



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, 2021

Client Code: PS45000



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Office of the
State Auditor

STARK COUNTY

Table of Contents

For the Year Ended December 31, 2021

County Officials	1
Independent Auditor’s Report	2
Basic Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Balance Sheet - Governmental Funds.....	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	10
Statement of Fiduciary Net Position – Fiduciary Funds.....	11
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	12
Notes to the Financial Statements	13
Required Supplementary Information	
Budgetary Comparison Schedules	30
Schedule of Employer’s Share of Net Pension Liability and Employer Contributions	32
Schedule of Employer’s Share of Net OPEB Liability and Employer Contributions	34
Notes to the Required Supplementary Information	35
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	37
Notes to the Schedule of Expenditures of Federal Awards	38
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.....	39
Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance	41
Summary of Auditor’s Results.....	44
Schedule of Audit Findings and Questioned Costs	45
Management’s Corrective Action Plan.....	51
Schedule of Prior Year Findings.....	56
Governance Communication	60

STARK COUNTY

County Officials
December 31, 2021

COUNTY OFFICIALS

Dean Franchuk
Carla Arthaud
Bernie Marsh
Ken Zander
Neal Messer

Chairman
Vice Chairman
Commissioner
Commissioner
Commissioner

Karen Richard
Corey Lee
Kim Kasian
Amanda Engelstad

Auditor/Treasurer
Sheriff
Recorder
States Attorney

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on the Audit of the Financial Statements

Opinions

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, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing our audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Stark County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stark County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

STARK COUNTY

Independent Auditor's Report - Continued

Supplementary 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* and *notes to 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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* and *notes to 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 GAS

In accordance with GAS, we have also issued our report dated March 14, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stark County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering Stark County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 14, 2023

STARK COUNTY

Statement of Net Position

December 31, 2021

	Primary	Component Units	
	Government	Water	Job
	Governmental	Resource	Development
	Activities	District	Authority
ASSETS			
Cash and Investments	\$ 38,799,673	\$ 334,971	\$ 22,354
Accounts Receivable	276,029	-	-
Interest Receivable	6,358	-	-
Intergovernmental Receivable	895,389	-	-
Taxes Receivable	207,036	-	3,362
Capital Assets			
Nondepreciable	3,586,969	31,129	-
Depreciable, Net	80,278,881	-	-
Total Assets	\$ 124,050,335	\$ 366,100	\$ 25,716
DEFERRED OUTFLOWS OF RESOURCES			
Pensions & OPEB	\$ 6,326,369	\$ -	\$ -
Total Deferred Inflows of Resources	\$ 6,326,369	\$ -	\$ -
LIABILITIES			
Accounts Payable	\$ 1,268,571	\$ -	\$ -
Salaries and Benefits Payable	259,194	1,556	-
Contracts Payable	572,398	-	-
Retainage Payable	14,876	-	-
Payroll Liability	116,749	-	-
Grants Received in Advance	1,675,185	-	-
Interest Payable	2,282	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	163,081	-	-
Compensated Absences Payable	191,072	-	-
Due After One Year			
Long-Term Debt	74,488	-	-
Compensated Absences Payable	286,608	-	-
Net Pension & OPEB Liability	4,287,048	-	-
Total Liabilities	\$ 8,911,552	\$ 1,556	\$ -
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	\$ 2,978,907	\$ -	\$ -
Pensions & OPEB	10,948,342	-	-
Total Deferred Inflows of Resources	\$ 13,927,249	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 83,611,121	\$ 31,129	\$ -
Restricted for			
Highways & Bridges	268,023	-	-
Health & Welfare	884,747	-	-
Conservation of Nat Resources	1,585,533	333,415	-
Emergencies	533,744	-	-
Economic Development	9,645	-	25,716
Capital Projects	2,035,719	-	-
Other Purposes/General Government	-	-	-
Unrestricted	18,609,371	-	-
Total Net Position	\$ 107,537,903	\$ 364,544	\$ 25,716

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

STARK COUNTY

Statement of Activities

For the Year Ended December 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	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
Primary Government							
Government Activities							
General Government	\$ 6,034,339	\$ 414,985	\$ -	\$ -	\$ (5,619,354)		
Public Safety	8,615,401	620,719	259,196	383,000	(7,352,486)		
Highways & Bridges	6,667,262	271,240	3,132,258	1,011,333	(2,252,431)		
Health & Welfare	323,053	1,374	21,947	-	(299,732)		
Economic Development	162,052	-	-	-	(162,052)		
Culture and Recreation	564,168	-	-	-	(564,168)		
Conserv. of Natural Resources	549,907	-	41,439	-	(508,468)		
Interest on Long-Term Debt	12,156	-	-	-	(12,156)		
Total Primary Government	\$ 22,928,338	\$ 1,308,318	\$ 3,454,840	\$ 1,394,333	\$ (16,770,847)		
Component Units							
Water Resource District	\$ 31,852	\$ -	\$ -	\$ -	\$ -	\$ (31,852)	\$ -
Job Development Authority	187,000	-	-	-	-	-	(187,000)
Total Component Units	\$ 218,852	\$ -	\$ -	\$ -	\$ -	\$ (31,852)	\$ (187,000)
General Revenues							
Property Taxes					\$ 12,560,520	\$ 13,417	\$ 204,799
Unrestricted Grants and Contributions					6,192,062	-	-
Unrestricted Investment Earnings					182,971	2,215	23
Net Gain on Sale of Capital Assets					642,637	-	-
Miscellaneous Revenue					756,456	-	-
Total General Revenues					\$ 20,334,646	\$ 15,632	\$ 204,822
Change in Net Position					\$ 3,563,799	\$ (16,220)	\$ 17,822
Net Position - January 1					\$ 103,950,710	\$ 380,764	\$ 7,894
Prior Period Adjustment					\$ 23,394	-	-
Net Position - January 1, Restated					\$ 103,974,104	\$ 380,764	\$ 7,894
Net Position - December 31					\$ 107,537,903	\$ 364,544	\$ 25,716

