



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Stark County

Dickinson, North Dakota

Audit Report for the Year Ended December 31, 2020

Client Code: PS45000



Photo credit: North Dakota Tourism



Office of the  
State Auditor



## WHAT WE LOOKED AT

Our team reviewed financial transactions as well as compliance with various federal and state laws and regulations.

## WHAT WE FOUND



### Budget Preparation

Stark County did not prepare its 2020 budget in compliance with North Dakota State Law. This may have led to improper calculation of tax levies.

*Read more on page 43*



### Incorrect Tax Levy Calculation

Stark County did not have supporting documentation for its mill levy calculation. This may have led to an improper calculation of tax levies.

*Read more on pages 44*

## ADDITIONAL CONCERNS IDENTIFIED



In addition to the two mentioned above, we found four other areas of concern over the course of our audit. Complete details on these can be found in the full audit report.

# STARK COUNTY

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For the Year Ended December 31, 2020

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# **STARK COUNTY**

County Officials and Audit Personnel

December 31, 2020

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## **COUNTY OFFICIALS**

Dean Franchuk	Chairman
Carla Arthaud	Vice Chairman
Bernie Marsh	Commissioner
Ken Zander	Commissioner
Neal Messer	Commissioner
Karen Richard	Auditor/Treasurer
Corey Lee	Sheriff
Kim Kasian	Recorder
Amanda Engelstad	States Attorney

## **AUDIT PERSONNEL**

Heath Erickson, CPA	Audit Manager
Peishan Merrick	Audit In-Charge

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Stark County  
Dickinson, North Dakota

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County, North Dakota, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stark County's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2021 on our consideration of Stark County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stark County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 29, 2021

**STARK COUNTY**  
Statement of Net Position  
December 31, 2020

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Job Development Authority
<b>ASSETS</b>			
Cash and Investments	\$ 35,570,076	\$ 350,152	\$ 7,894
Accounts Receivable	325,227	-	-
Interest Receivable	16,399	-	-
Intergovernmental Receivable	1,640,982	-	-
Taxes Receivable	353,191	-	-
Capital Assets			
Nondepreciable	13,169,663	31,129	-
Depreciable, Net	69,015,824	-	-
Total Assets	<u>\$ 120,091,362</u>	<u>\$ 381,281</u>	<u>\$ 7,894</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions & OPEB	<u>\$ 8,674,076</u>	<u>\$ -</u>	<u>\$ -</u>
Total Deferred Inflows of Resources	<u>\$ 8,674,076</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 768,652	\$ -	\$ -
Salaries and Benefits Payable	196,861	517	-
Contracts Payable	728,022	-	-
Retainage Payable	489,698	-	-
Payroll Liability	181,363	-	-
Interest Payable	4,667	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	180,702	-	-
Compensated Absences Payable	191,605	-	-
Due After One Year			
Long-Term Debt	237,569	-	-
Compensated Absences Payable	287,407	-	-
Net Pension & OPEB Liability	13,869,851	-	-
Total Liabilities	<u>\$ 17,136,397</u>	<u>\$ 517</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Received in Advance	\$ 3,341,841	\$ -	\$ -
Pensions & OPEB	4,336,490	-	-
Total Deferred Inflows of Resources	<u>\$ 7,678,331</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 81,272,850	\$ 31,129	\$ -
Restricted for			
Highways & Bridges	533,590	-	-
Health & Welfare	940,864	-	-
Conservation of Nat Resources	1,459,285	349,635	-
Emergencies	521,774	-	-
Economic Development	10,328	-	7,894
Capital Projects	3,172,534	-	-
Unrestricted	16,039,485	-	-
Total Net Position	<u>\$ 103,950,710</u>	<u>\$ 380,764</u>	<u>\$ 7,894</u>

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

# STARK COUNTY

## Statement of Activities

For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Job Development Authority
<b>Primary Government</b>							
Government Activities							
General Government	\$ 5,771,758	\$ 725,874	\$ 25,982	\$ -	\$ (5,019,902)		
Public Safety	7,145,286	782,866	225,047	-	(6,137,373)		
Highways & Bridges	11,987,050	541,882	3,557,480	464,782	(7,422,906)		
Health & Welfare	1,361,978	1,400	300,453	-	(1,060,125)		
Economic Development	486,636	-	-	-	(486,636)		
Culture and Recreation	386,033	-	-	-	(386,033)		
Conserv. of Natural Resources	538,623	-	41,676	-	(496,947)		
Interest on Long-Term Debt	18,973	-	-	-	(18,973)		
<b>Total Primary Government</b>	<b>\$ 27,696,337</b>	<b>\$ 2,052,022</b>	<b>\$ 4,150,638</b>	<b>\$ 464,782</b>	<b>\$ (21,028,895)</b>		
<b>Component Units</b>							
Water Resource District	\$ 26,331	\$ -	\$ -	\$ -	\$ -	\$ (26,331)	\$ -
Job Development Authority	197,000	-	-	-	-	-	(197,000)
<b>Total Component Units</b>	<b>\$ 223,331</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (26,331)</b>	<b>\$ (197,000)</b>
<b>General Revenues</b>							
Property Taxes					\$ 12,178,980	\$ 12,229	\$ 194,010
Unrestricted Grants and Contributions					6,130,277	-	-
Unrestricted Investment Earnings					265,526	4,483	87
Net Gain on Sale of Capital Assets					109,708	-	-
Miscellaneous Revenue					603,444	-	-
<b>Total General Revenues</b>					<b>\$ 19,287,935</b>	<b>\$ 16,712</b>	<b>\$ 194,097</b>
<b>Change in Net Position</b>					<b>\$ (1,740,960)</b>	<b>\$ (9,619)</b>	<b>\$ (2,903)</b>
<b>Net Position - January 1</b>					<b>\$ 106,092,577</b>	<b>\$ 390,383</b>	<b>\$ 10,797</b>
<b>Prior Period Adjustment</b>					<b>\$ (400,907)</b>	<b>-</b>	<b>-</b>
<b>Net Position - January 1, Restated</b>					<b>\$ 105,691,670</b>	<b>\$ 390,383</b>	<b>\$ 10,797</b>
<b>Net Position - December 31</b>					<b>\$ 103,950,710</b>	<b>\$ 380,764</b>	<b>\$ 7,894</b>

