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Investments	$ 22,303,453	$ 17,193,884	$ 6,787,592	$ 46,284,929
Intergovernmental Receivable	334,908	732,589	388,986	1,456,483
Accounts Receivable	55,225	167,673	-	222,898
Taxes Receivable	240,313	206,288	-	446,601
Total Assets	$ 22,933,899	$ 18,300,434	$ 7,176,578	$ 48,410,911
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 285,658	$ 495,215	$ 149,692	$ 930,565
Salaries Payable	111,787	82,329	-	194,116
Total Liabilities	$ 397,445	$ 577,544	$ 149,692	$ 1,124,681
Deferred Inflows Of Resources				
Taxes Received in Advance	$ 1,479,197	$ 1,373,423	$ -	$ 2,852,620
Taxes Receivable	240,313	206,288	-	446,601
Total Deferred Inflows of Resources	$ 1,719,510	$ 1,579,711	$ -	$ 3,299,221
Total Liabilities and Deferred Inflows of Resources	$ 2,116,955	$ 2,157,255	$ 149,692	$ 4,423,902
Fund Balances				
Restricted				
Public Safety	$ -	$ 2,089,038	$ -	$ 2,089,038
Highways & Bridges	-	10,132,299	-	10,132,299
Health & Welfare	-	1,370,177	-	1,370,177
Conservation of Natural Resources	-	2,110,947	-	2,110,947
Emergencies	-	496,672	-	496,672
Economic Development	-	10,508	-	10,508
Capital Projects	-	-	7,026,886	7,026,886
Unassigned				
General Fund	20,816,944	54	-	20,816,998
Negative Funds	-	(66,516)	-	(66,516)
Total Fund Balances	$ 20,816,944	$ 16,143,179	$ 7,026,886	$ 43,987,009
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 22,933,899	$ 18,300,434	$ 7,176,578	$ 48,410,911

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

STARK COUNTY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2018

Total Fund Balances of Governmental Funds		$ 43,987,009
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.		67,108,309
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		446,601
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 Derived from Pensions and OPEB	$ 4,626,277	
Deferred Inflows Derived from Pensions and OPEB	(756,412)	3,869,865
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	$ (585,206)	
Contract Payable	(491,106)	
Retainage Payable	(45,212)	
Interest Payable	(5,459)	
Compensated Absences	(720,315)	
Net Pension and OPEB Liability	(11,286,057)	(13,133,355)
Total Net Position of Governmental Funds		$ 102,278,429

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

STARK COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2018

	General	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Taxes	$ 6,546,250	$ 6,265,550	$ -	$ 12,811,800
Intergovernmental	1,409,058	9,546,641	3,712,491	14,668,190
Charges for Services	331,274	866,194	-	1,197,468
Licenses, Permits and Fees	192,425	450,744	-	643,169
Interest Income	356,049	-	-	356,049
Miscellaneous	64,634	375,969	-	440,603
Total Revenues	$ 8,899,690	$ 17,505,098	$ 3,712,491	$ 30,117,279
EXPENDITURES				
Current				
General Government	$ 4,719,297	$ 346,975	$ -	$ 5,066,272
Public Safety	2,908,455	2,621,850	-	5,530,305
Highways & Bridges	-	8,794,834	-	8,794,834
Health & Welfare	750	3,697,439	-	3,698,189
Economic Development	133,169	-	-	133,169
Culture & Recreation	415,855	-	-	415,855
Conservation of Natural Resources	-	687,810	-	687,810
Capital Outlay	-	-	1,662,634	1,662,634
Debt Service				
Principal	-	299,787	-	299,787
Interest on Long-Term Debt	-	26,370	-	26,370
Total Expenditures	$ 8,177,526	$ 16,475,065	$ 1,662,634	$ 26,315,225
Excess (Deficiency) of Revenues Over Expenditures	$ 722,164	$ 1,030,033	$ 2,049,857	$ 3,802,054
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 89,615	$ 1,000,000	$ -	$ 1,089,615
Transfers Out	-	(1,089,615)	-	(1,089,615)
Capital Lease Proceeds	-	123,770	-	123,770
Total Other Financing Sources and Uses	$ 89,615	$ 34,155	$ -	$ 123,770
Net Change in Fund Balances	$ 811,779	$ 1,064,188	$ 2,049,857	$ 3,925,824
Fund Balances - January 1	$ 20,005,165	$ 15,078,991	$ 4,977,029	$ 40,061,185
Fund Balances - December 31	$ 20,816,944	$ 16,143,179	$ 7,026,886	$ 43,987,009