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

STARK COUNTYBalance Sheet – Governmental Funds
December 31, 2021

	General	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 25,984,336	\$ 10,681,515	\$ 2,133,824	\$ 38,799,675
Intergovernmental Receivable	497,251	398,138	-	895,389
Accounts Receivable	99,122	176,907	-	276,029
Interest Receivable	6,358	-	-	6,358
Taxes Receivable	117,669	89,367	-	207,036
Total Assets	<u>\$ 26,704,736</u>	<u>\$ 11,345,927</u>	<u>\$ 2,133,824</u>	<u>\$ 40,184,487</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 653,592	\$ 516,874	\$ 98,105	\$ 1,268,571
Salaries Payable	179,739	79,455	-	259,194
Retainage Payable	-	14,876	-	14,876
Payroll Liabilities	116,749	-	-	116,749
Total Liabilities	<u>\$ 950,080</u>	<u>\$ 611,205</u>	<u>\$ 98,105</u>	<u>\$ 1,659,390</u>
Deferred Inflows Of Resources				
Taxes Received in Advance	\$ 1,571,570	\$ 1,407,337	\$ -	2,978,907
Taxes Receivable	117,669	89,367	-	207,036
Grants Received in Advance	1,675,185	-	-	1,675,185
Total Deferred Inflows of Resources	<u>\$ 3,364,424</u>	<u>\$ 1,496,704</u>	<u>\$ -</u>	<u>\$ 4,861,128</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,314,504</u>	<u>\$ 2,107,909</u>	<u>\$ 98,105</u>	<u>\$ 6,520,518</u>
Fund Balances				
Restricted				
Public Safety	\$ -	\$ 2,648,640	\$ -	\$ 2,648,640
Highways & Bridges	-	3,371,275	-	3,371,275
Health & Welfare	-	884,747	-	884,747
Conservation of Natural Resources	-	1,789,363	-	1,789,363
Emergencies	-	533,744	-	533,744
Economic Development	-	9,645	-	9,645
Capital Projects	-	-	2,035,719	2,035,719
Other Purposes/General Government	-	604	-	604
Unassigned				
General Fund	22,390,232	-	-	22,390,232
Total Fund Balances	<u>\$ 22,390,232</u>	<u>\$ 9,238,018</u>	<u>\$ 2,035,719</u>	<u>\$ 33,663,969</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,704,736</u>	<u>\$ 11,345,927</u>	<u>\$ 2,133,824</u>	<u>\$ 40,184,487</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, 2021

Total Fund Balances of Governmental Funds			\$ 33,663,969
Total <i>net position</i> 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.			83,865,850
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.			207,034
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	\$	6,326,369	
Deferred Inflows Derived from Pensions and OPEB		<u>(10,948,342)</u>	(4,621,973)
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	\$	(237,569)	
Contract Payable		(572,398)	
Interest Payable		(2,282)	
Compensated Absences		(477,680)	
Net Pension and OPEB Liability		<u>(4,287,048)</u>	<u>(5,576,977)</u>
Total Net Position of Governmental Funds			<u>\$ 107,537,903</u>

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

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

	General	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 6,882,052	\$ 5,824,622	\$ -	\$ 12,706,674
Intergovernmental	5,626,456	4,020,446	-	9,646,902
Charges for Services	465,984	524,233	-	990,217
Licenses, Permits and Fees	46,861	271,240	-	318,101
Interest Income	182,971	-	-	182,971
Miscellaneous	391,482	364,974	-	756,456
Total Revenues	\$ 13,595,806	\$ 11,005,515	\$ -	\$ 24,601,321
EXPENDITURES				
Current				
General Government	\$ 5,434,515	\$ 367,191	\$ -	\$ 5,801,706
Public Safety	5,785,816	2,742,056	-	8,527,872
Highways & Bridges	-	7,826,414	-	7,826,414
Health & Welfare	750	35,634	-	36,384
Economic Development	162,052	-	-	162,052
Culture & Recreation	547,953	-	-	547,953
Conservation of Natural Resources	-	543,912	-	543,912
Capital Outlay	-	-	647,117	647,117
Debt Service				
Principal	-	180,702	-	180,702
Interest on Long-Term Debt	-	14,541	-	14,541
Total Expenditures	\$ 11,931,086	\$ 11,710,450	\$ 647,117	\$ 24,288,653
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,664,720	\$ (704,935)	\$ (647,117)	\$ 312,668
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 548,187	\$ -	\$ 548,187
Transfers Out	(127,168)	(421,019)	-	(548,187)
Proceeds from Sale of Capital Assets	777,030	-	-	777,030
Total Other Financing Sources and Uses	\$ 649,862	\$ 127,168	\$ -	\$ 777,030
Net Change in Fund Balances	\$ 2,314,582	\$ (577,767)	\$ (647,117)	\$ 1,089,698
Fund Balances - January 1	\$ 20,075,650	\$ 9,815,785	\$ 3,172,534	\$ 33,063,969
Prior Period Adjustment	\$ -	\$ -	\$ (489,698)	\$ (489,698)
Fund Balance - Jan. 1, as restated	\$ 20,075,650	\$ 9,815,785	\$ 2,682,836	\$ 32,574,271
Fund Balances - December 31	\$ 22,390,232	\$ 9,238,018	\$ 2,035,719	\$ 33,663,969

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 1,089,698

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	\$ 3,492,537	
Capital Contribution	1,394,333	
Depreciation Expense	<u>(3,095,510)</u>	1,791,360

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.

