

# **AUDIT REPORT**

McINTOSH COUNTY  
Ashley, North Dakota

For the Years Ended December 31, 2020 and 2019

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

McINTOSH COUNTY  
Ashley, North Dakota

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For the Years Ended December 31, 2020 and 2019

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McINTOSH COUNTY  
Ashley, North Dakota

COUNTY OFFICIALS

Neil Meidinger	Commission Chairman
Devin Deile	Commission Vice Chairman
Perry Turner	Commissioner
Gina Ketterling	Auditor
Lanette Blumhardt	Treasurer
Carol Fey	County Recorder/ Clerk of District Court
Laurie Heupel	Sheriff
Mary DePuydt	States Attorney

# Rath & Mehler, P.C.

Certified Public Accountants

Jayson Rath, CPA  
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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
McIntosh County  
Ashley, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the remaining fund information of McIntosh County, Ashley, North Dakota, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the 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 audits. We conducted our audits 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. Those standards require that we plan and perform the audits 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 judgement, 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 county'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 county'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, the discretely presented component units, each major fund, and the aggregate remaining fund information of McIntosh County, Ashley, North Dakota, as of December 31, 2020 and 2019, and the respective changes in financial position for the years 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 budgeting comparison information on pages 37 through 47 and the schedule of employer's share of net pension liability on page 48 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity arising from cash transactions are the responsibility of management and were derived from and relate 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 audits 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 schedules of fund activity arising from cash transactions are 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 May 14, 2021 on our consideration of the 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 the county's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 14, 2021

McINTOSH COUNTY  
Ashley, North Dakota

Statement of Net Position  
December 31, 2020

	Primary Government	Component Units		
	Governmental Activities	Water Resource District	Health District	Job Development Authority
<b>ASSETS:</b>				
Cash and Investments	1,947,142.57	47,518.65	216,294.52	85,235.10
Taxes Receivable	73,422.61	325.29	3,172.81	1,168.51
Economic Development Loans Receivable				105,336.54
Capital Assets (net of accumulated depreciation):				
Construction in Progress	86,360.00			
Buildings	237,224.00			
Machinery and Vehicles	1,156,240.00			
Total Capital Assets	1,479,824.00			
<b>Total Assets</b>	<b>3,500,389.18</b>	<b>47,843.94</b>	<b>219,467.33</b>	<b>191,740.15</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Changes in Resources Related to Pensions	530,683.00			
<b>LIABILITIES:</b>				
Interest Payable	27,623.69			
Long-Term Liabilities:				
Due Within One Year:				
Capital Leases Payable	118,377.55			
Due After One Year:				
Capital Leases Payable	829,177.44			
Net Pension Liability	1,142,595.00			
<b>Total Liabilities</b>	<b>2,117,773.68</b>			
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable Revenue	561,124.02			
Changes in Resources Related to Pensions	646,789.00			
<b>Total Deferred Inflows of Resources</b>	<b>1,207,913.02</b>			
<b>NET POSITION:</b>				
Net Investment in Capital Assets	532,269.01			
Restricted for:				
Special Purposes	946,001.15			
Unrestricted	(772,884.68)	47,843.94	219,467.33	191,740.15
<b>Total Net Position</b>	<b>705,385.48</b>	<b>47,843.94</b>	<b>219,467.33</b>	<b>191,740.15</b>

The accompanying notes are an integral part of these financial statements.

MCINTOSH COUNTY  
Ashley, North Dakota

Statement of Net Position  
December 31, 2019

	Primary Government	Component Units		
	Governmental Activities	Water Resource District	Health District	Job Development Authority
<b>ASSETS:</b>				
Cash and Investments	1,847,544.32	45,543.41	171,313.85	100,081.79
Taxes Receivable	61,798.06	305.29	2,257.63	786.79
Economic Development Loans Receivable				75,623.52
Capital Assets (net of accumulated depreciation):				
Construction in Progress	86,360.00			
Buildings	242,520.00			
Machinery and Vehicles	887,271.00			
Total Capital Assets	1,216,151.00			
Total Assets	3,125,493.38	45,848.70	173,571.48	176,492.10
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Changes in Resources Related to Pensions	734,360.00			
<b>LIABILITIES:</b>				
Interest Payable	2,074.84			
Long-Term Liabilities:				
Due Within One Year:				
Bank Loan Payable	86,552.11			
Capital Leases Payable	90,390.15			
Due After One Year:				
Capital Leases Payable	654,160.85			
Net Pension Liability	1,745,224.00			
Total Liabilities	2,578,401.95			
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable Revenue	488,342.86			
Changes in Resources Related to Pensions	117,090.00			
Total Deferred Inflows of Resources	605,432.86			
<b>NET POSITION:</b>				
Net Investment in Capital Assets	385,047.89			
Restricted for:				
Special Purposes	1,019,083.67			
Unrestricted	(728,112.99)	45,848.70	173,571.48	176,492.10
Total Net Position	676,018.57	45,848.70	173,571.48	176,492.10

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Statement of Activities  
For the Year Ended December 31, 2020

Expenses	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues		Primary Gov't	Component Units		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District	Health District	Job Development Authority
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	1,106,318.25	27,490.82	25,364.00	(1,053,463.43)		
Public Safety	406,852.62	112,186.51	198,789.02	(95,877.09)		
Highways and Public Improve.	1,790,017.32	41,668.40	492,562.52	(1,255,786.40)		
Health and Welfare	11,753.85		13,670.54	1,916.69		
Culture and Recreation	5,189.27			(5,189.27)		
Conser. and Economic Dvlpmnt.	126,746.75		9,288.72	(117,458.03)		
Other	296,238.63			(296,238.63)		
Interest on Long-Term Debt	34,904.21			(34,904.21)		
<b>Total Governmental Activities</b>	<b>3,778,020.90</b>	<b>181,345.73</b>	<b>739,674.80</b>	<b>(2,857,000.37)</b>		
<hr/>						
<u>Component Units:</u>						
Water Resource District	6,936.01			(6,936.01)		
Health District	261,108.37	19,219.02	182,450.17		(59,439.18)	
Job Development Authority	23,657.48					(23,657.48)
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General Revenues:

Taxes:				
Property taxes; levied for general purposes	1,193,532.91	8,744.50	93,383.11	38,905.53
Property taxes; levied for special purposes	1,048,686.92			
Telecommunications taxes	20,795.69			
Federal aid not restricted to specific program:				
Federal payments in lieu of taxes	1,292.00			
State aid not restricted to specific program:				
State aid distribution	447,856.24		10,084.00	
Earnings on investments and other revenue	124,203.52	186.75	1,867.92	
Gain on trade-in of assets	50,000.00			
Total General Revenues	2,886,367.28	8,931.25	105,335.03	38,905.53
Change in Net Position	29,366.91	1,995.24	45,895.85	15,248.05
Net Position - January 1	676,018.57	45,848.70	173,571.48	176,492.10
Net Position - December 31	705,385.48	47,843.94	219,467.33	191,740.15

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Statement of Activities  
For the Year Ended December 31, 2019