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

STARK COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds		$ 3,925,824
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	$ 5,903,387	
Depreciation Expense	(2,310,639)	3,592,748
In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.		25,837
The proceeds of debt issuances are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuance debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of Debt	$ 299,786	
Debt Issuance	(123,770)	176,016
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	$ 863	
Net Change in Contract Payable	93,291	
Net Change in Retainage Payable	253,433	
Net Change in Compensated Absences	(38,827)	308,760
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 pension items do not involve current financial resources, and are not reported in the funds.		
Net Change in Net Pension & OPEB Liability	$ (386,818)	
Net Change in Deferred Outlfows of Resources	(907,532)	
Net Change in Deferred Inflows of Resources	(292,003)	(1,586,353)
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		(72,921)
Change in *Net Position* - Governmental Activities		$ 6,369,911

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

ASSETS	
Cash and Investments	$ 8,382,925
LIABILITIES	
Due to Other Governments	$ 8,382,925

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stark County ("County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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 County'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 such that exclusion would cause it's 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 component units to be included within the County as a reporting entity.

Component Units

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

Discretely Presented Component Units. The component units' column in the basic financial statements includes the financial data of the County's two component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

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

Component Unit Financial Statements. The financial statements of each of the discretely presented component units are included in the basic financial statements. Complete financial statements of the individual component units can be obtained from the County Auditor/Treasurer; 51 3rd St E, Dickinson, ND 58601.

Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, 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. Separate statements for each fund category, *governmental* and *fiduciary,* are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The County reports the following major governmental funds:

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

Special Revenue Fund - This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

Capital Projects Fund - This fund accounts for financial resources that exist for capital projects. The major source of revenue is a restricted tax levy.

Additionally, the County reports the following fund type:

Agency Funds - These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's agency 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. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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.

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.

Capital Assets

Capital assets for the primary government are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased 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. 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 (amounts in years):

Vehicles and Machinery	25 - 75
Furniture and Equipment	5 - 15
Buildings	40
Land Improvements	30
Infrastructure	5 - 20

Compensated Absences

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 hours of vacation leave may be carried over at each year-end. Sick leave benefits are earned at the rate of one day per month regardless of the years of service. Upon termination of employment, the employee is entitled to a lump sum payment of 10% of the pay attributed to the employee's unused sick leave accrued. A liability for the vested or accumulated vacation leave is reported in the 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.

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).

Minimum Fund Balance Policy. The County adopted a policy that establishes a 15-20% general fund carryover balance target to help with financial stability. The 15-20% fund balance range is a part of the budget recommendation adopted by the Board of Commissioners each fiscal year. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

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 the 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 Federal & State grants/reimbursements.

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

Interfund Transactions

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

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

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

NOTE 2 DEPOSITS

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 December 31, 2018, the County's carrying amount of deposits was $54,670,284 and the bank balances were $55,265,304. Of the bank balances, $1,000,000 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2018, the Water Resource District’s carrying amount of deposits and bank balance was $406,792, all of which was covered by Federal Depository Insurance.

At December 31, 2018, the Job Development Authority’s carrying amount of deposits and bank balance was $30,098, all of which was 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.

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the County for the year ended December 31, 2018:

Primary Government	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	$ 1,871,278	$ -	$ -	$ -	$ 1,871,278
Construction in Progress	7,071,514	5,208,647	-	(3,141,326)	9,138,835
Total Capital Assets, Not Being Depreciated	$ 8,942,792	$ 5,208,647	$ -	$ (3,141,326)	$ 11,010,113
Capital Assets Being Depreciated					
Vehicles & Machinery	$ 8,711,936	$ 470,145	$ 167,185	$ -	$ 9,014,896
Furniture & Equipment	2,328,433	45,908	27,000	-	2,347,341
Buildings	13,062,370	244,256	-	-	13,306,626
Land Improvements	174,489	-	-	-	174,489
Infrastructure	56,816,281	-	-	3,141,326	59,957,607
Total Capital Assets, Being Depreciated	$ 81,093,509	$ 760,309	$ 194,185	$ 3,141,326	$ 84,800,959
Less Accumulated Depreciation					
Vehicles & Machinery	$ 4,947,347	$ 688,843	$ 127,452	$ -	$ 5,508,738
Furniture & Equipment	1,922,150	76,037	27,000	-	1,971,187
Buildings	3,662,117	233,104	-	-	3,895,221
Land Improvements	5,816	5,816	-	-	11,632
Infrastructure	16,009,146	1,306,839	-	-	17,315,985
Total Accumulated Depreciation	$ 26,546,576	$ 2,310,639	$ 154,452	$ -	$ 28,702,763
Total Capital Assets Being Depreciated, Net	$ 54,546,933	$ (1,550,330)	$ 39,733	$ 3,141,326	$ 56,098,196
Governmental Capital Assets, Net	$ 63,489,725	$ 3,658,317	$ 39,733	$ -	$ 67,108,309