Gain on Sale of Assets	\$ 642,637	
Cash Proceeds from Sale of Capital Assets	<u>(777,030)</u>	(134,393)

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		180,702
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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	\$ 2,385	
Net Change in Contract Payable	155,624	
Net Change in Compensated Absences	<u>1,332</u>	159,341

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	\$ 9,582,803	
Net Change in Deferred Outflows of Resources	(2,347,707)	
Net Change in Deferred Inflows of Resources	<u>(6,611,852)</u>	623,244

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>(146,153)</u>
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Change in Net Position - Governmental Activities \$ 3,563,799

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

STARK COUNTYStatement of Fiduciary Net Position – Fiduciary Funds
December 31, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 9,119,104</u>
LIABILITIES	
Funds Held for Other Governmental Units	\$ 23,876
Funds Held for Other Purposes	<u>790</u>
Total Liabilities	<u>\$ 24,666</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 9,094,438</u>
Total Liabilities	<u>\$ 9,119,104</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, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 34,370,663
Grant Collections for Other Governments	624,730
Miscellaneous Collections	<u>11,348</u>
Total Additions	<u>\$ 35,006,741</u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 34,370,663
Grant Disbursements to Other Governments	624,730
Miscellaneous Disbursements	<u>11,348</u>
Total Deductions	<u>\$ 35,006,741</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, 2021

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 3rd St E, Dickinson, ND 58601.

Basis of Presentation

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

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

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:

Assets	Years
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 3rd parties (state and federal governments for various grants & reimbursements).

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

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

NOTE 2 PRIOR PERIOD ADJUSTMENTS

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

Primary Government	Amounts
Beginning Net Position, as previously reported	\$ 103,950,710
Adjustments to restate the January 1, 2021 Net Position:	
Capital Assets, Net	23,394
Net Position January 1, as restated	<u>\$ 103,974,104</u>

STARK COUNTY

Notes to the Financial Statements – Continued

Additionally, prior period adjustments were necessary for the fund level statements to properly report the beginning balance of retainage payable for the fund level activities as shown below:

Capital Projects Fund	Amounts
Beginning Fund Balance, as previously reported	\$ 3,172,534
Adjustments to restate the January 1, 2021 Fund Balance:	
Retainage Payable	(489,698)
Fund Balance January 1, as restated	\$ 2,682,836

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, 2021, the County's carrying amount of deposits totaled \$47,921,096, and the bank balances totaled \$48,758,101. Of the bank balances, \$750,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2021, the Water Resource District's carrying amount of deposits totaled \$304,971 and the bank balance totaled \$307,697, all of which was covered by Federal Depository Insurance.

At December 31, 2021, the Job Development Authority's carrying amount of deposits and bank balance was \$22,354, 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, 2021 for the County:

	Restated Balance January 1	Increases	Decreases	Transfers	Balance December 31
Primary Government					
Capital Assets Not Being Depreciated					
Land	\$ 2,400,732	\$ -	\$ -	\$ -	\$ 2,400,732
Vehicles in Transit	-	85,500	-	-	85,500
Construction in Progress	10,792,325	3,761,376	-	(13,452,964)	1,100,737
Total Capital Assets, Not Being Depreciated	\$ 13,193,057	\$ 3,846,876	\$ -	\$ (13,452,964)	\$ 3,586,969
Capital Assets Being Depreciated					
Buildings	\$ 23,859,942	\$ -	\$ 516,311	\$ 10,415,747	\$ 33,759,378
Vehicles and Machinery	10,483,610	663,908	327,976	-	10,819,542
Furniture and Equipment	2,879,137	544,678	-	-	3,423,815
Land Improvements	174,489	-	-	-	174,489
Infrastructure	64,764,519	-	-	3,037,217	67,801,736
Total Capital Assets, Being Depreciated	\$ 102,161,697	\$ 1,208,586	\$ 844,287	\$ 13,452,964	\$ 115,978,960
Less Accumulated Depreciation					
Buildings	\$ 4,783,558	\$ 647,152	\$ 258,320	\$ -	\$ 5,172,390
Vehicles and Machinery	6,022,628	733,566	276,141	-	6,480,053
Furniture and Equipment	2,185,549	202,168	-	-	2,387,717
Land Improvements	23,265	5,816	-	-	29,081
Infrastructure	20,130,871	1,499,967	-	-	21,630,838
Total Accumulated Depreciation	\$ 33,145,871	\$ 3,088,669	\$ 534,461	\$ -	\$ 35,700,079
Total Capital Assets Being Depreciated, Net	\$ 69,015,826	\$ (1,880,083)	\$ 309,826	\$ 13,452,964	\$ 80,278,881
Governmental Capital Assets, Net	\$ 82,208,883	\$ 1,966,793	\$ 309,826	\$ -	\$ 83,865,850

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

Primary Government	Amounts
General	\$ 513,140
Public Safety	277,939
Highways & Bridges	2,137,392
Health & Welfare	97,479
Culture & Recreation	16,215
Conservation of Natural Resources	46,504
Total Depreciation Expense	\$ 3,088,669

