



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, 2022

Client Code: PS45000



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Office of the
State Auditor

STARK COUNTY

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STARK COUNTY

County Officials
December 31, 2022

COUNTY OFFICIALS

Dean Franchuk
Neal Messer
Paul Clarys
Bernie March
Cory White

Karen Richard
Corey Lee
Kim Kasian
Amanda Englestad

Chairman
Vice Chairman
Commissioner
Commissioner
Commissioner

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

Qualified and Unmodified 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, 2022, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements as listed in the table of contents.

Qualified Opinion on the Special Revenue Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Special Revenue Fund of Stark County, North Dakota as of December 31, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, General Fund, Capital Projects Fund, Aggregate Discretely Presented Component Units, and Aggregate Remaining Fund Information

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, General Fund, Capital Projects Fund, and the aggregate remaining fund information of Stark County, North Dakota as of December 31, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit 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 qualified and unmodified audit opinions.

STARK COUNTY

Independent Auditor's Report - Continued

Matter Giving Rise to Qualified Opinion on the Special Revenue Fund

Management has included inventory and non-spendable fund balance related to gravel on the Balance Sheet for the Special Revenue Fund in the amount of \$3,839,696. However, management did not maintain adequate documentation to support the valuation related to inventory of gravel to the Special Revenue Fund. Accounting principles generally accepted in the United States of America require inventory to be reported and to be offset with non-spendable fund balance. Due to the lack of supporting documentation, the amount by which this departure would affect the assets and non-spendable fund balance of the Special Revenue Fund has not been determined.

Emphasis of Matter

Prior Period Restatement

As discussed in Note 2 to the financial statements, the 2021 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 an 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 the 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 the Stark County's ability to continue as a going concern for a reasonable period of time.

STARK COUNTY

Independent Auditor's Report - Continued

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 contribution, 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.

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 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.

STARK COUNTY

Independent Auditor's Report - Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated October 11, 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 *Government Auditing Standards* in considering Stark County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 11, 2023

STARK COUNTY
Statement of Net Position
December 31, 2022

	Primary	Component Units	
	Government	Water	Job
	Governmental	Resource	Development
	Activities	District	Authority
ASSETS			
Cash and Investments	\$ 39,841,024	\$ 313,181	\$ 16,518
Accounts Receivable	163,317	188	-
Interest Receivable	16,381	-	-
Intergovernmental Receivable	917,478	-	-
Taxes Receivable	130,549	-	4,318
Inventory	3,839,696	-	-
Capital Assets			
Nondepreciable	5,435,896	31,129	-
Depreciable, Net	80,552,014	-	-
Total Assets	<u>\$ 130,896,355</u>	<u>\$ 344,498</u>	<u>\$ 20,836</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions & OPEB	<u>\$ 10,352,677</u>	<u>\$ -</u>	<u>\$ -</u>
Total Deferred Inflows of Resources	<u>\$ 10,352,677</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Accounts Payable	\$ 919,653	\$ -	\$ -
Salaries and Benefits Payable	306,491	-	-
Contracts Payable	780,126	-	-
Retainage Payable	38,735	-	-
Payroll Liability	118,500	-	-
Grants Received in Advance	1,832,144	-	-
Interest Payable	199	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	74,488	-	-
Compensated Absences Payable	229,387	-	-
Due After One Year			
Compensated Absences Payable	344,081	-	-
Net Pension & OPEB Liability	13,296,863	-	-
Total Liabilities	<u>\$ 17,940,667</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	\$ 1,998,925	\$ -	\$ -
Pensions & OPEB	6,797,084	-	-
Total Deferred Inflows of Resources	<u>\$ 8,796,009</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net Investment in Capital Assets	\$ 85,874,487	\$ 31,129	\$ -
Restricted for			
Highways & Bridges	3,048,131	-	-
Health & Welfare	742,031	-	-
Conservation of Nat Resources	1,347,849	313,369	-
Emergencies	534,652	-	-
Economic Development	10,370	-	20,836
Capital Projects	6,358,297	-	-
Other Purposes/General Government	-	-	-
Unrestricted	16,596,539	-	-
Total Net Position	<u>\$ 114,512,356</u>	<u>\$ 344,498</u>	<u>\$ 20,836</u>