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

Primary Government	Amounts
General	$ 89,266
Public Safety	275,400
Highways & Bridges	1,864,268
Health & Welfare	42,113
Culture & Recreation	21,214
Conservation of Natural Resources	18,378
Total Depreciation Expense	$ 2,310,639

NOTE 5 LONG-TERM LIABILITIES

During the year ended December 31, 2018, the following changes occurred in long-term liabilities for the County:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term-Debt					
Leases Payable	$ 298,163	$ 123,770	$ 187,571	$ 234,362	$ 139,383
Loans Payable	463,060	-	112,216	350,844	116,996
Total Long-Term Debt	$ 761,223	$ 123,770	$ 299,787	$ 585,206	$ 256,379
Compensated Absences *	681,488	38,827	-	720,315	288,126
Net Pension and OPEB Liability	10,899,239	386,818	-	11,286,057	-
Total Primary Government	$ 12,341,950	$ 549,415	$ 299,787	$ 12,591,578	$ 544,505

* - The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations

The annual debt service requirements for long-term debt as of December 31, 2018 are as follows:

Year Ending	Leases Payable		Loans Payable	
Dec 31	Principal	Interest	Principal	Interest
2019	$ 139,383	$ 7,259	$ 116,996	$ 13,720
2020	44,251	3,533	82,573	9,165
2021	24,807	1,993	86,042	5,696
2022	25,782	1,018	65,233	2,087
2023	139	5	-	-
Total	$ 234,362	$ 13,808	$ 350,844	$ 30,668

NOTE 6 OPERATING LEASES

The County is engaged in an operating lease with Advanced Business Solutions for a copier. Total lease payments made during 2018 totaled $1,000. Future lease payments are as follows

2019	$ 2,401
2020	2,401
2021	2,401
2022	2,401
2023	1,402

NOTE 7 PENSION PLAN

General Information about the NDPERS Pension Plan

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

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to N.D.C.C. 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.

Main System

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

Law Enforcement System (With prior main system service)

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

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 (Main and Law Enforcement Systems)

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

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

Refunds of Member Account Balance

Main System

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

Law Enforcement System

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Main System

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% 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

Law Enforcement System

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 5.5% and employer contribution rates are 7.93% of covered compensation.

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

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

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

At December 31, 2018, the following net pension liabilities were reported:

	Net Pension Liability
Main System	$ 9,854,591
Law Enforcement System	903,376

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on 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, 2018, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) In Proportion from June 30, 2017 Measurement	Pension Expense
Main System	0.583938%	0.005406%	$ 1,673,948
Law Enforcement System	3.876444%	-0.968229%	201,859

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 26,086	$ 335,272
Changes of Assumptions	3,557,302	140,655
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	47,944
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	160,721	23,681
Employer Contributions Subsequent to the Measurement Date	189,009	-
Total Main System	$ 3,933,118	$ 547,552

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 92,747	$ 18,975
Changes of Assumptions	443,757	14,728
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	25,297
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	123,907
Employer Contributions Subsequent to the Measurement Date	65,998	-
Total Law Enforcement System	$ 602,502	$ 182,907

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

Main System	$ 189,009
Law Enforcement System	65,998

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

	Main System	**Law Enforcement System**
2019	$ 1,062,501	$ 102,341
2020	930,979	94,085
2021	761,818	85,529
2022	412,537	67,831
2023	28,722	3,811

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Main System

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30 – 39	7.50%
	40 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost–of-living adjustments	None	

Law Enforcement System

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	20.00%
	1	20.00%
	2	10.00%
	Age*	
	Under 30	7.25%
	30 – 39	6.50%
	40 – 49	6.25%
	50 – 59	5.75%
	60+	5.00%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost–of-living adjustments	None	

Main and Law Enforcement System

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

Discount rate (Main and Law Enforcement Systems)

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 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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

The following presents the entities proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Main System	$ 13,390,557	$ 9,854,591	$ 6,903,941
Law Enforcement System	1,394,207	903,376	504,592

Pension Plan Fiduciary Net Position

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

NOTE 8 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. 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.