Discretely Presented Component Unit

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

	Balance January 1	Increases	Decreases	Transfers	Balance December 31
Water Resource District					
Capital Assets Not Being Depreciated					
Land	\$ 31,129	\$ -	\$ -	\$ -	\$ 31,129

STARK COUNTY

Notes to the Financial Statements – Continued

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

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

Primary Government	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Long Term-Debt					
Leases Payable	\$ 290,490	\$ -	\$ 118,155	\$ 172,335	\$ 97,847
Loans Payable	127,781	-	62,547	65,234	65,234
Total Long-Term Debt	\$ 418,271	\$ -	\$ 180,702	\$ 237,569	\$ 163,081
Compensated Absences *	\$ 479,012	\$ -	\$ 1,332	\$ 477,680	\$ 191,072
Net Pension and OPEB Liability	13,869,851	-	9,582,803	4,287,048	-
Total Primary Government	\$ 14,767,134	\$ -	\$ 9,764,837	\$ 5,002,297	\$ 354,153

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

Year Ending Dec 31	Leases Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2022	97,848	5,658	65,234	2,087
2023	74,488	2,361	-	-
Total	\$ 172,336	\$ 8,019	\$ 65,234	\$ 2,087

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

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, 2021, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	Net Pension Liability
Main System	\$ 3,545,271
Law Enforcement System	480,209

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2021, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) In Proportion from June 30, 2020 Measurement	Pension Expense
Main System	0.340139%	-0.013224%	\$ (38,776)
Law Enforcement System	2.897799%	-0.685553%	(61,037)

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

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 61,209	\$ 361,843
Changes of Assumptions	3,923,926	5,115,980
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,314,885
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	10,651	1,880,195
Employer Contributions Subsequent to the Measurement Date	148,185	-
Total Main System	\$ 4,143,971	\$ 8,672,903

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 916,616	\$ 22,881
Changes of Assumptions	1,088,756	1,670,352
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	260,508
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	141,171
Employer Contributions Subsequent to the Measurement Date	91,219	-
Total Law Enforcement System	\$ 2,096,591	\$ 2,094,912

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, 2021:

Main System	\$ 148,185
Law Enforcement System	91,219

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
2022	\$ (1,036,758)	\$ 51,248
2023	(1,260,753)	4,191
2024	(1,068,775)	(2,113)
2025	(1,310,831)	41,079
2026	-	(92,689)
Thereafter	-	(91,256)

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Main and Law Enforcement System

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

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%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

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 1.92%; and the resulting Single Discount Rate is 7.00%.

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 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Main System	\$ 5,638,172	\$ 3,545,271	\$ 1,802,602
Law Enforcement System	1,123,924	480,209	(36,348)

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, 2021, the County reported a liability of \$261,568 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2021 the County's proportion was 0.470300 percent which was a decrease of 0.010162 percent from June 30, 2020.

At December 31, 2021, 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	\$ 15,023	\$ 7,170
Changes of Assumptions	40,507	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	89,620
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	555	83,737
Employer Contributions Subsequent to the Measurement Date	29,722	-
Total	\$ 85,807	\$ 180,527

STARK COUNTY

Notes to the Financial Statements – Continued

\$29,722 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, 2022.

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

2022	(28,913)
2023	(29,558)
2024	(33,664)
2025	(33,137)
2026	830

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment rate 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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
International Equities	40%	6.25%
U.S. High Yield	21%	0.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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, 2021, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Proportionate Share of the Net OPEB Liability	\$ 387,939	\$ 261,568	\$ 154,639

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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDIRF is limited to losses of three million dollars per occurrence for general liability, three million for automobile, and \$7,425,621 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, 2021 as follows:

County Project	Contract Amount	Total Completed	Retainage	Remaining Balance
BRO-0045(068) - Construction	\$ 349,802	\$ 345,932	\$ 3,459	\$ 7,329
BRO-0045(069) - Construction	610,958	570,816	11,416	51,558
Total	\$ 960,760	\$ 916,748	\$ 14,875	\$ 58,887

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, 2020, the most current audited information available, is as follows:

	Southwest Multi-County Correctional Center
Total Assets	\$ 7,471,252
Total Liabilities	1,081,246
Net Position	\$ 6,390,006
Total Revenues	\$ 9,440,312
Total Expenses	9,165,755
Change in Net Position	\$ 274,557

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, 2020, the most current audited information available, is as follows:

	Dickinson Law Enforcement Center
Total Assets	\$ 229,537
Total Liabilities	33,682
Net Position	\$ 195,855
Total Revenues	\$ 451,931
Total Expenses	355,805
Change in Net Position	\$ 96,126