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

STARK COUNTY

Statement of Activities

For the Year Ended December 31, 2022

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 Governmental Activities	Water Resource District	Job Development Authority
Primary Government							
Government Activities							
General Government	\$ 5,753,004	\$ 440,565	\$ 59,317	\$ -	\$ (5,253,122)		
Public Safety	8,788,816	709,674	284,315	119,453	(7,675,374)		
Highways & Bridges	8,674,051	277,745	5,274,104	1,079,058	(2,043,144)		
Health & Welfare	139,949	1,787	3,573	-	(134,589)		
Economic Development	140,455	-	-	-	(140,455)		
Culture and Recreation	735,300	-	-	-	(735,300)		
Conserv. of Natural Resources	660,596	-	36,717	-	(623,879)		
Interest on Long-Term Debt	5,661	-	-	-	(5,661)		
Total Primary Government	\$ 24,897,832	\$ 1,429,771	\$ 5,658,026	\$ 1,198,511	\$ (16,611,524)		
Component Units							
Water Resource District	\$ 22,594	\$ -	\$ -	\$ -	\$ -	\$ (22,594)	\$ -
Job Development Authority	499,501	-	-	-	-	-	(499,501)
Total Component Units	\$ 522,095	\$ -	\$ -	\$ -	\$ -	\$ (22,594)	\$ (499,501)
General Revenues							
Property Taxes					\$ 12,165,374	\$ 2,000	\$ 494,570
Unrestricted Grants and Contributions					7,506,514	-	-
Unrestricted Investment Earnings					188,183	548	51
Net Gain on Sale of Capital Assets					41,573	-	-
Miscellaneous Revenue					703,668	-	-
Total General Revenues					\$ 20,605,312	\$ 2,548	\$ 494,621
Change in Net Position					\$ 3,993,788	\$ (20,046)	\$ (4,880)
Net Position - January 1					\$ 107,537,903	\$ 364,544	\$ 25,716
Prior Period Adjustment					\$ 2,980,665	-	-
Net Position - January 1, Restated					\$ 110,518,568	\$ 364,544	\$ 25,716
Net Position - December 31					\$ 114,512,356	\$ 344,498	\$ 20,836

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

STARK COUNTY

Balance Sheet – Governmental Funds
December 31, 2022

	General	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 23,668,860	\$ 9,807,375	\$ 6,364,790	\$ 39,841,025
Intergovernmental Receivable	534,751	382,727	-	917,478
Accounts Receivable	76,093	87,224	-	163,317
Interest Receivable	16,381	-	-	16,381
Taxes Receivable	66,645	63,904	-	130,549
Inventory	-	3,839,696	-	3,839,696
Total Assets	\$ 24,362,730	\$ 14,180,926	\$ 6,364,790	\$ 44,908,446
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 221,329	\$ 691,831	\$ 6,493	\$ 919,653
Salaries Payable	187,175	119,316	-	306,491
Retainage Payable	-	38,735	-	38,735
Contract Payable	-	780,126	-	780,126
Payroll Liabilities	118,500	-	-	118,500
Total Liabilities	\$ 527,004	\$ 1,630,008	\$ 6,493	\$ 2,163,505
Deferred Inflows Of Resources				
Taxes Received in Advance	\$ 940,237	\$ 1,058,688	\$ -	\$ 1,998,925
Taxes Receivable	66,645	63,904	-	130,549
Grants Received in Advance	1,832,144	-	-	1,832,144
Total Deferred Inflows of Resources	\$ 2,839,026	\$ 1,122,592	\$ -	\$ 3,961,618
Total Liabilities and Deferred Inflows of Resources	\$ 3,366,030	\$ 2,752,600	\$ 6,493	\$ 6,125,123
Fund Balances				
Non-Spendable				
Inventory	\$ -	\$ 3,839,696	\$ -	\$ 3,839,696
Restricted				
Public Safety	-	2,711,254	-	2,711,254
Highways & Bridges	-	1,896,815	-	1,896,815
Health & Welfare	-	742,031	-	742,031
Conservation of Natural Resources	-	1,690,145	-	1,690,145
Emergencies	-	534,652	-	534,652
Economic Development	-	10,370	-	10,370
Capital Projects	-	-	6,358,297	6,358,297
Other Purposes/General Government	-	3,363	-	3,363
Unassigned				
General Fund	20,996,700	-	-	20,996,700
Total Fund Balances	\$ 20,996,700	\$ 11,428,326	\$ 6,358,297	\$ 38,783,323
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 24,362,730	\$ 14,180,926	\$ 6,364,790	\$ 44,908,446