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



**STARK COUNTY**Balance Sheet – Governmental Funds  
December 31, 2020

	General	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 21,734,658	\$ 10,830,624	\$ 3,004,796	\$ 35,570,078
Intergovernmental Receivable	475,636	810,725	354,621	1,640,982
Accounts Receivable	116,988	208,239	-	325,227
Interest Receivable	16,399	-	-	16,399
Taxes Receivable	205,097	148,094	-	353,191
Total Assets	<u>\$ 22,548,778</u>	<u>\$ 11,997,682</u>	<u>\$ 3,359,417</u>	<u>\$ 37,905,877</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 104,179	\$ 477,590	\$ 186,883	\$ 768,652
Salaries Payable	128,712	68,149	-	196,861
Payroll Liabilites	181,363	-	-	181,363
Total Liabilities	<u>\$ 414,254</u>	<u>\$ 545,739</u>	<u>\$ 186,883</u>	<u>\$ 1,146,876</u>
Deferred Inflows Of Resources				
Taxes Received in Advance	\$ 1,853,777	\$ 1,488,064	\$ -	\$ 3,341,841
Taxes Receivable	205,097	148,094	-	353,191
Total Deferred Inflows of Resources	<u>\$ 2,058,874</u>	<u>\$ 1,636,158</u>	<u>\$ -</u>	<u>\$ 3,695,032</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,473,128</u>	<u>\$ 2,181,897</u>	<u>\$ 186,883</u>	<u>\$ 4,841,908</u>
Fund Balances				
Restricted				
Public Safety	\$ -	\$ 2,659,846	\$ -	\$ 2,659,846
Highways & Bridges	-	3,754,329	-	3,754,329
Health & Welfare	-	1,031,544	-	1,031,544
Conservation of Natural Resources	-	1,821,258	-	1,821,258
Emergencies	-	521,774	-	521,774
Economic Development	-	10,328	-	10,328
Capital Projects	-	-	3,172,534	3,172,534
Other Purposes/General Government	-	16,706	-	16,706
Unassigned				
General Fund	20,075,650	-	-	20,075,650
Total Fund Balances	<u>\$ 20,075,650</u>	<u>\$ 9,815,785</u>	<u>\$ 3,172,534</u>	<u>\$ 33,063,969</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 22,548,778</u>	<u>\$ 11,997,682</u>	<u>\$ 3,359,417</u>	<u>\$ 37,905,877</u>

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

# STARK COUNTY

## Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position December 31, 2020

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**Total Fund Balances of Governmental Funds** \$ 33,063,969

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 82,185,487

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds. 353,190

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Derived from Pensions and OPEB	\$ 8,674,075	
Deferred Inflows Derived from Pensions and OPEB	<u>(4,336,490)</u>	4,337,585

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

Long-Term Debt	\$ (418,271)	
Contract Payable	(728,022)	
Retainage Payable	(489,698)	
Interest Payable	(4,667)	
Compensated Absences	(479,012)	
Net Pension and OPEB Liability	<u>(13,869,851)</u>	<u>(15,989,521)</u>

**Total Net Position of Governmental Funds** \$ 103,950,710

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

# STARK COUNTY

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

	General	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 6,748,365	\$ 5,680,800	\$ -	\$ 12,429,165
Intergovernmental	3,396,617	4,711,939	2,172,358	10,280,914
Charges for Services	438,284	934,925	-	1,373,209
Licenses, Permits and Fees	136,931	541,882	-	678,813
Interest Income	265,526	-	-	265,526
Miscellaneous	160,391	443,054	-	603,445
<b>Total Revenues</b>	<b>\$ 11,146,114</b>	<b>\$ 12,312,600</b>	<b>\$ 2,172,358</b>	<b>\$ 25,631,072</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 4,606,462	\$ 435,782	\$ -	\$ 5,042,244
Public Safety	3,206,150	2,696,682	-	5,902,832
Highways & Bridges	-	11,511,006	-	11,511,006
Health & Welfare	750	1,022,467	-	1,023,217
Economic Development	486,636	-	-	486,636
Culture & Recreation	563,579	-	-	563,579
Conservation of Natural Resources	-	661,795	-	661,795
Capital Outlay	-	-	7,778,618	7,778,618
Debt Service				
Principal	-	194,508	-	194,508
Interest on Long-Term Debt	-	21,719	-	21,719
<b>Total Expenditures</b>	<b>\$ 8,863,577</b>	<b>\$ 16,543,959</b>	<b>\$ 7,778,618</b>	<b>\$ 33,186,154</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,282,537	\$ (4,231,359)	\$ (5,606,260)	\$ (7,555,082)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 141,883	\$ 2,500,000	\$ 3,000,000	\$ 5,641,883
Transfers Out	(3,000,000)	(2,641,883)	-	(5,641,883)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (2,858,117)</b>	<b>\$ (141,883)</b>	<b>\$ 3,000,000</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (575,580)</b>	<b>\$ (4,373,242)</b>	<b>\$ (2,606,260)</b>	<b>\$ (7,555,082)</b>
Fund Balances - January 1	\$ 20,855,006	\$ 14,189,027	\$ 5,778,794	\$ 40,822,827
Prior Period Adjustment	\$ (203,776)	-	-	(203,776)
Fund Balance - Jan. 1, as restated	\$ 20,651,230	\$ 14,189,027	\$ 5,778,794	\$ 40,619,051
<b>Fund Balances - December 31</b>	<b>\$ 20,075,650</b>	<b>\$ 9,815,785</b>	<b>\$ 3,172,534</b>	<b>\$ 33,063,969</b>

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

# STARK COUNTY

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

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**Net Change in Fund Balances - Total Governmental Funds** \$ (7,555,082)

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

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

Capital Outlay	\$ 9,427,403	
Capital Contribution	464,782	
Depreciation Expense	<u>(2,742,649)</u>	7,149,536

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. 109,708

The proceeds of debt issuances are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuance debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of Debt		194,508
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Interest Payable	\$ 2,746	
Net Change in Contract Payable	155,624	
Net Change in Retainage Payable	(361,936)	
Net Change in Compensated Absences	<u>203,103</u>	(463)

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

Net Change in Net Pension & OPEB Liability	\$ (6,184,727)	
Net Change in Deferred Outflows of Resources	5,155,011	
Net Change in Deferred Inflows of Resources	<u>(359,267)</u>	(1,388,983)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable		<u>(250,184)</u>
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**Change in Net Position - Governmental Activities** \$ (1,740,960)

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

**STARK COUNTY**

Statement of Fiduciary Net Position – Fiduciary Funds  
December 31, 2020

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 9,929,529</u>
<b>LIABILITIES</b>	
Funds Held for Other Governmental Units	\$ 366,753
Funds Held for Other Purposes	<u>705</u>
Total Liabilities	<u>\$ 367,458</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 9,562,071</u>
Total Liabilities	<u>\$ 9,929,529</u>

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

**STARK COUNTY**

Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
December 31, 2020

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Tax Collections for Other Governments	\$ 34,255,804
Grant Collections for Other Governments	347,053
Miscellaneous Collections	<u>1,565</u>
Total Additions	<u>\$ 34,604,422</u>
<b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	\$ 34,255,804
Grant Disbursements to Other Governments	347,053
Miscellaneous Disbursements	<u>1,565</u>
Total Deductions	<u>\$ 34,604,422</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ -</u>

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

# STARK COUNTY

Notes to the Financial Statements  
For the Year Ended December 31, 2020

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## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Reporting Entity

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

Based on these criteria, 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.

### Component Units

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

Discretely Presented Component Units: The component unit columns in the government wide financial statements include the financial data of the County's two component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

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

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

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

### Basis of Presentation

*Government-wide statements.* The statement of net position and the statement of activities display information about the primary government, the 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 non-exchange transactions.