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

Southwest District Health Unit

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

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

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

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

STARK COUNTY

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 7,083,525	\$ 7,083,525	\$ 6,882,052	\$ (201,473)
Intergovernmental	1,142,226	1,142,226	5,626,456	4,484,230
Charges for Services	335,000	335,000	465,984	130,984
Licenses, Permits and Fees	150,925	150,925	46,861	(104,064)
Interest Income	350,000	350,000	182,971	(167,029)
Miscellaneous	129,500	129,500	391,482	261,982
Total Revenues	\$ 9,191,176	\$ 9,191,176	\$ 13,595,806	\$ 4,404,630
EXPENDITURES				
Current				
General Government	\$ 5,426,026	5,426,026	\$ 5,434,515	\$ (8,489)
Public Safety	3,373,676	5,857,966	5,785,816	72,150
Health & Welfare	750	750	750	-
Economic Development	21,492,011	21,492,011	162,052	21,329,959
Culture & Recreation	379,196	379,196	547,953	(168,757)
Total Expenditures	\$ 30,671,659	\$ 33,155,949	\$ 11,931,086	\$ 21,224,863
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,480,483)	\$ (23,964,773)	\$ 1,664,720	\$ 25,629,493
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ -	\$ (77,168)	\$ (127,168)	\$ (50,000)
Proceeds from Sale of Capital Assets	-	-	777,030	777,030
Total Other Financing Sources and Uses	\$ -	\$ (77,168)	\$ 649,862	\$ 727,030
Net Change in Fund Balances	\$ (21,480,483)	\$ (24,041,941)	\$ 2,314,582	\$ 26,356,523
Fund Balance - January 1	\$ 20,075,650	\$ 20,075,650	\$ 20,075,650	\$ -
Fund Balance - December 31	\$ 18,670,817	\$ 16,109,359	\$ 22,390,232	\$ 26,356,523

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, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 5,813,155	\$ 5,813,155	\$ 5,824,622	\$ 11,467
Intergovernmental	5,019,747	5,019,747	4,020,446	(999,301)
Charges for Services	998,980	998,980	524,233	(474,747)
Licenses, Permits and Fees	362,000	362,000	271,240	(90,760)
Miscellaneous	312,700	312,700	364,974	52,274
Total Revenues	\$ 12,506,582	\$ 12,506,582	\$ 11,005,515	\$ (1,501,067)
EXPENDITURES				
Current				
General Government	\$ 1,962,947	\$ 1,774,865	\$ 367,191	\$ 1,407,674
Public Safety	4,841,863	4,474,394	2,742,056	1,732,338
Highways & Bridges	12,773,452	12,760,265	7,826,414	4,933,851
Health & Welfare	-	-	35,634	(35,634)
Conservation of Natural Resources	3,562,199	3,054,196	543,912	2,510,284
Debt Service				
Principal	-	-	180,702	(180,702)
Interest	-	-	14,541	(14,541)
Total Expenditures	\$ 23,140,461	\$ 22,063,720	\$ 11,710,450	\$ 10,353,270
Excess (Deficiency) of Revenues Over Expenditures	\$ (10,633,879)	\$ (9,557,138)	\$ (704,935)	\$ 8,852,203
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 498,187	\$ 548,187	\$ 50,000
Transfers Out	-	(421,019)	(421,019)	-
Total Other Financing Sources and Uses	\$ -	\$ 77,168	\$ 127,168	\$ 50,000
Net Change in Fund Balances	\$ (10,633,879)	\$ (9,479,970)	\$ (577,767)	\$ 8,902,203
Fund Balance - January 1	\$ 9,815,785	\$ 9,815,785	\$ 9,815,785	\$ -
Fund Balance - December 31	\$ (818,094)	\$ 335,815	\$ 9,238,018	\$ 8,902,203

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, 2021

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

Main System	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.340139%	\$ 3,545,271	\$ 3,851,703	92.04%	78.26%
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%

Law Enforcement System	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	2.897799%	\$ 480,209	\$ 1,783,117	26.93%	87.10%
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, 2021

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

Main System	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 284,046	\$ 308,135	\$ (24,089)	\$ 3,351,084	9.20%
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%

Law Enforcement System	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 158,529	\$ 185,498	\$ (26,969)	\$ 2,252,837	8.23%
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, 2021

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

Main System	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.470300%	\$ 261,568	\$ 5,127,483	5.10%	76.63%
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**

Main System	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 61,659	\$ 67,920	\$ (6,261)	\$ 5,603,921	1.21%
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, 2021

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2 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
General Fund	\$ 30,671,659	\$ 2,484,290	\$ 33,155,949
Special Revenue Fund	23,140,461	(1,076,741)	22,063,720

Major Funds	TRANSFER IN		
	Original Budget	Amendment	Amended Budget
Special Revenue Fund	\$ -	\$ 498,187	\$ 498,187

Major Funds	TRANSFER OUT		
	Original Budget	Amendment	Amended Budget
General Fund	\$ -	\$ (77,168)	\$ (77,168)
Special Revenue Fund	-	(421,019)	(421,019)

STARK COUNTY

Notes to the Required Supplementary Information - Continued

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, 2020.

OPEB

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

NOTE 4 CHANGES OF ASSUMPTIONS

Pension

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

OPEB

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

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, 2021

Assistance Listing Number	Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF JUSTICE:			
16.576	Passed Through State's Department of Corrections and Rehabilitation Crime Vicitim Compensation	N/A	\$ 20,848
	Total U.S. Department of Justice		\$ 20,848
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
93.563	Passed Through State Department of Human Services: Child Support Enforcement	N/A	\$ 290
	Total U.S. Department of Health and Human Services		\$ 290
U.S. DEPARTMENT OF HOMELAND SECURITY:			
97.036	Passed Through State Department of Emergency Services: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4509	\$ 34,675
97.042	Emergency Management Performance Grants	EMPG2020, EMPG2021	72,440
	Total U.S. Department of Homeland Security		\$ 107,115
U.S. DEPARTMENT OF TRANSPORTATION:			
20.600	Passed Through State Highway Department: State and Community Highway Safety	HSPSC2107, HSPDD2111	\$ 5,073
20.616	National Priority Safety Programs	HSPOP2105, HSPID2110	4,912
	Total U.S. Department of Transportation		\$ 9,986
U.S. DEPARTMENT OF THE TREASURY:			
	<u>Direct Program</u>		
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds		\$ 1,383,000
	Total U.S. Department of the Treasury		\$ 1,383,000
	Total Expenditures of Federal Awards		\$ 1,521,240

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, 2021

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.