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, 2022

Total Fund Balances of Governmental Funds			\$ 38,783,323
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.			85,987,910
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.			130,547
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	\$ 10,352,677		
Deferred Inflows Derived from Pensions and OPEB	<u>(6,797,084)</u>	3,555,593	
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	\$ (74,488)		
Contract Payable	-		
Interest Payable	(199)		
Compensated Absences	(573,468)		
Net Pension and OPEB Liability	<u>(13,296,862)</u>	<u>(13,945,017)</u>	
Total Net Position of Governmental Funds			<u>\$ 114,512,356</u>

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

STARK COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 For the Year Ended December 31, 2022

	General	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 6,254,029	\$ 5,987,832	\$ -	\$ 12,241,861
Intergovernmental	5,243,187	6,405,062	1,516,292	13,164,541
Charges for Services	561,203	542,328	-	1,103,531
Licenses, Permits and Fees	48,495	277,745	-	326,240
Interest Income	188,183	-	-	188,183
Miscellaneous	432,902	267,966	2,800	703,668
Total Revenues	\$ 12,727,999	\$ 13,480,933	\$ 1,519,092	\$ 27,728,024
EXPENDITURES				
Current				
General Government	\$ 4,726,299	\$ 247,079	\$ -	\$ 4,973,378
Public Safety	5,646,241	2,730,743	-	8,376,984
Highways & Bridges	-	9,546,710	-	9,546,710
Health & Welfare	750	41,168	-	41,918
Economic Development	140,455	-	-	140,455
Culture & Recreation	715,786	-	-	715,786
Conservation of Natural Resources	-	712,514	-	712,514
Capital Outlay	-	-	58,187	58,187
Debt Service				
Principal	-	163,081	-	163,081
Interest on Long-Term Debt	-	7,744	-	7,744
Total Expenditures	\$ 11,229,531	\$ 13,449,039	\$ 58,187	\$ 24,736,757
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,498,468	\$ 31,894	\$ 1,460,905	\$ 2,991,267
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 1,155,160	\$ 2,792,000	\$ 3,947,160
Transfers Out	(2,892,000)	(1,055,160)	-	(3,947,160)
Total Other Financing Sources and Uses	\$ (2,892,000)	\$ 100,000	\$ 2,792,000	\$ -
Net Change in Fund Balances	\$ (1,393,532)	\$ 131,894	\$ 4,252,905	\$ 2,991,267
Fund Balances - January 1	\$ 22,390,232	\$ 9,238,018	\$ 2,035,719	\$ 33,663,969
Prior Period Adjustment	\$ -	\$ 2,058,414	\$ 69,673	\$ 2,128,087
Fund Balance - Jan. 1, as restated	\$ 22,390,232	\$ 11,296,432	\$ 2,105,392	\$ 35,792,056
Fund Balances - December 31	\$ 20,996,700	\$ 11,428,326	\$ 6,358,297	\$ 38,783,323

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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 2,991,267