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. The benefits are equal to $5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At December 31, 2018, the County reported a liability of $528,090 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the County's proportion was 0.670533 percent, which was a decrease of .004197% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the County recognized OPEB expense of $64,914. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 15,810	$ 10,911
Changes of Assumptions	43,330	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	11,361
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,254	3,681
Employer Contributions Subsequent to the Measurement Date	30,263	-
Total	$ 90,657	$ 25,953

$30,263 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

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

2019	$ 4,083
2020	4,083
2021	4,083
2022	9,096
2023	8,176
2024	4,351
Thereafter	569

Actuarial assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

Discount rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. 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 County'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, 2018, calculated using the discount rate of 7.50%, 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net OPEB Liability	$ 668,161	$ 528,090	$ 408,014

NOTE 9 CONSTRUCTION COMMITMENTS

The County had three open construction commitments as of December 31, 2018 as follows:

County Project	Contract Amount	Total Completed	Retainage	Remaining Balance
CBP-0045(17)02	$ 617,881	$ 619,433	$ 15,486	$ 13,934
CBP-0045(17)03	312,185	297,260	29,726	44,651
BRO-0045(065)	269,790	-	-	269,790
Total	$ 1,199,856	$ 916,693	$ 45,212	$ 328,375

NOTE 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and $6,101,621 for mobile equipment and portable property (public assets).

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

The County has worker's compensation with the ND Workforce Safety and Insurance.

NOTE 11 TRANSFERS

Transfers are used to move unrestricted general revenue to finance programs that the County accounts for in other funds in accordance with budget authority and to subsidize other programs.

NOTE 12 TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

At December 31, 2018, local governments within the County provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria.

Charitable Organization

Under N.D.C.C. §57-02-08(8), buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to N.D.C.C. §23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit may is exempt.

The total reduction in property tax revenue due to tax abatements is as follows:

Charitable Organizations	$	396,015
Other Programs		5,375
Total Reduction in Property Tax Revenue	$	401,390

NOTE 13 JOINT VENTURES

Southwest Multi-County Correction Center

The County entered into a joint venture for the operation of the Southwest Multi-County Correction Center with Dunn, Hettinger, Bowman, Slope, and Billings counties. Each county appoints one member to the correction center board. Each participating county's share of the cost of operations is determined by the relative population of each county based upon the 1980 census.

Summary financial information for 2018 is not available. The following information as of and for the year ended December 31, 2016, the most current audited information available, is as follows:

	Southwest Multi-County Correctional Center	
Total Assets	$	6,737,202
Total Liabilities		617,495
Net Position	$	6,119,707
Total Revenues	$	8,720,256
Total Expenses		8,785,549
Change in Net Position	$	(65,293)

Complete financial statements may be obtained from Southwest Multi-County Correction Center, 12th St. W. and Sims, Dickinson, ND 58601.

Dickinson Law Enforcement Center

The County entered into a joint venture for the maintenance of the Dickinson Law Enforcement Center with the City of Dickinson and the Southwest Multi-County Correction Center. Each entity appoints two members to the law enforcement center board. Each participating entity's share of the cost of operations is determined by the relative amount of space occupied by each.

Summary financial information for 2018 is not available. The following information as of and for the year ended December 31, 2016, the most current audited information available, is as follows:

	Dickinson Law Enforcement Center	
Total Assets	$	232,316
Total Liabilities		140,228
Net Position	$	92,088
Total Revenues	$	632,575
Total Expenses		661,616
Change in Net Position	$	(29,041)

Complete financial statements may be obtained from Dickinson Law Enforcement Center, 12th St. W. and Sims, Dickinson, ND 58601.

Southwest District Health Unit

The County entered into a joint venture with Adams, Billings, Bowman, Dunn, Golden Valley, Hettinger, and Slope Counties for the operation of the Southwest District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the relative taxable valuation of each county.

The following unaudited information as of and for the year ended December 31, 2017, the most current information available, is as follows:

	Southwest District Health Unit
Total Assets	$ 4,623,101
Total Liabilities	1,578,372
Net Position	$ 3,044,729
Total Revenues	$ 3,686,730
Total Expenses	3,275,295
Change in Net Position	$ 411,435

Additional financial information may be obtained from the Southwest District Health Unit, Hwy 22 N, Dickinson, ND 58601.