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues		Primary Gov't	Component Units		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District	Health District	Job Development Authority
Expenses						
<u>Functions/Programs</u>						
Primary Government:						
<u>Governmental Activities:</u>						
General Government	1,103,000.78	39,015.06	22,134.00	(1,041,851.72)		
Public Safety	395,824.43	106,817.51	7,221.58	(281,785.34)		
Highways and Public Improve.	2,046,384.66	16,747.61	846,785.20	(1,182,851.85)		
Health and Welfare	288,126.87		284,989.64	(3,137.23)		
Culture and Recreation	4,967.58			(4,967.58)		
Conser. and Economic Dvlpmnt.	134,431.43		6,945.03	(127,486.40)		
Other	339,122.13			(339,122.13)		
Interest on Long-Term Debt	2,140.94			(2,140.94)		
<b>Total Governmental Activities</b>	<b>4,313,998.82</b>	<b>162,580.18</b>	<b>1,168,075.45</b>	<b>(2,983,343.19)</b>		
-----						
Component Units:						
Water Resource District	10,033.62			(10,033.62)		
Health District	216,242.58	15,612.05	135,733.97		(64,896.56)	
Job Development Authority	19,627.01					(19,627.01)
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General Revenues:

Taxes:				
Property taxes; levied for general purposes	977,106.78	8,918.03	68,111.27	19,957.05
Property taxes; levied for special purposes	939,662.24			
Telecommunications taxes	20,795.69			
Federal aid not restricted to specific program:				
Federal payments in lieu of taxes	1,265.00			
State aid not restricted to specific program:				
State aid distribution	493,891.05		10,196.00	
Earnings on investments and other revenue	133,255.09	210.02	1,845.60	
Gain on trade-in of assets	802.00			
Total General Revenues	2,566,777.85	9,128.05	80,152.87	19,957.05
Change in Net Position	(416,565.34)	(905.57)	15,256.31	330.04
Net Position - January 1	1,092,583.91	46,754.27	158,315.17	176,162.06
Net Position - December 31	676,018.57	45,848.70	173,571.48	176,492.10
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Balance Sheet  
Governmental Funds  
December 31, 2020

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	Highway Tax Distribution	Federal Aid Roads	Unorganized Road	Weed Control		
<u>ASSETS:</u>							
Cash and Investments	670,704.49	2,592.85	276,140.81	103,705.11	259,704.47	634,294.84	1,947,142.57
Taxes Receivable	40,767.44		7,586.26	7,117.83	1,997.46	15,953.62	73,422.61
<b>Total Assets</b>	<b>711,471.93</b>	<b>2,592.85</b>	<b>283,727.07</b>	<b>110,822.94</b>	<b>261,701.93</b>	<b>650,248.46</b>	<b>2,020,565.18</b>
<u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
<u>Deferred Inflows Of Resources:</u> Unavailable Revenue	321,493.51		62,995.74	89,647.71	14,962.80	145,446.87	634,546.63
<u>Fund Balances:</u>							
Restricted for:							
Public Safety						64,269.91	64,269.91
Highways and Public Improvements		2,592.85	220,731.33	21,175.23		82,849.85	327,349.26
Health and Welfare						101,759.59	101,759.59
Culture and Receptions						31.72	31.72
Conservation and Economic Development					246,739.13	18,930.72	265,669.85
Emergency Services						143,575.07	143,575.07
Motor Pool						13,490.75	13,490.75
Debt Service						6,991.66	6,991.66
Other						17,831.86	17,831.86
Assigned to:							
Technology						1,912.30	1,912.30
Sheriff Vehicle						53,158.16	53,158.16
Unassigned	389,978.42						389,978.42
<b>Total Fund Balances</b>	<b>389,978.42</b>	<b>2,592.85</b>	<b>220,731.33</b>	<b>21,175.23</b>	<b>246,739.13</b>	<b>504,801.59</b>	<b>1,386,018.55</b>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>711,471.93</b>	<b>2,592.85</b>	<b>283,727.07</b>	<b>110,822.94</b>	<b>261,701.93</b>	<b>650,248.46</b>	<b>2,020,565.18</b>

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Balance Sheet  
Governmental Funds  
December 31, 2019

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	Highway Tax Distribution	Federal Aid Roads	Unorganized Road	Weed Control		
<b>ASSETS:</b>							
Cash and Investments	549,901.11	0.37	379,801.91	63,776.51	218,063.33	636,001.09	1,847,544.32
Taxes Receivable	32,704.71		6,748.13	7,064.44	1,305.58	13,975.20	61,798.06
<b>Total Assets</b>	<b>582,605.82</b>	<b>0.37</b>	<b>386,550.04</b>	<b>70,840.95</b>	<b>219,368.91</b>	<b>649,976.29</b>	<b>1,909,342.38</b>
<b>=====</b>							
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Deferred Inflows Of Resources:</b>							
Unavailable Revenue	293,608.35		52,798.92	76,825.61	15,443.77	111,464.27	550,140.92
<b>Fund Balances:</b>							
Restricted for:							
Public Safety						58,244.74	58,244.74
Highways and Public Improvements		0.37	333,751.12			28,434.36	362,185.85
Health and Welfare						101,392.65	101,392.65
Culture and Recreations						21.92	21.92
Conservation and Economic Development					203,925.14	4,367.17	208,292.31
Emergency Services						146,725.22	146,725.22
Motor Pool						28,486.63	28,486.63
Debt Service						48,332.49	48,332.49
Other						38,383.35	38,383.35
Assigned to:							
Technology						37,280.49	37,280.49
Sheriff Vehicle						45,000.00	45,000.00
County Tax Assessments						1,843.00	1,843.00
Unassigned	288,997.47			(5,984.66)			283,012.81
<b>Total Fund Balances</b>	<b>288,997.47</b>	<b>0.37</b>	<b>333,751.12</b>	<b>(5,984.66)</b>	<b>203,925.14</b>	<b>538,512.02</b>	<b>1,359,201.46</b>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>582,605.82</b>	<b>0.37</b>	<b>386,550.04</b>	<b>70,840.95</b>	<b>219,368.91</b>	<b>649,976.29</b>	<b>1,909,342.38</b>
<b>=====</b>							

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2020

Total Fund Balances for Governmental Funds		1,386,018.55
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	3,046,152.00	
Less Accumulated Depreciation	(1,566,328.00)	
Net Capital Assets		1,479,824.00
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.</p>		
		73,422.61
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources	530,683.00	
Total Deferred Inflows of Resources	(646,789.00)	
Total Deferred Outflows/Inflows of Resources		(116,106.00)
<p>Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2020 are:</p>		
Capital Leases Payable	(947,554.99)	
Interest Payable	(27,623.69)	
Net Pension Liability	(1,142,595.00)	
Total Long-Term Liabilities		(2,117,773.68)
Total Net Position of Governmental Activities		705,385.48
		=====

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds		1,359,201.46
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	2,771,352.00	
Less Accumulated Depreciation	(1,555,201.00)	
Net Capital Assets	1,216,151.00	1,216,151.00
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.</p>		
		61,798.06
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources	734,360.00	
Total Deferred Inflows of Resources	(117,090.00)	
Total Deferred Outflows/Inflows of Resources	617,270.00	617,270.00
<p>Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2019 are:</p>		
Bank Loan Payable	(86,552.11)	
Capital Leases Payable	(744,551.00)	
Interest Payable	(2,074.84)	
Net Pension Liability	(1,745,224.00)	
Total Long-Term Liabilities	(2,578,401.95)	(2,578,401.95)
Total Net Position of Governmental Activities		676,018.57