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	\$ 3,924,455	
Capital Contribution	1,198,511	
Depreciation Expense	<u>(3,322,659)</u>	1,800,307

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		41,573
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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		163,081
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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	\$ 2,083	
Net Change in Compensated Absences	<u>(95,788)</u>	(93,705)

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	\$ (9,009,815)	
Net Change in Deferred Outflows of Resources	4,026,308	
Net Change in Deferred Inflows of Resources	<u>4,151,258</u>	(832,249)

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>(76,486)</u>
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Change in Net Position - Governmental Activities \$ 3,993,788

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

STARK COUNTYStatement of Fiduciary Net Position – Fiduciary Funds
December 31, 2022

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 6,318,131</u>
LIABILITIES	
Funds Held for Other Governmental Units	\$ 139,440
Funds Held for Other Purposes	<u>580</u>
Total Liabilities	<u>\$ 140,020</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 6,178,111</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 6,318,131</u>
Total Net Position	<u>\$ -</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, 2022

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 34,769,675
Grant Collections for Other Governments	698,853
Miscellaneous Collections	<u>8,453</u>
Total Additions	<u>\$ 35,476,981</u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 34,769,675
Grant Disbursements to Other Governments	698,853
Miscellaneous Disbursements	<u>8,453</u>
Total Deductions	<u>\$ 35,476,981</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, 2022

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.

Inventories

Inventories are valued using the first in first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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
Buildings	25 - 75
Vehicles/Machinery	5 - 15
Infrastructure	40
Land Improvements	30
Furniture/Equipment	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.

STARK COUNTY

Notes to the Financial Statements – Continued

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.

Fund Balances

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.

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.

Non-Spendable Fund Balances. Non-spendable fund balance is shown for inventory in the special revenue fund.

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).

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.

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were necessary for the government wide statements to properly report the beginning balance of capital assets, accounts payable, inventory for the government wide activities. Capital Projects Fund Balance as of January 1, 2021 has also been restated for an accounts payable adjustment. Special Revenue Fund Balance as of January 1, 2021 has also been restated for inventory and contracts payable. The adjustments can be seen below:

	Governmental Activities	Special Revenue Fund	Capital Projects Fund
Beginning Net Position/Fund Balance, as previously reported	\$ 107,537,903	\$ 9,238,018	\$ 2,035,719
Adjustments to restate the January 1, 2021 Net Position/Fund Balance:			
Accounts Payable	69,673	-	69,673
Capital Assets, Net	280,180	-	-
Inventory	2,630,812	2,630,812	-
Contracts Payable	-	(572,398)	-
Net Position/Fund Balance January 1, as restated	\$ 110,518,568	\$ 11,296,432	\$ 2,105,392

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, 2022, the County's carrying amount of deposits totaled \$46,162,691, and the bank balances totaled \$46,245,426. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2022, the Water Resource District's carrying amount of deposits totaled \$283,181 and the bank balance totaled \$314,372, all of which was covered by Federal Depository Insurance.

At December 31, 2022, the Job Development Authority's carrying amount of deposits and bank balance was \$16,518, 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, 2022 for the County:

	Restated Balance January 1	Increases	Decreases	Transfers	Balance December 31
Primary Government					
Capital Assets Not Being Depreciated					
Land	\$ 2,400,732	\$ 100,000	\$ -	\$ -	\$ 2,500,732
Vehicles in Transit	85,500	(4,610)	-	(80,890)	-
Construction in Progress	1,100,737	2,825,546	-	(991,119)	2,935,164
Total Capital Assets, Not Being Depreciated	\$ 3,586,969	\$ 2,920,936	\$ -	\$ (1,072,009)	\$ 5,435,896
Capital Assets Being Depreciated					
Buildings	\$ 33,759,379	\$ -	\$ -	\$ -	\$ 33,759,379
Vehicles and Machinery	11,225,887	640,857	76,221	80,890	11,871,413
Furniture and Equipment	3,423,816	335,481	-	-	3,759,297
Land Improvements	174,489	-	-	-	174,489
Infrastructure	67,801,734	1,274,693	-	991,119	70,067,546
Total Capital Assets, Being Depreciated	\$ 116,385,305	\$ 2,251,031	\$ 76,221	\$ 1,072,009	\$ 119,632,124
Less Accumulated Depreciation					
Buildings	\$ 5,172,389	\$ 647,152	\$ -	\$ -	\$ 5,819,541
Vehicles and Machinery	6,606,219	876,859	68,794	-	7,414,284
Furniture and Equipment	2,387,717	241,490	-	-	2,629,207
Land Improvements	29,081	5,816	-	-	34,897
Infrastructure	21,630,838	1,551,343	-	-	23,182,181
Total Accumulated Depreciation	\$ 35,826,244	\$ 3,322,660	\$ 68,794	\$ -	\$ 39,080,110
Total Capital Assets Being Depreciated, Net	\$ 80,559,061	\$ (1,071,629)	\$ 7,427	\$ 1,072,009	\$ 80,552,014
Governmental Capital Assets, Net	\$ 84,146,030	\$ 1,849,307	\$ 7,427	\$ -	\$ 85,987,910

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

Primary Government	Amounts
General	\$ 516,455
Public Safety	390,490
Highways & Bridges	2,252,218
Health & Welfare	97,479
Culture & Recreation	19,514
Conservation of Natural Resources	46,504
Total Depreciation Expense	\$ 3,322,660

Discretely Presented Component Unit

The following is a summary of changes in capital assets for the year ended December 31, 2022 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, 2022, 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	\$ 172,335	\$ -	\$ 97,847	\$ 74,488	\$ 74,488
Loans Payable	65,234	-	65,234	-	-
Total Long-Term Debt	\$ 237,569	\$ -	\$ 163,081	\$ 74,488	\$ 74,488
Compensated Absences *	\$ 477,680	\$ 95,788	\$ -	\$ 573,468	\$ 229,387
Net Pension and OPEB Liability	4,287,048	9,009,815	-	13,296,863	-
Total Primary Government	\$ 5,002,297	\$ 9,105,603	\$ 163,081	\$ 13,944,819	\$ 303,875

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

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

Year Ending Dec 31	Leases Payable	
	Principal	Interest
2023	74,488	2,361

NOTE 7 PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

STARK COUNTY

Notes to the Financial Statements – Continued

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 in the 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 Law Enforcement System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of 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, 2022, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	Net Pension Liability
Main System	\$ 10,323,397
Law Enforcement System	2,367,949

The net pension liability was measured as of June 30, 2022, 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, 2022, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) In Proportion from June 30, 2021 Measurement	Pension Expense
Main System	0.358443%	0.018304%	\$ (797,572)
Law Enforcement System	2.884334%	-0.013465%	(514,123)

At December 31, 2022, 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	\$ 53,850	\$ 197,195
Changes of Assumptions	6,173,543	3,827,255
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	377,834	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	257,146	1,237,910
Employer Contributions Subsequent to the Measurement Date	164,251	-
Total Main System	\$ 7,026,624	\$ 5,262,360

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 757,218	\$ 13,574
Changes of Assumptions	2,021,565	1,348,262
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	161,040	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	106,756
Employer Contributions Subsequent to the Measurement Date	92,214	-
Total Law Enforcement System	\$ 3,032,037	\$ 1,468,592

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, 2022:

Main System	\$ 164,251
Law Enforcement System	92,214

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
2023	\$ 163,780	\$ 324,106
2024	362,349	317,873
2025	78,561	360,896
2026	995,323	227,752
2027	-	139,073
Thereafter	-	101,531

Actuarial Assumptions

The total pension liability in the July 1, 2022 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	5.10%, 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%	6.00%
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 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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 5.10 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 (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
Main System	\$ 13,626,174	\$ 10,323,397	\$ 7,611,932
Law Enforcement System	3,460,050	2,367,949	1,503,597

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, 2022, the County reported a liability of \$605,517 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 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, 2022 the County's proportion was 0.504467 percent which was an increase of 0.034167 percent from June 30, 2021.