STARK COUNTY
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 6,752,100	$ 6,752,100	$ 6,546,250	$ (205,850)
Intergovernmental	791,283	791,283	1,409,058	617,775
Charges for Services	335,000	335,000	331,274	(3,726)
Licenses, Permits and Fees	143,770	143,770	192,425	48,655
Interest Income	400,000	400,000	356,049	(43,951)
Miscellaneous	70,500	70,500	64,634	(5,866)
Total Revenues	$ 8,492,653	$ 8,492,653	$ 8,899,690	$ 407,037
EXPENDITURES				
Current				
General Government	$ 4,915,449	4,915,449	$ 4,719,297	$ 196,152
Public Safety	3,051,299	3,051,299	2,908,455	142,844
Health & Welfare	750	750	750	-
Economic Development	135,962	135,962	133,169	2,793
Culture & Recreation	317,675	317,675	415,855	(98,180)
Total Expenditures	$ 8,421,135	$ 8,421,135	$ 8,177,526	$ 243,609
Excess (Deficiency) of Revenues Over Expenditures	$ 71,518	$ 71,518	$ 722,164	$ 650,646
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 4,020,340	$ 4,020,340	$ 89,615	$ (3,930,725)
Net Change in Fund Balances	$ 4,091,858	$ 4,091,858	$ 811,779	$ (3,280,079)
Fund Balance - January 1	$ 20,005,165	$ 20,005,165	$ 20,005,165	$ -
Fund Balance - December 31	$ 24,097,023	$ 24,097,023	$ 20,816,944	$ (3,280,079)

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

STARK COUNTY
Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 6,131,650	$ 6,131,650	$ 6,265,550	$ 133,900
Intergovernmental	6,734,926	6,734,926	9,546,641	2,811,715
Charges for Services	691,818	691,818	866,194	174,376
Licenses, Permits and Fees	241,000	241,000	450,744	209,744
Miscellaneous	166,550	166,550	375,969	209,419
Total Revenues	$ 13,965,944	$ 13,965,944	$ 17,505,098	$ 3,539,154
EXPENDITURES				
Current				
General Government	$ 245,447	$ 245,447	$ 346,975	$ (101,528)
Public Safety	3,093,197	3,136,886	2,621,850	515,036
Highways & Bridges	7,476,423	8,898,039	8,671,064	226,975
Health & Welfare	4,020,340	4,020,340	3,697,439	322,901
Conservation of Natural Resources	657,014	751,912	687,810	64,102
Debt Service				
Principal	299,787	299,787	299,787	-
Interest	26,370	26,370	26,370	-
Total Expenditures	$ 15,818,578	$ 17,378,781	$ 16,351,295	$ 1,027,486
Excess (Deficiency) of Revenues Over Expenditures	$ (1,852,634)	$ (3,412,837)	$ 1,153,803	$ 4,566,640
OTHER FINANCING SOURCES (USES)				
Transfers In	$ -	$ -	$ 1,000,000	$ 1,000,000
Transfers Out	-	-	(1,089,615)	(1,089,615)
Total Other Financing Sources and Uses	$ -	$ -	$ (89,615)	$ (89,615)
Net Change in Fund Balances	$ (1,852,634)	$ (3,412,837)	$ 1,064,188	$ 4,477,025
Fund Balance - January 1	$ 15,078,991	$ 15,078,991	$ 15,078,991	$ -
Fund Balance - December 31	$ 13,226,357	$ 11,666,154	$ 16,143,179	$ 4,477,025

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

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

Main System	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
2018	0.583938%	$ 9,854,591	$ 5,998,893	164.27%	62.80%
2017	0.578532%	9,298,908	5,905,904	157.45%	61.98%
2016	0.583577%	5,687,527	5,881,077	96.71%	70.46%
2015	0.558091%	3,794,924	4,971,918	76.33%	77.15%
2014	0.547798%	3,476,991	4,614,538	75.35%	77.70%

Law Enforcement System	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
2018	3.876444%	$ 903,376	$ 1,338,190	67.51%	62.80%
2017	4.844673%	1,066,612	1,393,603	76.54%	61.98%
2016	5.126838%	587,456	1,447,096	40.60%	70.46%
2015	6.897293%	419,046	1,010,899	41.45%	77.15%
2014	8.227919%	509,040	1,075,719	47.32%	77.70%