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2020

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	Highway Tax Distribution	Federal Aid Roads	Unorganized Road	Weed Control		
<u>Revenues:</u>							
Taxes	1,203,755.14		207,966.66	318,662.00	63,898.48	457,108.69	2,251,390.97
Licenses, Permits and Fees	1,010.00					67,158.42	68,168.42
Intergovernmental	587,545.85	329,249.27		183,751.20	9,288.72	78,988.00	1,188,823.04
Charges for Services	68,154.46	41,668.40				3,354.45	113,177.31
Miscellaneous	83,031.80	13,993.56			14,683.99	12,494.17	124,203.52
<b>Total Revenues</b>	<b>1,943,497.25</b>	<b>384,911.23</b>	<b>207,966.66</b>	<b>502,413.20</b>	<b>87,871.19</b>	<b>619,103.73</b>	<b>3,745,763.26</b>
<u>Expenditures:</u>							
Current:							
General Government	930,180.98					36,308.27	966,489.25
Public Safety	330,155.37					64,142.25	394,297.62
Highways and Public Improve.		430,507.44	320,986.45	765,253.31		107,105.12	1,623,852.32
Health and Welfare	11,753.85						11,753.85
Culture and Recreation						5,189.27	5,189.27
Conser. and Economic Dvlpmnt.	11,335.00				45,057.20	70,354.55	126,746.75
Other	107,998.75					188,239.88	296,238.63
Capital Outlay		350,074.00				51,401.00	401,475.00
Debt Service:							
Principal		147,070.01				86,552.11	233,622.12
Interest		7,741.30				1,614.06	9,355.36
<b>Total Expenditures</b>	<b>1,391,423.95</b>	<b>935,392.75</b>	<b>320,986.45</b>	<b>765,253.31</b>	<b>45,057.20</b>	<b>610,906.51</b>	<b>4,069,020.17</b>
Excess (Deficiency) of Revenues Over Expenditures	552,073.30	(550,481.52)	(113,019.79)	(262,840.11)	42,813.99	8,197.22	(323,256.91)



<u>Other Financing Sources (Uses):</u>							
Transfers In	1,392.65	203,000.00		290,000.00		129,485.00	623,877.65
Transfers Out	(452,485.00)					(171,392.65)	(623,877.65)
Proceeds from Capital Lease		350,074.00					350,074.00
Total Other Financing Sources (Uses)	(451,092.35)	553,074.00		290,000.00		(41,907.65)	350,074.00
Net Change in Fund Balances	100,980.95	2,592.48	(113,019.79)	27,159.89	42,813.99	(33,710.43)	26,817.09
Fund Balance - January 1	288,997.47	0.37	333,751.12	(5,984.66)	203,925.14	538,512.02	1,359,201.46
Fund Balance - December 31	389,978.42	2,592.85	220,731.33	21,175.23	246,739.13	504,801.59	1,386,018.55
	=====						

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2019

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	Highway Tax Distribution	Federal Aid Roads	Unorganized Road	Weed Control		
<u>Revenues:</u>							
Taxes	986,482.42		196,054.94	297,306.69	30,978.37	412,102.87	1,922,925.29
Licenses, Permits and Fees	1,542.51					67,384.64	68,927.15
Intergovernmental	803,388.13	612,308.38		234,476.82	6,945.03	6,113.14	1,663,231.50
Charges for Services	71,031.97	16,747.61				5,873.45	93,653.03
Miscellaneous	88,607.84	28,315.74		1,388.16	3,423.86	11,519.49	133,255.09
<b>Total Revenues</b>	<b>1,951,052.87</b>	<b>657,371.73</b>	<b>196,054.94</b>	<b>533,171.67</b>	<b>41,347.26</b>	<b>502,993.59</b>	<b>3,881,992.06</b>
<u>Expenditures:</u>							
Current:							
General Government	873,685.15					3,327.63	877,012.78
Public Safety	334,081.56					54,233.87	388,315.43
Highways and Public Improve.		907,236.50	6,596.64	737,355.91		263,652.61	1,914,841.66
Health and Welfare	288,126.87						288,126.87
Culture and Recreation						4,967.58	4,967.58
Conser. and Economic Dvlpmnt.	11,335.00				47,953.97	75,142.46	134,431.43
Other	37,700.51					301,421.62	339,122.13
Capital Outlay	18,895.00	774,389.00				26,360.00	819,644.00
Debt Service:							
Principal						47,453.55	47,453.55
Interest						192.11	192.11
<b>Total Expenditures</b>	<b>1,563,824.09</b>	<b>1,681,625.50</b>	<b>6,596.64</b>	<b>737,355.91</b>	<b>47,953.97</b>	<b>776,751.43</b>	<b>4,814,107.54</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>387,228.78</b>	<b>(1,024,253.77)</b>	<b>189,458.30</b>	<b>(204,184.24)</b>	<b>(6,606.71)</b>	<b>(273,757.84)</b>	<b>(932,115.48)</b>

<u>Other Financing Sources (Uses):</u>							
Transfers In	7,435.06	279,235.39		191,640.68		110,000.00	588,311.13
Transfers Out	(549,235.39)					(39,075.74)	(588,311.13)
Proceeds from Capital Leases		744,551.00					744,551.00
Proceeds from Bank Loan						74,005.66	74,005.66
<hr/>							
Total Other Financing Sources (Uses)	(541,800.33)	1,023,786.39		191,640.68		144,929.92	818,556.66
<hr/>							
Net Change in Fund Balances	(154,571.55)	(467.38)	189,458.30	(12,543.56)	(6,606.71)	(128,827.92)	(113,558.82)
<hr/>							
Fund Balance - January 1	443,569.02	467.75	144,292.82	6,558.90	210,531.85	667,339.94	1,472,760.28
<hr/>							
Fund Balance - December 31	288,997.47	0.37	333,751.12	(5,984.66)	203,925.14	538,512.02	1,359,201.46
	=====	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities  
For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds 26,817.09

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. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	401,475.00	
Current Year Depreciation Expense	(187,802.00)	213,673.00

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing 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. This is the amount by which debt proceeds exceeded repayment of debt.

Debt Proceeds	(350,074.00)	
Repayment of Debt	233,622.12	(116,451.88)

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 Increase in Interest Payable	(25,548.85)	
Net Increase to Pension Expense	(130,747.00)	(156,295.85)

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 Increase in Taxes Receivable		11,624.55
----------------------------------	--	-----------

In the statement of activities, only the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the amount of capital assets traded-in.

50,000.00

Change in Net Position of Governmental Activities		29,366.91
		=====

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities  
For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds (113,558.82)

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. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	819,644.00	
Current Year Depreciation Expense	(151,475.00)	668,169.00

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing 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. This is the amount by which debt proceeds exceeded repayment of debt.

Debt Proceeds	(818,556.66)	
Repayment of Debt	47,453.55	(771,103.11)

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 Increase in Interest Payable	(1,948.83)	
Net Increase to Pension Expense	(213,565.00)	(215,513.83)

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 Increase in Taxes Receivable		14,639.42
----------------------------------	--	-----------

In the statement of activities, only the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the amount of capital assets traded-in.

802.00

Change in Net Position of Governmental Activities		(416,565.34)
		=====

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Statement of Fiduciary Assets and Liabilities  
Custodial Funds  
December 31, 2020

	Custodial Funds
<u>Assets:</u>	
Cash and Investments	773,937.71
	=====
<u>Liabilities:</u>	
Due to Other Governments	773,937.71
	=====

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Statement of Fiduciary Assets and Liabilities  
Custodial Funds  
December 31, 2019

	Custodial Funds
<u>Assets:</u>	
Cash and Investments	640,215.18 =====
<u>Liabilities:</u>	
Due to Other Governments	640,215.18 =====

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities  
Custodial Funds  
December 31, 2020

	Custodial Funds
<u>Additions:</u>	
Property tax collections for other governments	3,050,582.52
State medical levy collections	22,059.45
Other	10,280.30
 Total Additions	 3,082,922.27
<u>Deductions:</u>	
Payments of property tax to other governments	2,918,925.45
Collections remitted to ND State Treasurer	20,059.45
Other	10,214.84
 Total Deductions	 2,949,199.74
 Net Change in Assets and Liabilities	 133,722.53
 Assets and Liabilities - January 1	 640,215.18
 Assets and Liabilities - December 31	 773,937.71 =====

The accompanying notes are an integral part of these financial statements.