At December 31, 2022, 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	\$ 14,354	\$ 5,207
Changes of Assumptions	152,523	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	81,531	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	14,932	60,925
Employer Contributions Subsequent to the Measurement Date	30,677	-
Total	\$ 294,017	\$ 66,132

STARK COUNTY

Notes to the Financial Statements – Continued

\$30,677 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:

2023	44,755
2024	40,361
2025	40,368
2026	71,724
2027	-

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	5.75%, 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	35%	0.50%
U.S. High Yield	26%	6.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. 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, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Proportionate Share of the Net OPEB Liability	\$ 772,905	\$ 605,517	\$ 464,998

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.

	Transfers In	Transfers Out
General Fund	\$ 141,883	\$ 3,000,000
Special Revenue Funds	2,500,000	2,641,883
Capital Projects Fund	3,000,000	-
Total Transfers	\$ 5,641,883	\$ 5,641,883

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 two million dollars per occurrence for general liability, two million for automobile, and \$7,727,828 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.

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 11 CONSTRUCTION COMMITMENTS

The County had open constructions commitment as of December 31, 2022 as follows:

County Project	Contract Amount	Total Completed	Retainage	Remaining Balance
BRJ-0046(077) - Engineering	\$ 125,609	\$ 18,208	\$ -	\$ 107,401
BRO-0045(070) - Construction	1,243,721	1,247,381	12,474	8,814
BRP-0045(074) - Construction	558,747	-	-	558,747
CP-45(22)01 - 32nd St & 107th Ave. - Construction	1,376,226	1,286,788	26,261	115,699
Total	\$ 3,304,303	\$ 2,552,377	\$ 38,735	\$ 790,661

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.

NOTE 13 CONTRACTS PAYABLE**Primary Government**

The County had contracts payable related to gravel royalties for inventory at year-end:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31
Contracts Payable	\$ 572,398	\$ 207,728	\$ -	\$ 780,126

STARK COUNTY

Notes to the Financial Statements – Continued

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.

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.

NOTE 14 SUBSEQUENT EVENTS

On February 7th, 2023 the County made a motion to award a contract for bridge project BRP-0045(072) in the amount of \$823,364.99 to Schwartz Construction.

NOTE 15 CONTINGENT LIABILITIES

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

STARK COUNTY

Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 6,439,644	\$ 6,439,644	\$ 6,254,029	\$ (185,615)
Intergovernmental	6,397,826	6,397,826	5,243,187	(1,154,639)
Charges for Services	586,000	586,000	561,203	(24,797)
Licenses, Permits and Fees	45,250	45,250	48,495	3,245
Interest Income	268,000	268,000	188,183	(79,817)
Miscellaneous	356,500	356,500	432,902	76,402
Total Revenues	\$ 14,093,220	\$ 14,093,220	\$ 12,727,999	\$ (1,365,221)
EXPENDITURES				
Current				
General Government	\$ 5,398,682	5,398,682	\$ 4,726,299	\$ 672,383
Public Safety	6,169,465	6,335,932	5,646,241	689,691
Health & Welfare	750	750	750	-
Economic Development	142,628	142,628	140,455	2,173
Culture & Recreation	412,162	412,162	715,786	(303,624)
Total Expenditures	\$ 12,123,687	\$ 12,290,154	\$ 11,229,531	\$ 1,060,623
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,969,533	\$ 1,803,066	\$ 1,498,468	\$ (304,598)
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ -	\$ -	\$ (2,892,000)	\$ (2,892,000)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (2,892,000)	\$ (2,892,000)
Net Change in Fund Balances	\$ 1,969,533	\$ 1,803,066	\$ (1,393,532)	\$ (3,196,598)
Fund Balance - January 1	\$ 22,390,232	\$ 22,390,232	\$ 22,390,232	\$ -
Fund Balance - December 31	\$ 46,749,997	\$ 46,583,530	\$ 20,996,700	\$ (3,196,598)