## STARK COUNTY

### Notes to the Financial Statements – Continued

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

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

The County reports the following major governmental funds:

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

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

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

Additionally, the County reports the following fiduciary fund type:

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

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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



**STARK COUNTY**

Notes to the Financial Statements – Continued

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**Cash and Investments**

Cash includes amounts in demand deposits and money market accounts. The investments of the County consist of certificates of deposit stated at cost with maturities in excess of three months.

**Capital Assets**

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

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

<b>Assets</b>	<b>Years</b>
Land	Indefinite
Vehicles and Machinery	25 - 75
Furniture and Equipment	5 - 15
Buildings	40
Land Improvements	30
Infrastructure	5 - 20

**Compensated Absences**

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

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

**Pension**

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

**Other Post-Employment Benefits (OPEB)**

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

**STARK COUNTY**

Notes to the Financial Statements – Continued

**Fund Balances**

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

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

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

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

**Net Position**

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

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

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

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

**Interfund Transactions**

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

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

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

**NOTE 2 PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments were necessary for the government wide statements to properly report the beginning balance of capital assets, contracts payable, and accounts receivable for the governmental activities as shown below:

<b>Primary Government</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 106,092,577
<b>Adjustments to restate the January 1, 2020 Net Position:</b>	
Capital Assets, Net	45,369
Contracts Payable	(242,500)
Accounts Receivable	(203,776)
Net Position January 1, as restated	\$ 105,691,670

**STARK COUNTY**

Notes to the Financial Statements – Continued

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General Fund Balance of the County as of January 1, 2020 has also been restated for an accounts receivable adjustment as shown below. The result of the adjustment decreased the beginning General Fund Balance of the County:

<b>Primary Government</b>	<b>Amounts</b>
Beginning General Fund Balance, as previously reported	\$ 20,855,006
<b>Adjustments to restate the January 1, 2020 Fund Balance:</b>	
Accounts Receivable	(203,776)
Fund Balance January 1, as restated	\$ 20,651,230

**NOTE 3 DEPOSITS**

**Custodial Credit Risk**

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

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

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

At year ended December 31, 2020, the County's carrying amount of deposits totaled \$45,502,125, and the bank balances totaled \$45,697,108. Of the bank balances, \$750,000 was covered by Federal Depository Insurance. The remaining bank balances, besides \$80,983 of the bank balances which were uninsured and uncollateralized, were collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2020, the Water Resource District's carrying amount of deposits totaled \$350,152 and the bank balance totaled \$350,152, all of which was covered by Federal Depository Insurance.

At December 31, 2020, the Job Development Authority's carrying amount of deposits and bank balance was \$7,894, all of which was covered by Federal Depository Insurance.

**NOTE 4 PROPERTY TAXES**

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

**STARK COUNTY**

Notes to the Financial Statements – Continued

**NOTE 5 CAPITAL ASSETS**

**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2020 for the County:

	<b>Restated Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
<b>Primary Government</b>					
Capital Assets Not Being Depreciated					
Land	\$ 2,400,732	\$ -	\$ -	\$ -	\$ 2,400,732
Construction in Progress	3,985,613	8,230,866	-	(1,447,548)	10,768,931
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 6,386,345</b>	<b>\$ 8,230,866</b>	<b>\$ -</b>	<b>\$ (1,447,548)</b>	<b>\$ 13,169,663</b>
Capital Assets Being Depreciated					
Buildings	\$ 23,610,265	\$ 249,677	\$ -	\$ -	\$ 23,859,942
Vehicles and Machinery	10,046,448	1,033,762	596,600	-	10,483,610
Furniture and Equipment	2,372,930	506,207	-	-	2,879,137
Land Improvements	174,489	-	-	-	174,489
Infrastructure	63,198,995	117,974	-	1,447,548	64,764,517
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 99,403,127</b>	<b>\$ 1,907,620</b>	<b>\$ 596,600</b>	<b>\$ 1,447,548</b>	<b>\$ 102,161,695</b>
Less Accumulated Depreciation					
Buildings	\$ 4,334,395	\$ 449,163	\$ -	\$ -	\$ 4,783,558
Vehicles and Machinery	5,761,969	720,668	460,009	-	6,022,628
Furniture and Equipment	2,045,558	139,991	-	-	2,185,549
Land Improvements	17,449	5,816	-	-	23,265
Infrastructure	18,703,859	1,427,012	-	-	20,130,871
<b>Total Accumulated Depreciation</b>	<b>\$ 30,863,230</b>	<b>\$ 2,742,650</b>	<b>\$ 460,009</b>	<b>\$ -</b>	<b>\$ 33,145,871</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 68,539,897</b>	<b>\$ (835,030)</b>	<b>\$ 136,591</b>	<b>\$ 1,447,548</b>	<b>\$ 69,015,824</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 74,926,242</b>	<b>\$ 7,395,836</b>	<b>\$ 136,591</b>	<b>\$ -</b>	<b>\$ 82,185,487</b>

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

<b>Primary Government</b>	<b>Amounts</b>
General	\$ 294,848
Public Safety	247,162
Highways & Bridges	2,041,168
Health & Welfare	92,420
Culture & Recreation	21,214
Conservation of Natural Resources	45,838
<b>Total Depreciation Expense</b>	<b>\$ 2,742,650</b>

**Discretely Presented Component Unit**

The following is a summary of changes in capital assets for the year ended December 31, 2020 for the Water Resource District:

	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
<b>Water Resource District</b>					
Capital Assets Not Being Depreciated					
Land	\$ 16,156	\$ 14,973	\$ -	\$ -	\$ 31,129

**STARK COUNTY**

Notes to the Financial Statements – Continued

**NOTE 6 LONG-TERM LIABILITIES****Primary Government**

During the year ended December 31, 2020, the following changes occurred in governmental activities long-term liabilities:

<b>Primary Government</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Long Term-Debt					
Leases Payable	\$ 425,027	\$ -	\$ 134,537	\$ 290,490	\$ 118,155
Loans Payable	187,752	-	59,971	127,781	62,547
Total Long-Term Debt	\$ 612,779	\$ -	\$ 194,508	\$ 418,271	\$ 180,702
Compensated Absences *	\$ 682,115	\$ -	\$ 203,103	\$ 479,012	\$ 191,605
Net Pension and OPEB Liability	7,685,124	6,184,727	-	13,869,851	-
Total Primary Government	\$ 8,980,018	\$ 6,184,727	\$ 397,611	\$ 14,767,134	\$ 372,307

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

<b>Year Ending Dec 31</b>	<b>Leases Payable</b>		<b>Loans Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	118,154	9,768	62,547	4,773
2022	97,848	5,658	65,234	2,087
2023	74,488	2,361	-	-
Total	\$ 290,490	\$ 17,787	\$ 127,781	\$ 6,860

**NOTE 7 PENSION PLAN****General Information about the NDPERS Pension Plan****North Dakota Public Employees Retirement System (Main System)**