McINTOSH COUNTY  
Ashley, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities  
Custodial Funds  
December 31, 2019

	Custodial Funds
<u>Additions:</u>	
Property tax collections for other governments	2,736,114.88
State medical levy collections	19,746.03
Other	12,095.20
 Total Additions	 2,767,956.11
<u>Deductions:</u>	
Payments of property tax to other governments	2,768,109.50
Collections remitted to ND State Treasurer	19,979.76
Other	21,624.92
 Total Deductions	 2,809,714.18
 Net Change in Assets and Liabilities	 (41,758.07)
 Assets and Liabilities - January 1	 681,973.25
 Assets and Liabilities - December 31	 640,215.18 =====

The accompanying notes are an integral part of these financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Notes to the Financial Statements  
December 31, 2020 and 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The accompanying financial statements present the activities of the county. The county has considered all potential component units for which the county is financially accountable and other organizations for which the nature and significance of their relationships with the county are such that exclusion would cause the county's financial statements to be misleading or incomplete. The Government 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 McIntosh County.

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

**Discretely Presented Component Units:** The component units' columns in the basic financial statements include the financial data of the county's three component units. These units are reported in separate columns to emphasize that they are legally separate from the county.

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

**McIntosh County Health District:** The McIntosh County Health District's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the health district budget. The health district has the authority to issue its own debt.

**McIntosh County Job Development Authority:** The McIntosh County Job Development Authority's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the job development authority budget. The job development authority has the authority to issue its own debt.

The financial statements of each of the three discretely presented component units are presented in the basic financial statements. Additional information may be obtained from the McIntosh County Auditor; 112 NE 1st Street, Ashley, ND 58413.

## B. Basis of Presentation

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government, McIntosh County 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 nonexchange transactions.

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

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

The county reports the following major governmental funds:

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

*Highway Tax Distribution.* This fund accounts for the highway tax distribution from the State of North Dakota to be used for the maintenance and repair of roads within the county.

*Federal Aid Roads.* This fund accounts for a special levy and federal grants used for the maintenance and repair of federal aid farm to market roads within the county.

*Unorganized Road.* This fund accounts for a special levy and township road funds from the State of North Dakota used for the maintenance and repair of township roads within the county.

*Weed Control.* This fund accounts for a special levy used for controlling noxious weeds in the county.

The county reports the following type of fiduciary fund:

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

C. 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. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the county gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings	75 to 100 years
Machinery and Vehicles	7 to 10 years

#### F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

#### G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

#### H. Pension

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

#### I. Fund Equity

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

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

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

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

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

**Assigned** - Fund balances are reported as assigned when amounts are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed.

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

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

- \* Committed
- \* Assigned
- \* Unassigned

**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the county has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

#### J. 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.

#### K. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the 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 investments 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 any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2020 the county's carrying amount of deposits was \$2,720,755 and the bank balance was \$2,763,919. Of the bank balance, \$429,573 was covered by Federal Depository Insurance. The remaining balance of \$2,334,346 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2019 the county's carrying amount of deposits was \$2,487,523 and the bank balance was \$2,498,807. Of the bank balance, \$350,000 was covered by Federal Depository Insurance. The remaining balance of \$2,148,807 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2020 the county held certificates of deposit in the amount of \$342,668, which are all considered deposits.

At December 31, 2019 the county held certificates of deposit in the amount of \$338,568, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 TAXES RECEIVABLE

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

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

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

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

Note 4 ECONOMIC DEVELOPMENT LOANS RECEIVABLE

The McIntosh County Job Development Authority has loaned funds, for start-up costs, to various local businesses. These funds are to be repaid per the terms of the loan agreements. At December 31, the following loans were outstanding:

	<u>2020</u>	<u>2019</u>
Little d Fencing	138.89	138.89
Alley Diner and Bakery	1,087.98	3,875.32
Wild Rose Cafe	1,111.04	3,611.06
Westside Heating & AC/Plumbing	833.26	4,166.62
Ashley Inn	835.85	4,455.52
Sparkle City	2,777.72	6,111.08
Neil Meidinger Trucking	3,700.00	5,800.00
Brad's Service	5,633.32	7,433.32
Schilling Trucking	4,266.61	7,322.19
Kim's Gorm		7,222.20
Dawn Rossow	10,112.33	11,337.32
Kim's Gourment Shop	3,888.84	14,150.00
Book Smart	8,333.28	
D&B Engraving & Tees	9,432.48	
Anna Netzer Mini Mustangs	10,060.00	
Ashley Feed Store	14,166.64	
Pop A Top Bottle Shop	14,583.32	
Diamond D plumbing	14,374.98	
Total	<u>105,336.54</u>	<u>75,623.52</u>
	=====	=====





Depreciation expense was charged to functions/programs of the county as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
General Government	9,082	12,422
Public Safety	12,555	7,509
Highways and Public Improve.	166,165	131,543
	<u>187,802</u>	<u>151,474</u>
	=====	=====

Note 6 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to December 31, 2020 and 2019.

Note 7 UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable and prepaid property taxes.

Unavailable revenue on the government-wide financial statements consists of prepaid property taxes.

Note 8 OPERATING LEASES

The county entered into two rental agreements with Butler Machinery for four 160M2 motor graders. These agreements are considered, for accounting purposes, to be operating leases. Lease expenditures were \$90,224.00 and \$149,224.00 for the years ending December 31, 2020 and 2019, respectively. The future lease payments are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2021	90,224.00
2022	90,224.00
2023	90,224.00
2024	90,224.00
2025	90,224.00
Total	<u>690,568.00</u>
	=====

Note 9 CAPITAL LEASES PAYABLE

The county has entered into the following lease agreements.

Lease-purchase of Caterpillar 420F Backhoe due in annual installments of \$9,800.00 and a final payment of \$49,976.65 on August 1, 2024, payments include interest at 3.6%.	71,125.10
Lease-purchase of 2 Caterpillar 140M Motor Graders due in annual installments of \$88,331.45 and a final payment of \$310,000.00 on January 15, 2025, payments include interest at 3.6%.	583,036.75
Lease-purchase of 2 International Tandem Trucks due in annual installments of \$56,680.86, which include interest at 4.39%, through June 26, 2026.	293,393.14
Total Capital Leases	<hr/> 947,554.99 =====

These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under these capital leases, and the net present value of the minimum lease payments at December 31, 2020;

<u>Year Ending</u> <u>December 31</u>	<u>Payments</u>
2021	154,812.31
2022	154,812.31
2023	154,812.31
2024	194,988.96
2025	366,680.86
2026	56,680.86
Total minimum lease payments	<hr/> 1,082,787.61
Less: amount representing interest	(135,232.62)
Present value of future minimum lease payments	<hr/> 947,554.99 =====

Note 10 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2020 and 2019, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	<u>2020</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Leases	744,551	350,074	147,070	947,555	118,378
Bank Loan Payable	86,552		86,552		
<b>Total</b>	<u>831,103</u>	<u>350,074</u>	<u>233,622</u>	<u>947,555</u>	<u>288,472</u>
	=====	=====	=====	=====	=====
	<u>2019</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Leases		744,551		744,551	90,390
Bank Loan Payable	60,000	74,006	47,454	86,552	86,552
<b>Total</b>	<u>60,000</u>	<u>818,557</u>	<u>47,454</u>	<u>831,103</u>	<u>176,942</u>
	=====	=====	=====	=====	=====

Note 11 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2020</u>		
General	1,392.65	
Social Services		1,392.65
To transfer funds in excess of \$100,000 from social services to general fund		
Highway Tax Distribution	203,000.00	
Unorganized Road	120,000.00	
Sheriff Vehicle	43,485.00	
Vanguard	86,000.00	
General		452,485.00
Unorganized Road	170,000.00	
County Road and Bridge		170,000.00
To subsidize expenditures.		