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

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

Main System	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
2018	$ 441,844	$ 430,772	$ 11,072	$ 5,998,893	7.18%
2017	428,250	431,014	(2,764)	5,905,904	7.30%
2016	425,781	446,487	(20,706)	5,881,077	7.59%
2015	377,657	379,909	(2,252)	4,971,918	7.64%
2014	328,555	328,555	-	4,614,538	7.12%

Law Enforcement System	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
2018	$ 123,101	$ 137,920	$ (14,819)	$ 1,338,190	10.31%
2017	145,599	151,165	(5,566)	1,393,603	10.85%
2016	122,229	154,250	(32,021)	1,447,096	10.66%
2015	109,179	130,443	(21,264)	1,010,899	12.90%
2014	105,528	105,528	-	1,075,719	9.81%

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

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

Main System	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
2018	0.670533%	$ 528,090	$ 7,337,083	7.20%	61.89%
2017	0.674730%	533,719	7,299,507	7.31%	59.78%

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

Main System	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
2018	$ 86,060	$ 85,000	$ 1,060	$ 7,337,083	1.16%
2017	84,852	86,572	(1,720)	7,299,507	1.19%

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

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The County Commission adopts an appropriated budget on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The County Auditor prepares an annual budget for the general fund and each special revenue fund of the County. N.D.C.C. 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. N.D.C.C. 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. N.D.C.C. 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. N.D.C.C. 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, information for those years for which information is available will be presented.

NOTE 3 PENSION AND OPEB – CHANGES OF ASSUMPTIONS

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NOTE 4 BUDGET TO ACTUAL RECONCILIATION

Leases issued that are paid by the special revenue fund are not included in the budgetary comparison schedule expenditures, but are included in the combined statement of revenues, expenditures and changes in fund balance. The reconciliation is provided below:

	Combined Statement	Adjustment	Budget to Actual Statement
Special Revenue Fund			
Expenditures	$ 16,475,065	$ (123,770)	$ 16,351,295
Lease Proceeds	123,770	(123,770)	-

NOTE 5 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The board of County commissioners amended the budget for 2018 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Special Revenue Fund	$ 15,818,578	$ 1,560,203	17,378,781

STARK COUNTY
Schedule of Fund Activity - Cash Basis
For the Year Ended December 31, 2018