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, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 6,118,794	\$ 6,118,794	\$ 5,987,832	\$ (130,962)
Intergovernmental	4,262,048	4,262,048	6,405,062	2,143,014
Charges for Services	871,320	871,320	542,328	(328,992)
Licenses, Permits and Fees	372,000	372,000	277,745	(94,255)
Miscellaneous	345,700	345,700	267,966	(77,734)
Total Revenues	\$ 11,969,862	\$ 11,969,862	\$ 13,480,933	\$ 1,511,071
EXPENDITURES				
Current				
General Government	\$ 504,566	\$ 504,566	\$ 247,079	\$ 257,487
Public Safety	3,087,683	3,131,619	2,730,743	400,876
Highways & Bridges	8,622,380	13,574,675	9,546,710	4,027,965
Health & Welfare	-	-	41,168	(41,168)
Conservation of Natural Resources	701,708	712,837	712,514	323
Debt Service				
Principal	-	-	163,081	(163,081)
Interest	-	-	7,744	(7,744)
Total Expenditures	\$ 12,916,337	\$ 17,923,697	\$ 13,449,039	\$ 4,474,658
Excess (Deficiency) of Revenues Over Expenditures	\$ (946,475)	\$ (5,953,835)	\$ 31,894	\$ 5,985,729
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 1,155,160	\$ 1,155,160
Transfers Out	-	-	(1,055,160)	(1,055,160)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 100,000	\$ 100,000
Net Change in Fund Balances	\$ (946,475)	\$ (5,953,835)	\$ 131,894	\$ 6,085,729
Fund Balance - January 1	\$ 9,238,018	\$ 9,238,018	\$ 9,238,018	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ 2,058,414	\$ 2,058,414
Restated Fund Balance - January 1	\$ 9,238,018	\$ 9,238,018	\$ 11,296,432	\$ 2,058,414
Fund Balance - December 31	\$ 8,291,543	\$ 3,284,183	\$ 11,428,326	\$ 8,144,143

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, 2022

**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
2022	0.358443%	\$ 10,323,397	\$ 4,160,934	248.10%	54.47%
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
2022	2.884334%	\$ 2,367,949	\$ 1,867,494	126.80%	57.48%
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, 2022

**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
2022	\$ 313,389	\$ 296,576	\$ 16,813	\$ 3,003,162	9.88%
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
2022	\$ 187,711	\$ 187,154	\$ 557	\$ 2,460,421	7.61%
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, 2022

**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
2022	0.504467%	\$ 605,517	\$ 5,208,141	11.63%	56.28%
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%

**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
2022	\$ 63,389	\$ 59,576	\$ 3,813	\$ 5,692,388	1.05%
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, 2022

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 budget for various funds as follows:

Major Funds	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
General Fund	\$ 12,123,687	\$ 166,467	\$ 12,290,154
Special Revenue Fund	12,916,337	5,007,360	17,923,697

NOTE 3 CHANGES OF BENEFIT TERMS

Pension

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

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, 2021.

STARK COUNTY

Notes to the Required Supplementary Information - Continued

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, 2021.