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

Board of County Commissioners
Stark County
Dickinson, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GAS 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 years ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated March 14, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 were not identified. However, as described in the accompanying *schedule of audit findings and questioned costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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 2021-001, 2021-002, 2021-003, and 2021-005 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 deficiency described in the accompanying schedule of audit findings as item 2021-004 to be a significant deficiency.

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of audit findings and questioned costs as items 2021-001, 2021-002, and 2021-003.

Stark County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 14, 2023

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

Independent Auditor's Report

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Stark County's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Stark County's major federal programs for the year ended December 31, 2021. Stark County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Stark County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

STARK COUNTY

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, GAS, and the Uniform Guidance, we

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *schedule of findings and questioned costs* as item 2021-006. Our opinion on each major federal program is not modified with respect to these matters.

GAS requires the auditor to perform limited procedures Stark County's response to the noncompliance findings identified in our audit described in the accompanying *schedule of findings and questioned costs*. Stark County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

STARK COUNTY

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

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 14, 2023

STARK COUNTY

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

Financial Statements

Type of Report Issued:	
Governmental Activities	Unmodified
Aggregate 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

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and B programs:	<u> \$ 750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

STARK COUNTY

Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2021

Section I - Financial Statement Findings

2021-001— BUDGET PREPARATION – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

Condition

Stark County did not prepare its 2021 budget in compliance with attributes #5 and #9 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 full 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

Yes.

Recommendation

We recommend Stark County ensure its compliance with all aspects of N.D.C.C. §11-23-02.

Stark County's Response

See Corrective Action Plan.

STARK COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-002— LEVY CALCULATION – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

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 2021-001. 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

Yes.

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).

Stark County’s Response

See Corrective Action Plan.

STARK COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-003 AUDIT ADJUSTMENTS – OIL AND GAS TAX RECIEPTS – MATERIAL NON-COMPLIANCE AND MATERIAL WEAKNESS

Condition

Material auditor-identified revenue reclassifications of \$1,516,292 for Oil and Gas Tax receipts were proposed and accepted by Stark County. These revenues were recorded in the County’s Capital Projects fund but should have been recorded in its General Fund in accordance with NDCC 57-51-15(4).

Criteria

NDCC 57-51-15(4) states: For a county that received less than five million dollars of allocations under subsection 2 in the most recently completed even-numbered fiscal year before the start of the biennium, revenues allocated to that county must be distributed by the state treasurer as follows:

- a. Forty-five percent must be distributed to the county treasurer and credited to the county general fund. However, the distribution to a county under this subdivision must be credited to the state general fund if in a taxable year after 2012 the county is not levying a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.

Cause

Management of Stark County may not have been fully aware of the full requirements of NDCC 57-51-15(4).

Effect

Stark County’s revenue recognition of Oil and Gas Tax Receipts would not have been recorded in the correct fund without audit adjustments.

Repeat Finding

No.

Recommendation

We recommend that Stark County ensure Oil and Gas tax receipts are recorded into the General Fund in accordance with NDCC 57-51-15(4).

Stark County’s Response

See Corrective Action Plan.

STARK COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-004 AUDIT ADJUSTMENTS – SIGNIFICANT DEFICIENCY

Condition

Auditor-identified adjusting entries related to payables and receivables 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 to ensure the financial statements are reliable, free of material misstatements, and in accordance with GAAP.

Cause

Stark County does not have sufficient procedures in place to ensure an accurate listing of receivables are used in the preparation of its financial statements.

Effect

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

Repeat Finding

No.

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.

STARK COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-005 LACK OF SEGREGATION OF DUTIES – COMPONENT UNIT – MATERIAL WEAKNESS

Condition

The 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.

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 districts.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Water Resource District's financial condition, whether due to fraud or error.

Repeat Finding

Yes.

Recommendation

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

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

Stark County's Response

See Corrective Action Plan.

STARK COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

Section II - Federal Award Findings and Questioned Costs

2021-006 UNTIMELY FILING OF DATA COLLECTION FORM – OTHER NONCOMPLIANCE

FINDING TYPE: Other Noncompliance	
Finding	2021-006
Federal Program:	Coronavirus State and Local Fiscal Recovery Funds
ALN:	21.027
Federal Award Number(s) and Year(s):	SLFRP2253, 2021
Federal Agency:	U.S. Department of Treasury
Questioned Cost:	None

Condition

Stark County’s Data Collection Form was not submitted to the Federal Audit Clearinghouse within nine months of its year-end.

Criteria

Uniform Guidance 2 CFR 200.512(a) states in part: “The audit must be completed, and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor’s report, or nine months after the end of the audit period.”

Cause

Audited financial statements were not complete; therefore, the Data Collection Form could not be filed timely.

Effect

Stark County is not in compliance with the filing requirement deadline.

Repeat Finding

No.

Recommendation

We recommend Stark County comply with the Uniform Guidance 2 CFR 200.512(a) by submitting the Data Collection Form within the allowable time requirements.

Stark County’s Response

See Corrective Action Plan.