December 31, 2019

General	7,435.06	
Social Services		7,435.06

To transfer funds in excess of \$100,000 from social services to general fund. Additional amount was transferred during 2018.

Highway Tax Distribution	279,235.39	
Unorganized Road	160,000.00	
County Agent	3,000.00	
Sheriff Vehicle	30,000.00	
Vanguard	77,000.00	
General		549,235.39
Unorganized Road	31,640.67	
Emergency		31,640.65

To subsidize expenditures.

Note 12 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the McIntosh County Senior Citizens and McIntosh County Historical Society. However, the county's accountability for these entities does not extend beyond levying the tax. In 2020 and 2019, the county remitted \$58,970.82 and \$55,937.50 to the Senior Citizens and \$5,189.27 and \$4,967.58 to the Historical Society, respectively.

Note 13 RISK MANAGEMENT

McIntosh 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 county pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$3,000,000 per occurrence for general liability and automobile; and \$2,049,378 for public assets.

The county also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The county pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the county with a blanket fidelity bond coverage in the amount of \$1,810,561 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 14 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS benefits program 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 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.

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

#### **Refunds of Member Account Balance**

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

#### **Member and Employer Contributions**

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

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

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

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

At December 31, 2020, McIntosh County reported a liability of \$1,142,595 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019 the county's proportion was .097485 percent, which was an decrease of .005929 from its proportion measured as of June 30, 2018.

For the year ended December 31, 2020 the county recognized pension expense of \$199,003. At December 31, 2020 the county reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources -----	Deferred Inflows of Resources -----
Differences between expected and actual experience	677	207,359
Changes in assumptions	426,958	366,580
Net difference between projected and actual earnings on pension plan investments	19,907	
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,555	72,850
County contributions subsequent to the measurement date (see below)	69,586	
Total	----- 530,683 -----	----- 646,789 -----

\$69,586 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

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

Year ended June 30: -----	
2020	28,855
2021	(1,738)
2022	(57,233)
2023	(119,475)
2024	(36,101)
Thereafter	0



**Actuarial assumptions.** The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods include\*

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 7.50%, 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 Retiree Morality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2019, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2019. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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 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%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Equity Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

**Discount rate.** For PERS, GASB 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 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

**Sensitivity of the county's proportionate share of the net pension liability to changes in the discount rate.** The following presents the county's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the county's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
The county's proportionate share of the net pension liability	1,638,235	1,142,595	726,170

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

**Note 15 OTHER POSTEMPLOYMENT BENEFITS**

The county is required to implement GASB Statement No. 75, Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions. The effect of this statement is not material to the county's financial statements.

**Note 16 TAX ABATEMENTS**

The county has not entered into any tax abatement agreements that would reduce the county's tax revenues for the years ended December 31, 2020 and 2019.

McINTOSH COUNTY  
Ashley, North Dakota

Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	1,184,095.00	1,184,095.00	1,203,755.14	19,660.14
Licenses, Permits and Fees	410.00	410.00	1,010.00	600.00
Intergovernmental	229,634.96	229,634.96	587,545.85	357,910.89
Charges for Services	84,154.00	84,154.00	68,154.46	(15,999.54)
Miscellaneous	17,835.00	17,835.00	83,031.80	65,196.80
<b>Total Revenues</b>	<b>1,516,128.96</b>	<b>1,516,128.96</b>	<b>1,943,497.25</b>	<b>427,368.29</b>
<b>Expenditures:</b>				
Current:				
General Government	939,308.22	939,308.22	930,180.98	9,127.24
Public Safety	353,486.64	353,486.64	330,155.37	23,331.27
Highways and Public Improve.	95,000.00	95,000.00		95,000.00
Health and Welfare	14,000.00	14,000.00	11,753.85	2,246.15
Conser. and Economic Dvlpmnt.	22,335.00	22,335.00	11,335.00	11,000.00
Other	142,000.00	142,000.00	107,998.75	34,001.25
<b>Total Expenditures</b>	<b>1,566,129.86</b>	<b>1,566,129.86</b>	<b>1,391,423.95</b>	<b>174,705.91</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(50,000.90)</b>	<b>(50,000.90)</b>	<b>552,073.30</b>	<b>602,074.20</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In			1,392.65	1,392.65
Transfers Out			(452,485.00)	(452,485.00)
<b>Total Other Financing Sources (Uses)</b>			<b>(451,092.35)</b>	<b>(451,092.35)</b>
<b>Net Change in Fund Balances</b>	<b>(50,000.90)</b>	<b>(50,000.90)</b>	<b>100,980.95</b>	<b>150,981.85</b>
<b>Fund Balance - January 1</b>	<b>288,997.47</b>	<b>288,997.47</b>	<b>288,997.47</b>	
<b>Fund Balance - December 31</b>	<b>238,996.57</b>	<b>238,996.57</b>	<b>389,978.42</b>	<b>150,981.85</b>

McINTOSH COUNTY  
Ashley, North Dakota

Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	1,039,817.33	1,039,817.33	986,482.42	(53,334.91)
Licenses, Permits and Fees	270.00	270.00	1,542.51	1,272.51
Intergovernmental	217,334.96	217,334.96	803,388.13	586,053.17
Charges for Services	87,116.00	87,116.00	71,031.97	(16,084.03)
Miscellaneous	19,135.00	19,135.00	88,607.84	69,472.84
<b>Total Revenues</b>	<b>1,363,673.29</b>	<b>1,363,673.29</b>	<b>1,951,052.87</b>	<b>587,379.58</b>
<u>Expenditures:</u>				
Current:				
General Government	893,519.23	893,519.23	873,685.15	19,834.08
Public Safety	318,819.06	318,819.06	334,081.56	(15,262.50)
Highways and Public Improve.	100,926.56	100,926.56		100,926.56
Health and Welfare	6,000.00	6,000.00	288,126.87	(282,126.87)
Conser. and Economic Dvlpmnt.	11,335.00	11,335.00	11,335.00	
Other	134,000.00	134,000.00	37,700.51	96,299.49
Capital Outlay			18,895.00	(18,895.00)
<b>Total Expenditures</b>	<b>1,464,599.85</b>	<b>1,464,599.85</b>	<b>1,563,824.09</b>	<b>(99,224.24)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(100,926.56)</b>	<b>(100,926.56)</b>	<b>387,228.78</b>	<b>488,155.34</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In			7,435.06	7,435.06
Transfers Out			(549,235.39)	(549,235.39)
<b>Total Other Financing Sources (Uses)</b>			<b>(541,800.33)</b>	<b>(541,800.33)</b>
<b>Net Change in Fund Balances</b>	<b>(100,926.56)</b>	<b>(100,926.56)</b>	<b>(154,571.55)</b>	<b>(53,644.99)</b>
<b>Fund Balance - January 1</b>	<b>443,569.02</b>	<b>443,569.02</b>	<b>443,569.02</b>	
<b>Fund Balance - December 31</b>	<b>342,642.46</b>	<b>342,642.46</b>	<b>288,997.47</b>	<b>(53,644.99)</b>