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

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

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

**STARK COUNTY**

Notes to the Financial Statements – Continued

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**Pension Benefits**

***Main System***

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

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

***Law Enforcement System (With prior main system service)***

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

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

**Death and Disability Benefits (Main and Law Enforcement Systems)**

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

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

**STARK COUNTY**

Notes to the Financial Statements – Continued

**Refunds of Member Account Balance**

**Main System**

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

**Law Enforcement System**

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

**Member and Employer Contributions**

**Main System**

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

**Law Enforcement System**

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

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

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

**STARK COUNTY**

Notes to the Financial Statements – Continued

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

At December 31, 2020, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	<b>Net Pension Liability</b>
Main System	\$ 11,116,876
Law Enforcement System	2,348,812

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) In Proportion from June 30, 2019 Measurement</b>	<b>Pension Expense</b>
Main System	0.353363%	-0.222136%	\$ 1,435,249
Law Enforcement System	3.583352%	0.142697%	451,050

At December 31, 2020, the following deferred outflows of resources and deferred inflows of resources were reported related to pensions from the following sources:

<b>Main System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 43,263	\$ 563,303
Changes of Assumptions	5,959,347	985,227
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	358,796	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	48,649	2,313,948
Employer Contributions Subsequent to the Measurement Date	160,582	-
<b>Total Main System</b>	<b>\$ 6,570,637</b>	<b>\$ 3,862,478</b>

<b>Law Enforcement System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 50,392	\$ 40,207
Changes of Assumptions	1,752,941	242,328
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	87,830	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	76,100
Employer Contributions Subsequent to the Measurement Date	97,981	-
<b>Total Law Enforcement System</b>	<b>\$ 1,989,144</b>	<b>\$ 358,635</b>



**STARK COUNTY**

Notes to the Financial Statements – Continued

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020:

Main System	\$ 160,582
Law Enforcement System	97,981

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

	Main System	Law Enforcement System
2021	\$ 870,602	\$ 339,488
2022	648,521	324,112
2023	415,857	265,172
2024	612,597	255,202
2025	-	307,039
Thereafter	-	41,515

**Actuarial Assumptions**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Main and Law Enforcement System**

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

**Main and Law Enforcement System**

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

**STARK COUNTY**

Notes to the Financial Statements – Continued

**Discount rate (Main and Law Enforcement Systems)**

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (3.64%)</b>	<b>Current Discount Rate (4.64%)</b>	<b>1% Increase (5.64%)</b>
Main System	\$ 14,423,312	\$ 11,116,876	\$ 8,411,406
Law Enforcement System	3,318,704	2,348,812	1,581,960

**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 8 OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

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

**STARK COUNTY**

Notes to the Financial Statements – Continued

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

**OPEB Benefits**

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

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

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

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

At December 31, 2020, the County reported a liability of \$404,163 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 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 OPEB liability was based on the employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020 the County's proportion was 0.480462 percent which was a decrease of 0.180239 percent from June 30, 2019.

At December 31, 2020, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 8,974	\$ 9,690
Changes of Assumptions	54,191	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	13,899	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	788	105,687
Employer Contributions Subsequent to the Measurement Date	36,442	-
<b>Total</b>	<b>\$ 114,294</b>	<b>\$ 115,377</b>

**STARK COUNTY**

Notes to the Financial Statements – Continued

\$36,442 for the main system was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021.

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

2021	(8,444)
2022	(4,851)
2023	(5,511)
2024	(9,702)
2025	(9,330)
2026	313

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment rate or return	6.50%, net of investment expenses
Cost of living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
International Equities	40%	1.15%
U.S. High Yield	21%	6.45%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**STARK COUNTY**

Notes to the Financial Statements – Continued

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Proportionate Share of the Net OPEB Liability	\$ 520,070	\$ 404,163	\$ 297,693

**NOTE 9 TRANSFERS**

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

**NOTE 10 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDRIF is limited to losses of three million dollars per occurrence for general liability, three million for automobile, and \$6,798,581 for public assets/mobile equipment and portable property.

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

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

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

**NOTE 11 CONSTRUCTION COMMITMENTS**

The County had open constructions commitment as of December 31, 2020 as follows:

<b>County Project</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>
Social Services Building	10,162,031	9,793,960	489,698	857,769
BRO-0045(066) PCN 21994, Structure 45-138-21.0 Replacment	58,954	-	-	58,954
<b>Total</b>	<b>\$ 10,220,985</b>	<b>\$ 9,793,960</b>	<b>\$ 489,698</b>	<b>\$ 916,723</b>

**STARK COUNTY**

Notes to the Financial Statements – Continued

**NOTE 12 JOINT VENTURES****Southwest Multi-County Correction Center**

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

The following information as of and for the year ended December 31, 2018, the most current audited information available, is as follows:

	<b>Southwest Multi-County Correctional Center</b>
Total Assets	\$ 6,607,426
Total Liabilities	922,906
Net Position	\$ 5,684,520
Total Revenues	\$ 8,710,972
Total Expenses	8,841,420
Change in Net Position	\$ (130,448)

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

**Dickinson Law Enforcement Center**

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

The following information as of and for the year ended December 31, 2018, the most current audited information available, is as follows:

	<b>Dickinson Law Enforcement Center</b>
Total Assets	\$ 199,319
Total Liabilities	80,791
Net Position	\$ 118,528
Total Revenues	\$ 452,694
Total Expenses	434,193
Change in Net Position	\$ 18,501

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

**STARK COUNTY**

Notes to the Financial Statements – Continued

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**Southwest District Health Unit**

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

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

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

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

**NOTE 13 CONTINGENT LIABILITIES**

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

# STARK COUNTY

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 6,836,060	\$ 6,836,060	\$ 6,748,365	\$ (87,695)
Intergovernmental	1,213,278	1,213,278	3,396,617	2,183,339
Charges for Services	330,500	330,500	438,284	107,784
Licenses, Permits and Fees	353,625	353,625	136,931	(216,694)
Interest Income	400,000	400,000	265,526	(134,474)
Miscellaneous	74,000	74,000	160,391	86,391
<b>Total Revenues</b>	<b>\$ 9,207,463</b>	<b>\$ 9,207,463</b>	<b>\$ 11,146,114</b>	<b>\$ 1,938,651</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 5,276,939	5,276,939	\$ 4,606,462	\$ 670,477
Public Safety	3,242,227	3,242,227	3,206,150	36,077
Health & Welfare	750	750	750	-
Economic Development	103,683	103,683	486,636	(382,953)
Culture & Recreation	315,198	315,198	563,579	(248,381)
<b>Total Expenditures</b>	<b>\$ 8,938,797</b>	<b>\$ 8,938,797</b>	<b>\$ 8,863,577</b>	<b>\$ 75,220</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 268,666	\$ 268,666	\$ 2,282,537	\$ 2,013,871
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ 141,883	\$ 141,883	\$ -
Transfers Out	-	(3,000,000)	(3,000,000)	-
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ (2,858,117)</b>	<b>\$ (2,858,117)</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 268,666</b>	<b>\$ (2,589,451)</b>	<b>\$ (575,580)</b>	<b>\$ 2,013,871</b>
Fund Balance - January 1	\$ 20,855,006	\$ 20,855,006	\$ 20,855,006	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ (203,776)	\$ (203,776)
Fund Balance - Jan. 1, as restated	\$ 20,855,006	\$ 20,855,006	\$ 20,651,230	\$ (203,776)
<b>Fund Balance - December 31</b>	<b>\$ 41,978,678</b>	<b>\$ 39,120,561</b>	<b>\$ 20,075,650</b>	<b>\$ 1,606,319</b>