STARK COUNTY

Management's Corrective Action Plan
For the Year Ended December 31, 2021

BOARD OF COMMISSIONERS
DEAN FRANCHUK, CHAIRMAN
NEAL MESSER, VICE-CHAIRMAN
BERNIE MARSH
PAUL CLARYS
CORY WHITE



AUDITOR
KAREN RICHARD

DEPUTY AUDITOR
LANA JAHNER

OFFICE OF THE AUDITOR

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Phone: (701) 456-7630
Fax: (701) 456-7634

Date: March 7, 2023
To: Joshua C. Gallion, ND State Auditor
From: Karen Richard, County Auditor
RE: Stark County – FY2021 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Karen Richard, County Auditor

Section I – Financial Statement Findings:

2021-001 BUDGET PREPARATION – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

Condition:

Stark County did not prepare its 2021 budget in compliance with attributes #5 and #9 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. Starting in the 2022 budgeting process the general fund balance is being corrected to accurately reflect what is being levied in property tax. The commission was presented a plan for the over 75% reserve cash. In a commission meeting (2021) the suggestion was made to move the 75% over appropriations to its own special projects fund that has a 5-year plan to go with the funds. The commission did not agree with moving the funds. Instead, Stark County under levied for the approved 2022 budget dollar amount that was required. The tax break is about \$1,000,000 for the 2021 tax statements. For the 2023 budget the, the commission voted to decrease the general fund levy further, based on oil and gas revenue received in 2022.

Stark County Commission Meeting Excerpt from December 14, 2021:

NEW CAPITAL PROJECTS FUND & OIL AND GAS DISTRIBUTION

Richard explains the 2020 audit is complete and the 75% of appropriations came up again, she discussed with the auditors what we could do to fix this for the future. The current estimated balance of the general fund is \$20,600,000.00, which includes all of the CDs, as they are short-term investments (6.5 million). To levy the amount that was approved, we need our ending balance in the general fund to be about 7.5 million dollars. She would like to move the excess of 12 million dollars into a capital project fund and have a 5-year plan on what the money is going to be used for. This takes the money out of the general fund and we are then compliant with the 75% appropriations. She believes what other cities/counties are doing is using long-term investments and then if something big comes up they will bond it or take out a loan against the long-term investment.

STARK COUNTY

Management’s Corrective Action Plan – Continued

BOARD OF COMMISSIONERS
DEAN FRANCHUK, CHAIRMAN
NEAL MESSER, VICE-CHAIRMAN
BERNIE MARSH
PAUL CLARYS
CORY WHITE



AUDITOR
KAREN RICHARD

DEPUTY AUDITOR
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Richard also discussed the oil and gas revenue and currently it is put into the county road and capital improvement fund. The state direction is to have the money go into the general fund first and then we can transfer the funds where we would like.

Arthaud states she would like to see the 5-year plan first before a motion is made on transferring the money, once the 12 million is in the new capital fund it cannot be transferred out. Messer feels that it would be a mistake to transfer the money as we won't be able to move it out if needed in the future. Richard states the certificate of levy needs to be turned into the state by the 30th of December and if we don't move any money it will show that we should not have levied tax dollars and it will come up again on the state auditor's report. Messer suggests we work hand in hand with our state auditor and legislatures to ensure the commission has the flexibility we are granted by authority, we are the financial board. Zander believes we are being penalized because we don't carry debt, we don't do bond issues, we don't do special assessments and we don't borrow money. That's the result of good solid financial planning. Richard agrees she just wants the commission to be aware of what is going to be turned in on the certificate of levy.

MOTION BY: Commissioner Messer SECONDED BY: Commissioner Zander
To have all future oil and gas distribution funds be deposited in the general fund.
DISPOSITION: Roll call: Commissioners: Messer – aye, Zander – aye, Marsh – aye, Arthaud – aye,
Chairman Franchuk - aye. Motion Carried.

Anticipated Completion Date:

FY2023

STARK COUNTY

Management’s Corrective Action Plan – Continued

BOARD OF COMMISSIONERS
DEAN FRANCHUK, CHAIRMAN
NEAL MESSER, VICE-CHAIRMAN
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2021-002 LEVY CALCULATION – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

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 have provided 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. There has also been a consensus to decrease the mill levy for the general fund and maintain a more stable fluctuation, instead of going from levying 0 to levying 50 potentially the next year.

Anticipated Completion Date:

FY2023

2021-003 AUDIT ADJUSTMENTS – OIL AND GAS TAX RECEIPTS - MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

Condition:

Material auditor-identified revenue reclassifications of \$1,516,292 for Oil and Gas Tax receipts were proposed and accepted by Stark County. These revenues were recorded in the County’s Capital Projects fund but should have been recorded in its General Fund in accordance with N.D.C.C. § 57-51-15(4).

Corrective Action Plan:

We agree with these findings. We have implemented this change in 2021 and are receipting the oil and gas tax receipts into the General Fund in accordance with N.D.C.C. §57-51-15(4).

Anticipated Completion Date:

Implemented during 2021

BOARD OF COMMISSIONERS
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PAUL CLARYS
CORY WHITE



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2021-004 AUDIT ADJUSTMENTS – SIGNIFICANT DEFICIENCY

Condition:

Auditor-identified adjusting entries related to payables and receivables 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:

We agree with these findings. We will carefully prepare accounts payable and accounts receivable listings to ensure there are no errors going forward. Additionally, we are continuing to review all accounts to ensure they are balanced and looked at for discrepancies before year-end. I have also spoken to the accounts payable person about not entering the invoices that will be paid in January 2024, into the accounting system in December 2023. This should solve the payables/receivables questions on future audits.