McINTOSH COUNTY  
Ashley, North Dakota

Budgetary Comparison Schedule  
Highway Tax Distribution Fund  
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	377,000.00	377,000.00	329,249.27	(47,750.73)
Charges for Services			41,668.40	41,668.40
Miscellaneous			13,993.56	13,993.56
<b>Total Revenues</b>	<b>377,000.00</b>	<b>377,000.00</b>	<b>384,911.23</b>	<b>7,911.23</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	460,608.29	460,608.29	430,507.44	30,100.85
Capital Outlay	400,074.00	400,074.00	400,074.00	
Debt Service:				
Principal			147,070.01	(147,070.01)
Interest			7,741.30	(7,741.30)
<b>Total Expenditures</b>	<b>860,682.29</b>	<b>860,682.29</b>	<b>985,392.75</b>	<b>(124,710.46)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(483,682.29)</b>	<b>(483,682.29)</b>	<b>(600,481.52)</b>	<b>(116,799.23)</b>
<u>Other Financing Sources:</u>				
Transfers In			203,000.00	203,000.00
Proceeds from Capital Lease	400,074.00	400,074.00	400,074.00	
<b>Total Other Financing Sources</b>	<b>400,074.00</b>	<b>400,074.00</b>	<b>603,074.00</b>	<b>203,000.00</b>
<b>Net Change in Fund Balances</b>	<b>(83,608.29)</b>	<b>(83,608.29)</b>	<b>2,592.48</b>	<b>86,200.77</b>
<b>Fund Balance - January 1</b>	<b>0.37</b>	<b>0.37</b>	<b>0.37</b>	
<b>Fund Balance - December 31</b>	<b>(83,607.92)</b>	<b>(83,607.92)</b>	<b>2,592.85</b>	<b>86,200.77</b>

McINTOSH COUNTY  
Ashley, North Dakota

Budgetary Comparison Schedule  
Highway Tax Distribution Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	390,000.00	390,000.00	612,308.38	222,308.38
Charges for Services			16,747.61	16,747.61
Miscellaneous			28,315.74	28,315.74
<b>Total Revenues</b>	<b>390,000.00</b>	<b>390,000.00</b>	<b>657,371.73</b>	<b>267,371.73</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	541,281.00	541,281.00	907,236.50	(365,955.50)
Capital Outlay	784,551.00	784,551.00	814,389.00	(29,838.00)
<b>Total Expenditures</b>	<b>1,325,832.00</b>	<b>1,325,832.00</b>	<b>1,721,625.50</b>	<b>(395,793.50)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(935,832.00)</b>	<b>(935,832.00)</b>	<b>(1,064,253.77)</b>	<b>(128,421.77)</b>
<u>Other Financing Sources:</u>				
Transfers In			279,235.39	279,235.39
Proceeds from Capital Lease	784,551.00	784,551.00	784,551.00	
<b>Total Other Financing Sources</b>	<b>784,551.00</b>	<b>784,551.00</b>	<b>1,063,786.39</b>	<b>279,235.39</b>
<b>Net Change in Fund Balances</b>	<b>(151,281.00)</b>	<b>(151,281.00)</b>	<b>(467.38)</b>	<b>150,813.62</b>
<b>Fund Balance - January 1</b>	<b>467.75</b>	<b>467.75</b>	<b>467.75</b>	
<b>Fund Balance - December 31</b>	<b>(150,813.25)</b>	<b>(150,813.25)</b>	<b>0.37</b>	<b>150,813.62</b>

McINTOSH COUNTY  
Ashley, North Dakota

Budgetary Comparison Schedule  
Federal Aid Roads Fund  
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	215,000.00	215,000.00	207,966.66	(7,033.34)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	215,000.00	215,000.00	320,986.45	(105,986.45)
Net Change in Fund Balances			(113,019.79)	(113,019.79)
Fund Balance - January 1	333,751.12	333,751.12	333,751.12	
Fund Balance - December 31	333,751.12	333,751.12	220,731.33	(113,019.79)

McINTOSH COUNTY  
Ashley, North Dakota

Budgetary Comparison Schedule  
Federal Aid Roads Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	205,000.00	205,000.00	196,054.94	(8,945.06)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	205,000.00	205,000.00	6,596.64	198,403.36
Net Change in Fund Balances			189,458.30	189,458.30
Fund Balance - January 1	144,292.82	144,292.82	144,292.82	
Fund Balance - December 31	144,292.82	144,292.82	333,751.12	189,458.30



McINTOSH COUNTY  
Ashley, North Dakota

Budgetary Comparison Schedule  
Unorganized Road Fund  
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	324,172.94	324,172.94	318,662.00	(5,510.94)
Intergovernmental	292,033.00	292,033.00	183,751.20	(108,281.80)
<b>Total Revenues</b>	<b>616,205.94</b>	<b>616,205.94</b>	<b>502,413.20</b>	<b>(113,792.74)</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	711,205.94	711,205.94	765,253.31	(54,047.37)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(95,000.00)</b>	<b>(95,000.00)</b>	<b>(262,840.11)</b>	<b>(167,840.11)</b>
<u>Other Financing Sources:</u>				
Transfers In			290,000.00	290,000.00
<b>Net Change in Fund Balances</b>	<b>(95,000.00)</b>	<b>(95,000.00)</b>	<b>27,159.89</b>	<b>122,159.89</b>
<b>Fund Balance - January 1</b>	<b>(5,984.66)</b>	<b>(5,984.66)</b>	<b>(5,984.66)</b>	
<b>Fund Balance - December 31</b>	<b>(100,984.66)</b>	<b>(100,984.66)</b>	<b>21,175.23</b>	<b>122,159.89</b>

McINTOSH COUNTY  
Ashley, North Dakota

Budgetary Comparison Schedule  
Unorganized Road Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	344,084.51	344,084.51	297,306.69	(46,777.82)
Intergovernmental	292,033.00	292,033.00	234,476.82	(57,556.18)
Miscellaneous			1,388.16	1,388.16
Total Revenues	636,117.51	636,117.51	533,171.67	(102,945.84)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	686,107.51	686,107.51	737,355.91	(51,248.40)
Excess (Deficiency) of Revenues Over Expenditures	(49,990.00)	(49,990.00)	(204,184.24)	(154,194.24)
<u>Other Financing Sources:</u>				
Transfers In			191,640.68	191,640.68
Net Change in Fund Balances	(49,990.00)	(49,990.00)	(12,543.56)	37,446.44
Fund Balance - January 1	6,558.90	6,558.90	6,558.90	
Fund Balance - December 31	(43,431.10)	(43,431.10)	(5,984.66)	37,446.44

McINTOSH COUNTY  
Ashley, North Dakota

Budgetary Comparison Schedule  
Weed Control Fund  
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	65,181.73	65,181.73	63,898.48	(1,283.25)
Intergovernmental			9,288.72	9,288.72
Miscellaneous	478.00	478.00	14,683.99	14,205.99
<b>Total Revenues</b>	<b>65,659.73</b>	<b>65,659.73</b>	<b>87,871.19</b>	<b>22,211.46</b>
<u>Expenditures:</u>				
Current:				
Conser. and Economic Dvlpmnt.	90,659.78	90,659.78	45,057.20	45,602.58
<b>Net Change in Fund Balances</b>	<b>(25,000.05)</b>	<b>(25,000.05)</b>	<b>42,813.99</b>	<b>67,814.04</b>
<b>Fund Balance - January 1</b>	<b>203,925.14</b>	<b>203,925.14</b>	<b>203,925.14</b>	
<b>Fund Balance - December 31</b>	<b>178,925.09</b>	<b>178,925.09</b>	<b>246,739.13</b>	<b>67,814.04</b>