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



**STARK COUNTY**

Budgetary Comparison Schedule – Special Revenue Fund  
 For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 5,598,946	\$ 5,598,946	\$ 5,680,800	\$ 81,854
Intergovernmental	5,721,116	5,721,116	4,711,939	(1,009,177)
Charges for Services	868,683	868,683	934,925	66,242
Licenses, Permits and Fees	415,000	415,000	541,882	126,882
Miscellaneous	176,100	176,100	443,054	266,954
<b>Total Revenues</b>	<b>\$ 12,779,845</b>	<b>\$ 12,779,845</b>	<b>\$ 12,312,600</b>	<b>\$ (467,245)</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 467,440	\$ 467,440	\$ 435,782	\$ 31,658
Public Safety	2,768,379	3,083,251	2,696,682	386,569
Highways & Bridges	8,599,459	11,647,167	11,511,006	136,161
Health & Welfare	-	1,046,307	1,022,467	23,840
Conservation of Natural Resources	750,703	764,289	661,795	102,494
Debt Service				
Principal	-	-	194,508	(194,508)
Interest	-	-	21,719	(21,719)
<b>Total Expenditures</b>	<b>\$ 12,585,981</b>	<b>\$ 17,008,454</b>	<b>\$ 16,543,959</b>	<b>\$ 464,495</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 193,864	\$ (4,228,609)	\$ (4,231,359)	\$ (2,750)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ 2,500,000	\$ 2,500,000	\$ -
Transfers Out	-	(2,641,883)	(2,641,883)	-
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ (141,883)</b>	<b>\$ (141,883)</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 193,864</b>	<b>\$ (4,370,492)</b>	<b>\$ (4,373,242)</b>	<b>\$ (2,750)</b>
Fund Balance - January 1	\$ 14,189,027	\$ 14,189,027	\$ 14,189,027	\$ -
Fund Balance - December 31	\$ 14,382,891	\$ 9,818,535	\$ 9,815,785	\$ (2,750)

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

**STARK COUNTY**

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

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

<b>Main System</b>	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.353363%	\$ 11,116,876	\$ 3,898,024	285.19%	48.91%
2019	0.575499%	6,745,265	5,986,171	112.68%	71.66%
2018	0.583938%	9,854,591	5,998,893	164.27%	62.80%
2017	0.578532%	9,298,908	5,905,904	157.45%	61.98%
2016	0.583577%	5,687,527	5,881,077	96.71%	70.46%
2015	0.558091%	3,794,924	4,971,918	76.33%	77.15%
2014	0.547798%	3,476,991	4,614,538	75.35%	77.70%

<b>Law Enforcement System</b>	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	3.583352%	\$ 2,348,812	\$ 1,626,263	144.43%	53.12%
2019	3.440655%	409,192	1,386,307	29.52%	84.95%
2018	3.876444%	903,376	1,338,190	67.51%	71.64%
2017	4.844673%	1,066,612	1,393,603	76.54%	69.86%
2016	5.126838%	587,456	1,447,096	40.60%	78.73%
2015	6.897293%	419,046	1,010,899	41.45%	83.61%
2014	8.227919%	509,040	1,075,719	47.32%	80.56%

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

**STARK COUNTY**

Schedule of Employer’s Share of Net Pension Liability and Employer Contributions - Continued  
 For the Year Ended December 31, 2020

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

<b>Main System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 276,014	\$ 348,752	(72,738)	\$ 3,826,589	9.11%
2019	435,827	436,560	(733)	5,986,171	7.29%
2018	441,844	430,772	11,072	5,998,893	7.18%
2017	428,250	431,014	(2,764)	5,905,904	7.30%
2016	425,781	446,487	(20,706)	5,881,077	7.59%
2015	377,657	379,909	(2,252)	4,971,918	7.64%
2014	328,555	328,555	-	4,614,538	7.12%

<b>Law Enforcement System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 173,623	\$ 153,952	19,671	\$ 1,739,826	8.85%
2019	129,448	135,936	(6,488)	1,386,307	9.81%
2018	123,101	137,920	(14,819)	1,338,190	10.31%
2017	145,599	151,165	(5,566)	1,393,603	10.85%
2016	122,229	154,250	(32,021)	1,447,096	10.66%
2015	109,179	130,443	(21,264)	1,010,899	12.90%
2014	105,528	105,528	-	1,075,719	9.81%

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

**STARK COUNTY**

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

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

<b>Main System</b>	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.480462%	\$ 404,163	\$ 5,477,128	7.38%	63.38%
2019	0.660701%	530,667	7,372,478	7.20%	63.13%
2018	0.670533%	528,090	7,337,083	7.20%	61.89%
2017	0.674730%	533,719	7,299,507	7.31%	59.78%

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

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

<b>Main System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 64,345	\$ 73,649	(9,304)	\$ 5,902,991	1.25%
2019	85,742	85,696	46	7,372,478	1.16%
2018	86,060	85,000	1,060	7,337,083	1.16%
2017	84,852	86,572	(1,720)	7,299,507	1.19%

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

**STARK COUNTY**

Notes to the Required Supplementary Information  
 For the Year Ended December 31, 2020

**NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

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

**NOTE 2 LEGAL COMPLIANCE – BUDGETS**

**Budget Amendments**

The board of County commissioners amended the County expenditures and transfers budget for various funds as follows:

Major Funds	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Special Revenue Fund	\$ 12,585,981	\$ 4,422,473	\$ 17,008,454

Major Funds	TRANSFER IN		
	Original Budget	Amendment	Amended Budget
General Fund	\$ -	\$ 141,883	141,883
Special Revenue Fund	-	2,500,000	2,500,000

Major Funds	TRANSFER OUT		
	Original Budget	Amendment	Amended Budget
General Fund	\$ -	\$ (3,000,000)	(3,000,000)
Special Revenue Fund	-	(2,641,883)	(2,641,883)

**STARK COUNTY**

Notes to the Required Supplementary Information - Continued

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**NOTE 3 CHANGES OF BENEFIT TERMS**

**Pension**

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

**OPEB**

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

**NOTE 4 CHANGES OF ASSUMPTIONS**

**Pension**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.50% to 7.00%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**OPEB**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**NOTE 5 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS**