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
Governmental Funds						
General Fund	$ 20,711,801.63	$ 9,310,801.32	$ 89,614.85	$ -	$ 7,808,764.45	$ 22,303,453.35
Special Revenue Fund						
Farm to Market Road - 10 Mill	$ 3,278,892.48	$ 2,318,244.76	$ -	$ -	$ 3,421,616.09	$ 2,175,521.15
County Roads - Unorganized	371,353.07	3,173,899.85	1,000,000.00	-	3,224,970.89	1,320,282.03
Highway Tax Distribution	5,203,189.91	3,209,086.93	-	1,000,000.00	1,966,874.70	5,445,402.14
Social Services	-	4,032,588.21	-	-	3,665,500.96	367,087.25
County Poor	-	89,614.85	-	89,614.85	-	-
Special Road & Bridge	1,318,920.53	365,746.85	-	-	42,143.11	1,642,524.27
County Jail	1,509,934.94	2,289,178.92	-	-	1,753,428.43	2,045,685.43
Emergency Fund	481,458.78	11,977.52	-	-	-	493,436.30
Veterans Service Officer	920,819.21	304,870.26	-	-	143,353.38	1,082,336.09
County Agent	1,533,295.63	287,452.14	-	-	142,065.59	1,678,682.18
Weed Control	212,561.82	517,909.77	-	-	531,640.05	198,831.54
Emergency 911	143,107.21	320,511.14	-	-	399,485.80	64,132.55
Adult Education	9,651.28	721.43	-	-	924.58	9,448.13
Asset Forfeiture	21,770.40	-	-	-	-	21,770.40
Fingerprint Station	15,032.75	1,300.00	-	-	10,336.00	5,996.75
Sheriffs Grants	(1,604.97)	8,973.95	-	-	8,959.40	(1,590.42)
OT Grant	(1,093.42)	4,093.41	-	-	3,415.55	(415.56)
Security Transfer/DJS Reimburse.	-	2,052.02	-	-	1,491.10	560.92
Southwest Victim Witness Prog.	31,678.27	90,408.44	-	-	98,061.03	24,025.68
Hazardous Chem. Preparedness	44,116.96	9,662.50	-	-	302.04	53,477.42
Preservation Fee	307,260.15	36,543.50	-	-	7,583.04	336,220.61
State Reimbursements	(1,635.69)	2,792.07	-	-	1,672.87	(516.49)
Siren Contingency	13,055.66	34,151.66	-	-	55,353.15	(8,145.83)
24/7 Fund	67,387.70	101,531.00	-	-	89,593.90	79,324.80
ESG Funds	4,510.74	200,820.72	-	-	180,907.10	24,424.36
BCI Asset Forfeiture	-	96,932.78	-	-	96,932.78	-
BCI JAG Grant	(19,500.00)	19,500.00	-	-	-	-
911 Equipment	157,596.86	61,995.00	-	-	38,569.50	181,022.36
BCI Lottery Grant	-	25,248.10	-	-	52,894.09	(27,645.99)
SIRN	-	17,270.50	-	-	-	17,270.50
Discovery Benefits	2,444.34	88,456.46	-	-	91,218.95	(318.15)
Tax Overpayments	8.34	45.52	-	-	-	53.86
Salary Advance	-	-	-	-	35,000.00	(35,000.00)
Total Special Revenue Fund	$ 15,624,212.95	$ 17,723,580.26	$ 1,000,000.00	$ 1,089,614.85	$ 16,064,294.08	$ 17,193,884.28
Capital Project Fund						
Capital Improvement	$ 4,750,926.41	$ 3,966,428.12	$ -	$ -	$ 1,929,762.06	$ 6,787,592.47
Total Government Funds	$ 41,086,940.99	$ 31,000,809.70	$ 1,089,614.85	$ 1,089,614.85	$ 25,802,820.59	$ 46,284,930.10
Agency Funds						
Fair Board	$ -	$ -	$ -	$ -	$ -	$ -
Domestic Violence Prevention	455.00	8,715.00	-	-	8,715.00	455.00
Estimate Tax	21,686.39	33,143.78	-	-	51,855.39	2,974.78
Protest Fund	-	457.71	-	-	-	457.71
DVRCC	-	7,845.94	-	-	7,845.93	0.01
Judgement Execution Fund	-	111,647.33	-	-	111,647.33	-
BCI- Tack Force	(58,933.44)	95,375.82	-	-	36,442.38	-
Vector Control	141.62	10,959.40	-	-	11,101.02	-
Stark County Job Development	29,747.11	222,065.28	-	-	204,528.78	47,283.61
Senior Citizens	29,677.36	427,981.11	-	-	410,374.52	47,283.95
Water Commission	-	11,888.14	-	-	11,888.14	-
Southwest District Health	110,433.61	874,511.95	-	-	806,471.08	178,474.48
State Tax	29,678.52	220,082.63	-	-	202,473.94	47,287.21
SW Water Authority	29,678.64	231,835.50	-	-	214,226.82	47,287.32
Library	41,142.09	345,832.47	-	-	322,345.74	64,628.82
Airport	10,285.43	79,615.96	-	-	73,745.31	16,156.08
Total Cities	1,031,585.48	8,476,110.45	-	-	7,674,712.18	1,832,983.75
Total Parks	261,914.23	2,032,331.90	-	-	1,775,224.19	519,021.94
Total School Districts	3,090,994.76	22,935,839.36	-	-	20,886,075.75	5,140,758.37
Richardton-Taylor Ambulance	18,923.97	135,163.19	-	-	115,285.44	38,801.72
New England Ambulance	4,067.48	42,273.03	-	-	42,053.66	4,286.85
Hebron Ambulance	-	3,667.44	-	-	-	3,667.44
Soil Conservation District	29,679.53	231,844.72	-	-	214,238.07	47,286.18
Total Rural Fire Prot. Districts	103,865.98	821,435.14	-	-	761,696.37	163,604.75
Payroll Deduction	155,166.67	11,032,960.10	-	-	11,007,901.40	180,225.37
Total Agency Funds	$ 4,940,190.43	$ 48,393,583.35	$ -	$ -	$ 44,950,848.44	$ 8,382,925.34
Total Primary Government	$ 46,027,131.42	$ 79,394,393.05	$ 1,089,614.85	$ 1,089,614.85	$ 70,753,669.03	$ 54,667,855.44

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OFFICE OF THE STATE AUDITOR
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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*

Independent Auditor's Report

Board of County Commissioners
Stark County
Dickinson, 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, and the discretely presented component units and aggregate remaining fund information of Stark County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stark County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stark County's internal control. Accordingly, we do not express an opinion on the effectiveness of Stark 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items *2018-001, 2018-002, 2018-003, 2018-004, and 2018-005* that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stark County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Stark County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
October 30, 2019

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified
Discretely Presented Component Units and 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?		Yes	X	None Noted

2018-001 FINANCIAL STATEMENT PREPARATION

Condition

Stark County does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Criteria

Management of Stark County is responsible for establishing proper internal control over the preparation of Stark County's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

Management is not fully knowledgeable of the process of preparing financial statements in compliance with GAAP.