McINTOSH COUNTY  
Ashley, North Dakota

Budgetary Comparison Schedule  
Weed Control Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	60,381.78	60,381.78	30,978.37	(29,403.41)
Intergovernmental			6,945.00	6,945.00
Miscellaneous			3,423.86	3,423.86
Total Revenues	60,381.78	60,381.78	41,347.23	(19,034.55)
<u>Expenditures:</u>				
Current:				
Conser. and Economic Dvlpmnt.	90,859.78	90,859.78	47,953.97	42,905.81
Net Change in Fund Balances	(30,478.00)	(30,478.00)	(6,606.74)	23,871.26
Fund Balance - January 1	210,531.85	210,531.85	210,531.85	
Fund Balance - December 31	180,053.85	180,053.85	203,925.11	23,871.26

McINTOSH COUNTY  
Ashley, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2020 and 2019

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

The board of county commissioners holds a public hearing where any taxpayer may testify in favor or against any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before the October meeting, the board adopts the final budget and shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. No expenditure shall be made or liability incurred in excess of the total appropriation by fund, except for transfers as authorized by the North Dakota Century Code Section 11-23-07. However, the board of county commissioners may amend the budget, except for property taxes, during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budgets during the years ended December 31, 2020 and 2019.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31:

	<u>2020</u>	<u>2019</u>
General Fund		99,224.24
<u>Special Revenue Funds</u>		
Highway Tax Distribution	124,710.46	395,793.50
Federal Aid Roads	105,986.45	
Unorganized Road	54,047.37	51,248.40

No remedial action is anticipated or required by the county regarding these excess expenditures.

McINTOSH COUNTY  
Ashley, North Dakota

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

	2020	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.097485%	0.103414%	0.106098%	0.103717%	0.103406%	0.991920%
County's proportionate share of the net pension liability	1,142,595	1,745,224	1,705,343	1,010,823	703,143	629,593
County's covered-employee payroll	1,068,268	1,040,685	1,083,068	1,048,853	1,002,241	891,735
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	106.96%	167.70%	157.45%	96.37%	70.16%	70.60%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	62.80%	61.98%	70.46%	77.15%	77.70%

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	76,061	74,097	77,114	74,678	71,360	59,295
Contributions in relation to the statutorily required contribution	(76,061)	(74,097)	(77,114)	(74,678)	(71,360)	(59,295)
Contribution deficiency (excess)	0	0	0	0	0	0
County's covered-employee payroll	1,068,268	1,040,685	1,083,068	1,048,853	1,002,241	891,735
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	7.12%	6.65%

\* Complete data for this schedule is not available prior to 2015.

- For changes of assumptions, see Note 14 to the financial statements.

McINTOSH COUNTY  
Ashley, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2020

	Balance 1-1-20	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2020
<u>Major Governmental Funds</u>						
General Fund	549,901.11	1,963,319.68	1,392.65	452,485.00	1,391,423.95	670,704.49
Highway Tax Distribution	0.37	384,911.23	203,000.00		585,318.75	2,592.85
Federal Aid Roads	379,801.91	217,325.35			320,986.45	276,140.81
Unorganized Road	63,776.51	515,181.91	290,000.00		765,253.31	103,705.11
Weed Control	218,063.33	86,698.34			45,057.20	259,704.47
<b>Total Major Governmental Funds</b>	<b>1,211,543.23</b>	<b>3,167,436.51</b>	<b>494,392.65</b>	<b>452,485.00</b>	<b>3,108,039.66</b>	<b>1,312,847.73</b>
<u>Non-Major Governmental Funds</u>						
County Road and Bridge	74,485.15	218,720.34		170,000.00	62,759.16	60,446.33
Technology	37,280.49				35,368.19	1,912.30
County Agent Activity Fund	2,087.71	1,943.60			1,831.84	2,199.47
County Agent	18,517.04	86,662.81			68,522.71	36,657.14
Social Services	101,392.65	1,759.59		1,392.65		101,759.59
Emergency Fund	155,842.48	54,242.20			44,345.96	165,738.72
Veteran's Service Officer	4,857.75	14,054.11			12,647.84	6,264.02
Hazardous Chemical	6,493.31	1,175.00			118.42	7,549.89
Emergency 911	47,316.73	67,158.42			62,725.28	51,749.87
McIntosh County Extension Service	2,182.94					2,182.94
Records Preservation	32,128.11	6,805.20			28,698.60	10,234.71
Senior Citizens	9,384.20	60,916.93			58,970.82	11,330.31
Historical Society	1,173.16	5,433.18			5,189.27	1,417.07
Estate Tax	4,309.14	45.54				4,354.68
Motor Pool	28,486.63	2,019.20			17,015.08	13,490.75
Sobriety Expense (24/7)	4,434.70	1,834.00			1,298.55	4,970.15
Sheriff Vehicle	45,000.00		43,485.00		35,326.84	53,158.16
Vanguard	1,843.00		86,000.00		87,843.00	
FEMA 2020		77,813.00				77,813.00
Capital Projects	58,785.90	50,524.79			88,244.95	21,065.74
<b>Total Non-Major Governmental Funds</b>	<b>636,001.09</b>	<b>651,107.91</b>	<b>129,485.00</b>	<b>171,392.65</b>	<b>610,906.51</b>	<b>634,294.84</b>
<b>Total Governmental Funds</b>	<b>1,847,544.32</b>	<b>3,818,544.42</b>	<b>623,877.65</b>	<b>623,877.65</b>	<b>3,718,946.17</b>	<b>1,947,142.57</b>
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
State Tax	4,702.62	22,059.45			21,084.07	5,678.00
Ambulance	46,888.85	217,122.62			207,363.73	56,647.74
Hospital District	23,459.23	108,639.89			103,775.31	28,323.81
Estimated Tax		9,303.87			9,303.87	
Mobile Home Tax	2,087.02	13,606.17				15,693.19
Job Development Authority	8,828.39	40,570.19			38,770.31	10,628.27
Marriage Licenses	35.00	350.00			385.00	

(continued)

McINTOSH COUNTY  
Ashley, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2020  
(continued)