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

**STARK COUNTY**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

Assistance Listing Number	Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
16.576	Passed Through State's Department of Corrections and Rehabilitation Crime Victim Compensation	N/A	\$ 79,342
	Total U.S. Department of Justice		\$ 79,342
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
93.563	Passed Through State Department of Human Services: Child Support Enforcement	N/A	\$ 706
93.778	Medical Assistance Program	N/A	\$ 9,526
	Total U.S. Department of Health and Human Services		\$ 10,232
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>			
97.036	Passed Through State Department of Emergency Services: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4509	\$ 12,255
97.042	Emergency Management Performance Grants	EMPG2019, EMPG2020	\$ 28,888
	Total U.S. Department of Homeland Security		\$ 41,143
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
20.600	Passed Through State Highway Department: State and Community Highway Safety	HSPSC2007	\$ 3,065
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	HSPID2010	\$ 4,000
20.616	National Priority Safety Programs	HSPOP2005, HSPID2010	\$ 8,945
	Total U.S. Department of Transportation		\$ 16,011
<b>U.S. DEPARTMENT OF THE TREASURY:</b>			
21.019	Passed Through State Treasurer Department: Coronavirus Relief Fund	N/A	\$ 2,045,810
	Total U.S. Department of the Treasury		\$ 2,045,810
	<b>Total Expenditures of Federal Awards</b>		<b>\$ 2,192,537</b>

See notes to the Schedule of Expenditures of Federal Awards

## **STARK COUNTY**

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

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### **NOTE 1 BASIS OF PRESENTATION / ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2020. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are allowable or are limited as to reimbursement.

### **NOTE 3 PASS-THROUGH GRANT NUMBER**

For Federal programs marked "N/A", the County was unable to obtain a pass-through grant number.

### **NOTE 4 INDIRECT COST RATE**

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



STATE AUDITOR  
Joshua C. Gallion



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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*

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### Independent Auditor's Report

Board of County Commissioners  
Stark County  
Dickinson, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated December 29, 2021.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *schedule of audit findings and questioned costs*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings and questioned costs* as items 2020-001, 2020-002, 2020-003, and 2020-006 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of audit findings and questioned costs* as items 2020-004 and 2020-005 to be significant deficiencies.

## **STARK COUNTY**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Stark County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying *schedule of audit findings* as items 2020-001, 2020-002, and 2020-003.

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

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

### **Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 29, 2021

STATE AUDITOR  
Joshua C. Gallion



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---

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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### Independent Auditor's Report

Board of County Commissioners  
Stark County  
Dickinson, North Dakota

#### **Report on Compliance for Each Major Federal Program**

We have audited Stark County's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Stark County's major federal program for the year ended December 31, 2020. Stark County's major federal program is identified in the summary of auditor's results section of the accompanying *schedule of findings and questioned costs*.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Stark County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stark County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Stark County's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Stark County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

**STARK COUNTY**

Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance; Required by the Uniform Guidance - Continued

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**Report on Internal Control Over Compliance**

Management of Stark County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Stark County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Stark County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 29, 2021

**STARK COUNTY**

Summary of Auditor's Results  
For the Year Ended December 31, 2020

---

**Financial Statements**

Type of Report Issued:	
Governmental Activities	Unmodified
Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Internal control over financial reporting**

Material weaknesses identified?	<u>  X  </u> Yes	<u>      </u> None	Noted
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u> Yes	<u>      </u> None	Noted
Noncompliance material to financial statements noted?	<u>  X  </u> Yes	<u>      </u> None	Noted

**Federal Awards**

Internal Control Over Major Programs

Material weaknesses identified?	<u>      </u> Yes	<u>  X  </u> None	noted
Reportable conditions identified not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None	noted
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u>      </u> Yes	<u>  X  </u> None	noted

**Identification of Major Programs**

CFDA Number	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?        Yes   X   No

# STARK COUNTY

Schedule of Audit Findings and Questioned Costs  
For the Year Ended December 31, 2020

---

## 2020-001 – BUDGET PREPARATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

### Condition

Stark County did not prepare its 2020 budget in compliance with all attributes of N.D.C.C. §11-23-02.

### Criteria

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

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

### Cause

Stark County may not have been aware of the requirements of N.D.C.C. §11-23-02.

### Effect

The attributes identified in N.D.C.C. §11-23-02 are key components in the tax levy calculation in any budget year. Thus, Stark County may have improperly calculated the tax levies.

### Repeat Finding

No

### Recommendation

We recommend Stark County ensure its compliance with all aspects of N.D.C.C. §11-23-02 and resolve any current circumstances if deemed appropriate by management.

### Stark County's Response

See Corrective Action Plan starting on page 49.

**STARK COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued  
For the Year Ended December 31, 2020

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**2020-002 – LEVY CALCULATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition**

Stark County did not have supporting documentation for its mill levy calculation to ensure the computation is in accordance with N.D.C.C. §57-15-31(1).

**Criteria**

N.D.C.C. §57-15-31(1) states, “The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- a. The available surplus consisting of the free and unencumbered cash balance;
- b. Estimated revenues from sources other than direct property taxes;
- c. The total estimated collections from tax levies for previous years;
- d. Expenditures that must be made from bond sources;
- e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.

**Cause**

Stark County did not prepare its budget in accordance with N.D.C.C. §11-23-02 as noted in Finding 2020-001. In addition, Stark County may not have been aware of the requirements of N.D.C.C. §57-15-31(1).

**Effect**

The attributes identified in N.D.C.C. §57-15-31(1) are key components in the tax levy calculation in any budget year. Thus, Stark County may have improperly calculated the tax levies.

**Repeat Finding**

No

**Recommendation**

We recommend Stark County maintain supporting documentation for all elements required for its mill levy calculation to ensure the computation is in compliance with all aspects of N.D.C.C. §57-15-31(1). Additionally, we recommend that Stark County resolve any current circumstances if deemed appropriate by management.

**Stark County’s Response**

See Corrective Action Plan starting on page 49.

**STARK COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued  
For the Year Ended December 31, 2020

---

**2020-003 – IMPROPER BIDDING OF ROAD EQUIPMENT – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition**

Stark County did not advertise for bids for purchases of two motor graders at a total cost of \$602,571. Instead, the County utilized an out of state cooperative purchase agreement that was not applicable to the County.

**Criteria**

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

Additionally, N.D.C.C. § 54-44.4-13(7) states “Before entering into a cooperative purchasing agreement under this section, the office of management and budget must determine that the contracts were awarded through full and open competition or source selection methods specified in section 54-44.4-05 and shall send notice to approved vendors of the office's intent to make a cooperative purchase in accordance with this chapter.

**Cause**

Stark County may not have accurately interpreted the out of state cooperative purchase agreement used to acquire the motor graders.

**Effect**

Stark County may not be in compliance with N.D.C.C. §24-05-04(2) and N.D.C.C. §54-44.4-13(7).

**Repeat Finding**

Yes

**Recommendation**

We recommend that Stark County review upcoming purchase agreements of county road machinery to ensure compliance with N.D.C.C. §24-05-04(2). We further recommend that Stark County consult with the Office of Management and Budget to ensure compliance with N.D.C.C. §54-44.4-13(7).

**Stark County's Response**

See Corrective Action Plan starting on page 49.



**STARK COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued  
For the Year Ended December 31, 2020

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**2020-004 – LACK OF PLEDGE OF ASSETS – SIGNIFICANT DEFICIENCY**

**Condition**

Stark County did not obtain adequate pledge of assets at American Bank Center as of December 31, 2020. The County was under pledged by \$80,984.