Effect

There is an increased risk of material misstatement to the Stark County’s financial statements.

Repeat Finding

Yes.

Recommendation

We recommend Stark County design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continue to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

Stark County’s Response

Agree. Stark County is aware that there is a risk having the State Auditor’s Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

2018-002 ADJUSTING JOURNAL ENTRIES

Condition

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Criteria

Stark County is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Cause

Management is not fully knowledgeable of identifying necessary adjustments to present the financial statements in compliance with GAAP.

Effect

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

Repeat Finding

Yes.

Recommendation

We recommend that Stark County design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

Stark County's Response

Agree. Stark County does not have adequate resources to obtain proper internal controls and training to make and identify all necessary adjustments. We will continue to try to identify all items in need of adjustment at year end to comply with GAAP.

2018-003 ADVERTISED BIDDING OF ROAD EQUIPMENT

Condition

Stark County purchased a piece of road equipment that was not advertised for bids in accordance with state law.

Criteria

N.D.C.C. §24-05-04(2) states "A purchase of county road machinery and any rental contract or agreement for the use of road machinery and other articles, except necessary repairs for road machinery, which exceeds the sum of one hundred thousand dollars must be advertised by publishing an advertisement for bids at least once each week for two consecutive weeks in the official newspaper of the county and in any other newspapers as the board deems advisable."

Cause

Stark County believed that the threshold for bidding for county road machinery under N.D.C.C §24-05-04(2) increased to $150,000.

Effect

Non-compliance with N.D.C.C. §24-05-04(2).

Repeat Finding

Yes.

Recommendation

We recommend Stark County properly advertise bids for any road machinery which exceeds $100,000 in accordance with N.D.C.C. §24-05-04(2).

Stark County's Response

We agree with the recommendation. The county will properly bid equipment over $100,000.

2018-004 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS

Condition

The Stark County Water Resource District and Stark County Job Development Authority 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.

Criteria

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 Water Resource District and Job Development Authority.

Cause

Management has chosen to allocate economic resources to other functions of the Water Resource District and Job Development Authority.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Water Resource District and Job Development Authority's financial condition.

Repeat Finding

No.

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.

Stark County's Response

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Water Resource District and Job Development Authority.

2018-005 FRAUD RISK ASSESSMENT

Condition

Stark County does not currently prepare a fraud risk assessment of the entire entity.

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Cause

The County may not have considered preparing a fraud risk assessment.

Effect

If the County does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Repeat Finding

No.

Recommendation

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Stark County's Response

Agree. We will perform a fraud risk assessment.

STATE AUDITOR
JOSHUA C. GALLION
Phone (701) 328-2241

Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone (701)239-7250

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203.
FARGO, NORTH DAKOTA 58103

GOVERNANCE COMMUNICATION

Board of County Commissioners
Stark County
Dickinson, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the discretely presented component units and aggregate remaining fund information of Stark County, North Dakota, for the year ended December 31, 2018 which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated October 30, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated May 9, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Stark County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Stark County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Stark County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 financial statements is useful lives of capital assets.

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 below list all misstatements detected as a result of audit procedures that were corrected by management.

PRIMARY GOVERNMENT

Client Provided Adjustments				
Intergovernmental Receivable	$	1,006,307		
Accounts Receivable		222,898		
Revenue			$	1,229,205
Revenue		2,852,620		
Unearned Revenue				2,852,620
Expenditures		1,247,703		
Accounts Payable				929,816
Salaries Payable				194,117
Capital Lease Financing				123,770
Audit Adjustments				
Intergovernmental Receivable	$	450,176		
Revenue			$	450,176
Property Tax Revenue		143,957		
Intergovernmental Revenue				143,957

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 October 30, 2019.

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 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.

Difficulties Encountered in Performing the Audit

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

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.

This information is intended solely for the use of the Board of County Commissioners and management of Stark 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 Stark 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 Stark County.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
October 30, 2019

You may obtain audit reports on the internet at:
www.nd.gov/auditor
or by contacting the Office of the State Auditor at:
Email: ndsao@nd.gov
Phone: (701) 328-2241

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