	Balance 1-1-20	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2020
<u>Custodial Funds (cont.)</u>						
Soil Conservation	9,986.30	45,422.93			44,589.37	10,819.86
Health District	20,966.67	87,635.44			92,602.23	15,999.88
Tax Proration		626.43			525.97	100.46
Water Resource District	1,974.49	9,254.79			8,738.87	2,490.41
County Airport	16,751.81	76,375.73			73,214.36	19,913.18
Total Cities	86,830.83	475,966.74			455,453.81	107,343.76
Total City Park Districts	21,461.59	116,089.54			108,405.17	29,145.96
Total School Districts	371,308.62	1,746,781.52			1,677,475.34	440,614.80
Total Townships	5,357.82	21,160.44			19,644.95	6,873.31
Total Rural Fire Districts	19,575.94	91,956.52			87,867.38	23,665.08
<b>Total Agency Funds</b>	<b>640,215.18</b>	<b>3,082,922.27</b>			<b>2,949,199.74</b>	<b>773,937.71</b>
<b>Total Primary Government</b>	<b>2,487,759.50</b>	<b>6,901,466.69</b>	<b>623,877.65</b>	<b>623,877.65</b>	<b>6,668,145.91</b>	<b>2,721,080.28</b>
<u>Discretely Presented</u>						
<u>Component Units:</u>						
Water Resource District	45,543.41	8,911.25			6,936.01	47,518.65
Health District	171,313.85	306,089.04			261,108.37	216,294.52
Job Development Authority	100,081.79	70,524.54			85,371.23	85,235.10
<b>Total Discretely Presented Component Units</b>	<b>316,939.05</b>	<b>385,524.83</b>			<b>353,415.61</b>	<b>349,048.27</b>
<b>Total Reporting Entity</b>	<b>2,804,698.55</b>	<b>7,286,991.52</b>	<b>623,877.65</b>	<b>623,877.65</b>	<b>7,021,561.52</b>	<b>3,070,128.55</b>



McINTOSH COUNTY  
Ashley, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2019

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<u>Major Governmental Funds</u>						
General Fund	675,317.05	1,980,208.48	7,435.06	549,235.39	1,563,824.09	549,901.11
Highway Tax Distribution	467.75	657,371.73	279,235.39		937,074.50	0.37
Federal Aid Roads	191,940.86	194,457.69			6,596.64	379,801.91
Unorganized Road	77,534.57	531,957.17	191,640.68		737,355.91	63,776.51
Weed Control	217,822.25	48,195.05			47,953.97	218,063.33
<b>Total Major Governmental Funds</b>	<b>1,163,082.48</b>	<b>3,412,190.12</b>	<b>478,311.13</b>	<b>549,235.39</b>	<b>3,292,805.11</b>	<b>1,211,543.23</b>
<u>Non-Major Governmental Funds</u>						
County Road and Bridge	66,046.25	200,667.30			192,228.40	74,485.15
Technology	37,280.49					37,280.49
County Agent Activity Fund	2,582.97	4,431.70			4,926.96	2,087.71
County Agent	17,561.04	67,741.52	3,000.00		69,785.52	18,517.04
Social Services	107,435.06	1,392.65		7,435.06		101,392.65
Emergency Fund	220,080.90	38,826.47		31,640.68	71,424.21	155,842.48
Veteran's Service Officer	4,633.17	13,083.03			12,858.45	4,857.75
Hazardous Chemical	5,320.81	1,275.00			102.50	6,493.31
Emergency 911	32,988.46	67,384.64			53,056.37	47,316.73
McIntosh County Extension Service	2,612.92				429.98	2,182.94
Records Preservation	31,395.56	6,022.65			5,290.10	32,128.11
Senior Citizens	9,831.45	55,490.25			55,937.50	9,384.20
Historical Society	1,228.79	4,911.95			4,967.58	1,173.16
Estate Tax	4,276.95	32.19				4,309.14
Motor Pool	27,887.78	3,926.48			3,327.63	28,486.63
Sobriety Expense (24/7)	3,986.70	1,523.00			1,075.00	4,434.70
Sheriff Vehicle	15,000.00		30,000.00			45,000.00
Vanguard	152,142.50		77,000.00		227,299.50	1,843.00
Building		74,005.66			74,005.66	
Capital Projects	11,959.29	46,862.68			36.07	58,785.90
<b>Total Non-Major Governmental Funds</b>	<b>754,251.09</b>	<b>587,577.17</b>	<b>110,000.00</b>	<b>39,075.74</b>	<b>776,751.43</b>	<b>636,001.09</b>
<b>Total Governmental Funds</b>	<b>1,917,333.57</b>	<b>3,999,767.29</b>	<b>588,311.13</b>	<b>588,311.13</b>	<b>4,069,556.54</b>	<b>1,847,544.32</b>
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
State Tax	4,936.35	19,746.03			19,979.76	4,702.62
Ambulance	48,878.75	193,871.85			195,861.75	46,888.85
Hospital District	24,576.56	97,195.40			98,312.73	23,459.23
Estimated Tax	9,466.17	10,086.01			19,552.18	
Mobile Home Tax	10,847.21	9,339.47			18,099.66	2,087.02
Job Development Authority	5,069.05	23,819.88			20,060.54	8,828.39
Marriage Licenses		385.00			350.00	35.00

(continued)

McINTOSH COUNTY  
Ashley, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2019  
(continued)

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<u>Custodial Funds (cont.)</u>						
Soil Conservation	11,176.73	43,782.35			44,972.78	9,986.30
Health District	16,869.78	71,618.26			67,521.37	20,966.67
Tax Proration	98.55	1,624.19			1,722.74	0.00
Water Resource District	2,216.10	8,618.71			8,860.32	1,974.49
County Airport	17,348.89	68,188.82			68,785.90	16,751.81
Total Cities	85,032.87	424,788.91			422,990.95	86,830.83
Total City Park Districts	20,623.92	92,745.72			91,908.05	21,461.59
Total School Districts	398,394.96	1,601,138.91			1,628,225.25	371,308.62
Total Townships	6,065.77	19,211.88			19,919.83	5,357.82
Total Rural Fire Districts	20,371.59	81,794.72			82,590.37	19,575.94
<b>Total Agency Funds</b>	<b>681,973.25</b>	<b>2,767,956.11</b>			<b>2,809,714.18</b>	<b>640,215.18</b>
<b>Total Primary Government</b>	<b>2,599,306.82</b>	<b>6,767,723.40</b>	<b>588,311.13</b>	<b>588,311.13</b>	<b>6,879,270.72</b>	<b>2,487,759.50</b>
<u>Discretely Presented</u>						
<u>Component Units:</u>						
Water Resource District	46,514.54	9,062.49			10,033.62	45,543.41
Health District	156,706.21	230,850.22			216,242.58	171,313.85
Job Development Authority	84,642.14	61,381.29			45,941.64	100,081.79
<b>Total Discretely Presented Component Units</b>	<b>287,862.89</b>	<b>301,294.00</b>			<b>272,217.84</b>	<b>316,939.05</b>
<b>Total Reporting Entity</b>	<b>2,887,169.71</b>	<b>7,069,017.40</b>	<b>588,311.13</b>	<b>588,311.13</b>	<b>7,151,488.56</b>	<b>2,804,698.55</b>

# Rath & Mehrer, P.C.

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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

Governing Board  
McIntosh County  
Ashley, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units each major fund and the aggregate remaining fund information of McIntosh County, Ashley, North Dakota, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated May 14, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the 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 the county's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the county'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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, 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 audits, 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*.

### **County's Response to Findings**

The county's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The 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 county's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the county's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 14, 2021

McINTOSH COUNTY  
Ashley, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2020 and 2019

**SECTION I - SUMMARY OF AUDIT RESULTS:**

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

* Material weakness(es) identified?	_____ Yes	_____ X No
* Significant deficiency(ies) identified?	_____ X Yes	_____ None Reported
Noncompliance Material to financial statements noted?	_____ Yes	_____ X No

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

Significant Deficiency

1. 2020-001 Financial Statement Preparation

*Criteria:* A good system of internal controls requires the county to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the county must maintain knowledge of current accounting principles and required financial statement disclosures.

*Condition:* The county's financial statements, including the accompanying note disclosures, are prepared by the county's external auditors.

*Cause:* The county feels it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

*Effect:* Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

*Recommendation:* We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to distribution.

*Views of Responsible Officials:* The county will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.