**Criteria**

N.D.C.C. §21-04-09 states “When securities are pledged to the board of any public corporation, the treasurer or other individual legally charged with the custody of public funds shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits.”

**Cause**

Management may not have known they were under pledged for American Bank Center.

**Effect**

Stark County was not in compliance with N.D.C.C. §21-04-09 at December 31, 2020.

**Repeat Finding**

Yes

**Recommendation**

We recommend that Stark County ensure that it maintains adequate pledges of securities as required in N.D.C.C. §21-04-09.

**Stark County’s Response**

See Corrective Action Plan starting on page 49.

**STARK COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued  
For the Year Ended December 31, 2020

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**2020-005 – ADJUSTING JOURNAL ENTRIES – SIGNIFICANT DEFICIENCY**

**Condition**

Material auditor-identified adjusting entries were proposed to properly reflect the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements reflect the adjustments and were approved by management.

**Criteria**

Stark County is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with GAAP.

**Cause**

Stark County management does not have sufficient procedures in place to ensure adjusting entries used to compile the financial statements are reviewed.

**Effect**

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

**Repeat Finding**

Yes.

**Recommendation**

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

**Stark County's Response**

See Corrective Action Plan starting on page 49.

**STARK COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued  
For the Year Ended December 31, 2020

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**2020-006 – LACK OF SEGREGATION OF DUTIES – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS**

**Condition**

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

**Criteria**

Proper internal control according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of the Stark County Water Resource District.

**Cause**

Management has chosen to allocate economic resources to other functions of the Stark County Water Resource District.

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Stark County Water Resource District.

**Repeat Finding**

Yes

**Recommendation**

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

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

**Stark County's Response**

See Corrective Action Plan starting on page 49.

BOARD OF COMMISSIONERS  
DEAN FRANCHUK, Chairman  
BERNIE MARSH  
CARLA ARTHAUD, Vice-Chairman  
KEN ZANDER  
NEAL MESSER



AUDITOR  
KAREN RICHARD

DEPUTY AUDITOR  
LANA JAHNER

## OFFICE OF THE AUDITOR

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Dickinson, ND 58602-0130  
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Phone: (701) 456-7630  
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**Date:** December 2, 2021  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Karen Richard, County Auditor  
**RE:** Stark County 2020 - Corrective Action Plan

**Contact Person Responsible for Corrective Action Plan:** Karen Richard, County Auditor  
**Financial Statement Findings:**

---

### 2020-001 – BUDGET PREPARATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

**Condition:**

Stark County did not prepare its 2020 budget in compliance with all attributes of N.D.C.C. §11-23-02.

**Corrective Action Plan:**

Stark County agrees with this finding. The biggest budget deficiency that was found had to do with the part pertaining to the amount needing to be levied for the general fund budget. In the 2022 budgeting process the general fund balance is being corrected to accurately reflect what is being levied for in property tax. Setting up and transferring the above 75% reserve cash to its own special projects fund that has a 5-year plan to go with the funds. This plan will be going before the commission during the December 30, 2021 meeting and the funds will be transferred that day. Also, Stark County is under-levying for the approved 2022 budget dollar amount. The tax break is about \$1,000,000 for the 2021 tax statements. For the 2023 budget the county will be using the State Auditor budget template.

**Anticipated Completion Date:**

12/30/2021

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### 2020-002 – LEVY CALCULATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

**Condition:**

Stark County did not have supporting documentation for its mill levy calculation to ensure the computation is in accordance with N.D.C.C. §57-15-31(1).

**Corrective Action Plan:**

Stark County agrees with this finding. Going forward into 2022 the entities that have requested just a mill levy number instead of just the budget amount were informed that the mill will be calculated off the budget amount submitted not the mill number requested. It will not apply to schools as they have different requirements. This will fix any over levying that has occurred in the past and the budgets submitted will match the dollar amount levied. As the Stark County Auditor, I will be providing an easier form for the volunteer/rural fire departments to fill out for budgeting purposes and will also explain the process to them in a meeting. For the Stark County budget there will be more supporting documentation in the budget to justify the amounts levied for funds going forward.

**Anticipated Completion Date:**

08/30/2022

**STARK COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued  
For the Year Ended December 31, 2020

---

**2020-003 – IMPROPER BIDDING OF ROAD EQUIPMENT – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**

**Condition:**

Stark County did not advertise for bids for purchases of two motor graders at a total cost of \$602,571. Instead, the County utilized an out of state cooperative purchase agreement that was not applicable to the County.

**Corrective Action Plan:**

Stark County agrees with this finding. The purchasing and bid process for the road department has been properly fixed to century code, since the finding from the 2019 audit. The two motor graders purchased in 2020 were prior to the 2019 findings report. Both, the road superintendent and the county auditor now review and advertise for bids on equipment over \$100,000.00.

**Anticipated Completion Date:**

04/2021

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**2020-004 – LACK OF PLEDGE OF ASSETS – SIGNIFICANT DEFICIENCY**

**Condition:**

Stark County did not obtain adequate pledge of assets at American Bank Center as of December 31, 2020. The County was under pledged by \$80,984.

**Corrective Action Plan:**

Stark County agrees with this finding. American Bank Center (now Bravera Bank) now has someone to keep a closer eye on the pledge of assets amount. The pledging is now checked monthly.

**Anticipated Completion Date:**

04/2021

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**2020-005 – ADJUSTING JOURNAL ENTRIES – SIGNIFICANT DEFICIENCY**

**Condition:**

Material auditor-identified adjusting entries were proposed to properly reflect the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements reflect the adjustments and were approved by management.

**Corrective Action Plan:**

Stark County agrees with this finding. There has been more oversight and new management put into place in 2021. Many of the accounting and financial errors have been corrected for 2021. All the accounts are being balanced and looked at for discrepancies before year end. There will also be additional training given to Auditor/Treasurer staff on Tyler Tech accounting programs in 2022.

**Anticipated Completion Date:**

04/2022

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**STARK COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued  
For the Year Ended December 31, 2020

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**2020-006 – LACK OF SEGREGATION OF DUTIES – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS**

**Condition:**

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

**Corrective Action Plan:**

Because of the very limited staff available for the Stark County Water Resource District, all the accounting duties cannot be segregated in such a way as to eliminate this reportable condition. The only alternative available to the District would be the hiring of additional staff, and current cash flows do not justify it. The District has reviewed the internal controls and procedures in place and believes the procedures in place provide adequate controls under these circumstances.