Anticipated Completion Date:

FY2023

SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-006 | UNTIMELY FILING OF DATA COLLECTION – OTHER NONCOMPLIANCE

Condition:

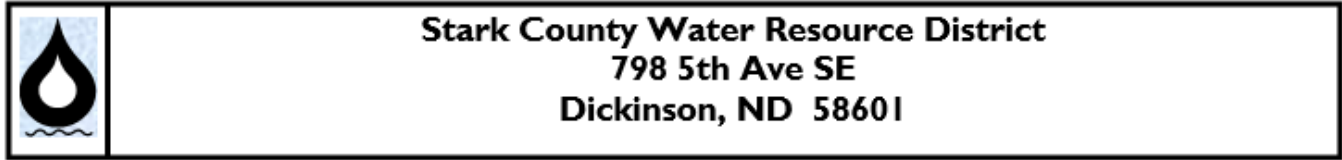
Stark County's Data Collection Form was not submitted to the Federal Audit Clearinghouse within nine months of its year-end.

Corrective Action Plan:

We agree, if Stark County is required to have a single audit for an audit year, we will consider scheduling our annual audit earlier in the year. This was the first year required for a single audit, from the ARPA funding Stark County received.

Anticipated Completion Date:

FY2022



Date: February 27, 2023
To: Joshua C. Gallion, ND State Auditor
From: Bonnie Twogood, Secretary/Treasurer
RE: Stark County Water Resource District – FY2021 Corrective Action Plan

Contact Person Responsible for Corrective Acton Plan: Bonnie Twogood, Secretary/Treasurer

Section I – Financial Statement Findings:

2021-005 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS

Condition:

The 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:

We agree with these findings. In the event that more staff can be hired for financial purposes, the above corrections will be implemented.

Anticipated Completion Date:

At the time additional staff are hired.

STARK COUNTY

Status of Prior Findings

For the Year Ended December 31, 2021

BOARD OF COMMISSIONERS
DEAN FRANCHUK, CHAIRMAN
NEAL MESSER, VICE-CHAIRMAN
BERNIE MARSH
PAUL CLARYS
CORY WHITE



AUDITOR
KAREN RICHARD

DEPUTY AUDITOR
LANA JAHNER

OFFICE OF THE AUDITOR

PO Box 130
Dickinson, ND 58602-0130
www.starkcountynd.gov

Phone: (701) 456-7630
Fax: (701) 456-7634

Current Status of Recommendation updated as of February 28, 2023, by Stark County Auditor, Karen Richard.

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.

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.

Current Status of Recommendation:

The issue will be repeated in FY2021. As of the 2022 budget created by Auditor Karen Richard going forward there will be additional documentation required for a budget. Everything has gone through meetings for approval and Commissioners are all now receiving paperwork through the entire process.

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).

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.

Current Status of Recommendation:

The issue will be repeated in FY2021. As of 2022 all entities are given notice and provided templates if needed to comply with the century code for levy requests. The Auditor provided recommendations to the

STARK COUNTY

Status of Prior Year Findings – Continued
For the Year Ended December 31, 2021

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commission at the commission meetings regarding levying tax dollars. The commission chose to levy tax dollars, but at a decreased mill amount for 2022. In 2023 they further decreased the mill, based on State Aid received.

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.

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).

Current Status of Recommendation:

We do use an out-of-state cooperative purchase agreement anymore. We follow applicable North Dakota Century Codes when purchasing equipment that requires bidding.

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.

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

Status of Prior Year Findings – Continued
For the Year Ended December 31, 2021

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Current Status of Recommendation:

We have informed the financial institutions of this issue, to ensure compliance with N.D.C.C. §21-04-09. Bravera, formerly American Bank Center now has a person that specifically monitors pledging more carefully.

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.

Recommendation:

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.

Current Status of Recommendation:

The entirety of the expenditures broke out for each department are sent out to both department heads and commissioners prior to the commission meetings. Account balances for each fund are now provided to the commission to show monthly where funds sit. Journal entries that are new or unusual amounts are presented to the Auditor for direction.

STARK COUNTY

Status of Prior Year Findings – Continued
For the Year Ended December 31, 2021



Stark County Water Resource District
798 5th Ave SE
Dickinson, ND 58601

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.

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.

Current Status of Recommendation:

Issue will be repeated in FY2021. Stark County Water Resource District will segregate duties when it becomes feasible.

STATE AUDITOR
Joshua C. Gallion



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STATE CAPITOL
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ndsao@nd.gov

GOVERNANCE COMMUNICATION

March 14, 2023

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, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, GAS and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 7, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

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

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

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

Difficulties Encountered in Performing the Audit

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

STARK COUNTY

Governance Communication – Continued

Corrected and Uncorrected Misstatements

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

	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
Governmental Fund Adjustments		
General Fund		
<u>To remove receivables</u>		
Revenue	116,057	-
Intergovernmental Receivables	-	116,057
<u>To adjust cash due to Oil and Gas Tax Reclass</u>		
Cash	1,516,292	-
Revenue	-	1,516,292
Special Revenue Funds		
<u>To remove receivables</u>		
Revenue	277,317	-
Intergovernmental Receivables	-	277,317
<u>To remove payables</u>		
Accounts Payable	464,633	-
Expenditures	-	464,633
Capital Projects Fund		
<u>To adjust cash due to Oil and Gas Tax Reclass</u>		
Revenue	1,516,292	-
Cash	-	1,516,292
Government Wide Adjustments		
<u>To remove receivables</u>		
Revenue	393,374	-
Intergovernmental Receivables	-	393,374
<u>To remove payables</u>		
Accounts Payable	464,633	-
Expenditures	-	464,633

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 March 14, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on the *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Stark County board members 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
March 14, 2023



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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