**Anticipated Completion Date:**

N/A

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BOARD OF COMMISSIONERS  
 DEAN FRANCHUK, Chairman  
 BERNIE MARSH  
 CARLA ARTHAUD, Vice-Chairman  
 KEN ZANDER  
 NEAL MESSER



AUDITOR  
 KAREN RICHARD

DEPUTY AUDITOR  
 LANA JAHNER

**OFFICE OF THE AUDITOR**

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Phone: (701) 456-7630  
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**Date:** December 2, 2021  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Karen Richard, County Auditor  
**RE:** Stark County – 2020 Audit - Status of Prior Recommendations

**2019-001 –EXCESS FUND BALANCE – MATERIAL WEAKNESS - MATERIAL NONCOMPLIANCE**

**Condition**

Stark County's general fund and various special revenue funds had a cash reserve balance at year end that was in excess of seventy five percent of the annual appropriation as follows:

Fund	Original Appropriation	75% of Appropriation	Year End Cash Reserve	Cash Reserve Above 75%	Cash Reserve Percentage
General Fund	\$ 8,643,130	\$ 6,482,348	\$ 22,203,806	\$ 15,721,458	257%
Special Revenue Fund					
Highway Tax	2,414,978	1,811,234	4,596,355	2,785,121	190%
Special Road & Bridge	294,632	220,974	1,385,474	1,164,500	470%
Jail	1,964,421	1,473,316	2,045,744	572,428	104%
Veterans Service Office	169,538	127,153	1,135,031	1,007,878	669%
County Agent	197,293	147,970	1,753,186	1,605,216	889%
Preservation	10,000	7,500	357,794	350,294	3578%
911 Equipment	65,000	48,750	208,624	159,874	321%
<b>Total</b>	<b>\$ 13,758,992</b>	<b>\$ 10,319,244</b>	<b>\$ 33,686,013</b>	<b>\$ 23,366,769</b>	<b>-</b>

**Recommendation**

We recommend that Stark County ensure its compliance with all aspects of N.D.C.C. §11-23-02 and resolve any current circumstances if deemed appropriate by management. Further, we recommend that Stark County review its cash reserve balances of the general fund and special revenue funds periodically and prior to finalizing any fiscal year budget.

**Current Status**

The Commission thought in 2020 that by deficit spending in the 2021 budget it would use up a chunk of the cash reserve. Also, the Social Services / County Agent building was not paid for out of the cash reserve amount until 2021. That was a significant expense. For 2022 I will be preparing a plan for the commission to approve at the end of December, 2021. This plan includes a special projects fund that will have the excess cash transferred into it and a general plan of how the money will be allocated over the next 5 years. Stark County is currently not levying for Veteran's or County Agent. The 911 Equipment reserve amount is being allocated to a siren replacement project. The Jail/Special Projects Levy amount that Stark County has to cover on top of the levy dollar amount (over \$400,000) will come out of that reserve. The year 2020 was very rough for Stark County Auditor/Treasurer office and had almost a complete staff turnover.

**STARK COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued  
For the Year Ended December 31, 2020

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**2019-002 –IMPROPER BIDDING OF ROAD EQUIPMENT - MATERIAL WEAKNESS - MATERIAL NONCOMPLIANCE**

**Condition:**

Stark County purchased two motor graders at a cost of \$691,025 under an out of state procurement agreement as well as an International Truck at a cost of \$137,496 under a Minnesota state bid.

**Recommendation:**

We recommend Stark County carefully review upcoming road machinery purchases to ensure compliance with N.D.C.C. §24-05-04(2) and resolve current circumstances if deemed appropriate by management.

**Current Status:**

The issue with the road bidding was resolved after the audit report for 2019 came out. The road supervisor is very careful on following century code going forward after the 2019 audit.

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**2019-003 –ADVERTISED BIDDING OF ROAD EQUIPMENT– MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE**

**Condition:**

Stark County entered into three lease-purchase agreements for International Trucks at a cost of \$359,689 that were not advertised for bids in accordance with state law.

**Recommendation:**

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

**Current Status:**

It is now monitored by both the road superintendent and myself (Stark Auditor) that the bids are advertised if over \$100,000.

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**2019-004 – FINANCIAL STATEMENT PREPARATION - MATERIAL WEAKNESS**

**Condition:**

Stark County currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

**Recommendation:**

We recommend that Mountrail County review all revenue transactions carefully to ensure the appropriate classification and presentation in the financial statements, in accordance with modified cash basis of accounting.

**Current Status:**

Up until this year 2021 there was no one (that I am aware of) in the auditor’s office who had the background to do the financial reports. There have also been many issues with our Tyler Tech software. One of the top priorities for 2022 is to provide staff training on accounting practices and to also have Tyler Tech set up the needed templates to run the financial reports. Our current On Demand reports the staff have been running are confusing and our reporting system goes down monthly.

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**STARK COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued  
For the Year Ended December 31, 2020

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**2019-005 FRAUD RISK ASSESSMENT- SIGNIFICANT DEFICIENT**

**Condition:**

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

**Recommendation:**

We recommend Stark County prepare a fraud risk assessment in order to identify areas of concern within entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

**Current Status:**

For the 2020 audit I completed the fraud risk assessment. I had to base it on the current 2021 changes though, as I was not present in 2020.

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**2019-006 –LACK OF PLEDGE OF ASSETS – SIGNIFICANT DEFICIENCY**

**Condition:**

Stark County did not obtain adequate pledge of assets at American Bank Center as of December 31, 2019. The County was under pledged by \$2,318,909.

**Recommendation:**

We recommend that Stark County ensure that it maintains adequate pledges of securities at any bank where the bank balances could exceed FDIC Insurance.

**Current Status:**

American Bank Center (now Bravera Bank) was made aware of this issue at the end of 2021. They now have someone monitoring the pledging amounts monthly to inform the County if anything is off or has been under pledged.

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**2019-007 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNIT – MATERIAL WEAKNESS**

**Condition:**

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

**Recommendation:**

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

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

**Current Status:**

The Stark County Water Board and JDA were aware of this finding. Both boards feel that their financial statements etc. are reviewed adequately by the members of the boards. They do not think this should be a continued finding on the audit report.

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STATE AUDITOR  
Joshua C. Gallion



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STATE CAPITOL  
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## GOVERNANCE COMMUNICATION

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Board of County Commissioners  
Stark County  
Dickinson, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County, North Dakota, for the year ended December 31, 2020 which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated December 29, 2021. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated January 27, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Stark County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

**STARK COUNTY**

Governance Communication – Continued

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**Corrected and Uncorrected Misstatements**

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

	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
<b>Governmental Fund Adjustments</b>		
<u>To remove receivables for In/Out Fund</u>		
Revenue	\$ 98,924	\$ -
Accounts Receivable	-	98,681
Intergovernmental Receivable	-	243
<u>To remove payables for In/Out Fund</u>		
Accounts Payable	54,806	-
Expenditures	-	54,806
<u>To adjust beginning General Fund balance</u>		
Beginning Fund Balance	203,777	
Accounts Receivable	-	203,777
<u>To remove activities of In/Out Fund</u>		
Revenue	3,738,877	-
Expenditure	-	3,738,877

**Disagreements with Management**

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

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 29, 2021.

**Management Consultations with Other Independent Accountants**

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

## **STARK COUNTY**

Governance Communication – Continued

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### **Difficulties Encountered in Performing the Audit**

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

### **Other Audit Findings or Issues**

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

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

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 29, 2021



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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