OPEB

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

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, 2022

Assistance Listing Number	Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF JUSTICE:			
	<u>Passed Through State's Department of Corrections and Rehabilitation</u>		
16.576	Crime Victim Compensation	N/A	\$ 83,566
	Total U.S. Department of Justice		\$ 83,566
U.S. DEPARTMENT OF LABOR:			
	<u>Passed Through State Department of Labor:</u>		
17.225	Unemployment Insurance (UI)	N/A	\$ 570
	Total U.S. Department of Health and Human Services		\$ 570
U.S. DEPARTMENT OF HOMELAND SECURITY:			
	<u>Passed Through State Department of Emergency Services:</u>		
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4509	\$ 47,846
97.042	Emergency Management Performance Grants	EMPG2021, EMPG2022	31,399
97.067	Homeland Security Grant Program	HLS2021	\$ 53,040
	Total U.S. Department of Homeland Security		\$ 132,285
U.S. DEPARTMENT OF TRANSPORTATION:			
	<u>Passed Through State Highway Department:</u>		
20.600	State and Community Highway Safety	HSPSC2107, HSPDD2111	\$ 4,482
20.616	National Priority Safety Programs	HSPOP2205	2,700
	Total U.S. Department of Transportation		\$ 7,182
U.S. DEPARTMENT OF THE TREASURY:			
	<u>Direct Program</u>		
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	N/A	\$ 2,901,225
	Total U.S. Department of the Treasury		\$ 2,901,225
	Total Expenditures of Federal Awards		\$ 3,124,827

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, 2022

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, 2022. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 PASS-THROUGH GRANT NUMBER

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

NOTE 4 INDIRECT COST RATE

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

STATE AUDITOR
Joshua C. Gallion



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

Independent Auditor's Report

Board of County Commissioners
Stark County
Dickinson, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated October 11, 2023. Additionally, a qualified opinion has been issued for the Special Revenue Fund whereas management did not maintain adequate documentation to support the valuation related to inventory of gravel to the Special Revenue Fund.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as item, 2022-001 through 2022-005 that we consider to be a material weakness.

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 2022-001 and 2022-002.

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
October 11, 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, 2022. Stark County's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Audit 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, 2022.

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 no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

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.

STARK COUNTY

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

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. 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
October 11, 2023

STARK COUNTY

Summary of Auditor's Results
For the Year Ended December 31, 2022

Financial Statements

Type of Report Issued:	
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds:	
General Fund	Unmodified
Special Revenue Fund	Qualified
Capital Projects Fund	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> </u> Yes	<u> X </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
Significant deficiencies identified?	<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

ALN Number	Name of Federal Program or Cluster
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, 2022

Section I - Financial Statement Findings

2022-001— BUDGET PREPARATION – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

Condition

Stark County did not prepare its 2022 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's budget template does not include items #5 and #9 of N.D.C.C §11-23-02 for each fund.

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

2022-002— 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 attribute #9 of N.D.C.C. §11-23-02 as noted in Finding 2022-001. 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

2022-003 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

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

2022-004 INVENTORY DOCUMENTATION – MATERIAL WEAKNESS

Condition

Stark County did not maintain complete inventory records for gravel as of December 31, 2022. The county did have invoices for additions but did not have supporting documentation for hauling from the gravel pits to support the inventory balances at year-end.

Criteria

Stark County is responsible for ensuring its annual financial statements, including inventory, are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to supporting documentation, management is responsible for adequate internal controls surrounding the hauling process and without supporting documentation, the inventory tracking process will not be effective.

Cause

Stark County did not have policies and procedures in place to ensure inventory of gravel is accurately reported in the financial statements. Furthermore, the County's current inventory system does not maintain supporting hauling records prior to the current year of 2023.

Effect

Stark County does not have a supported inventory balance of gravel included in the financial statements as required by Generally Accepted Accounting Principles (GAAP). In addition, the opinion on the financial statements has been modified due to the unsupported balance of inventory of gravel.

Repeat Finding

No.

Recommendation

We recommend Stark County establish policies and procedures to ensure all supporting documentation is maintained for inventory of gravel at year-end. Additionally, we recommend Stark County consider conducting a formal inventory count at year-end to ensure their inventory system is accurate.

Stark County's Response

See Corrective Action Plan.

STARK COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2022-005 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.

Section II - Federal Award Findings and Questioned Costs

None Noted

STARK COUNTY

Management’s Corrective Action Plan
For the Year Ended December 31, 2022

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
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Date: October 2, 2023
To: Joshua C. Gallion, ND State Auditor
From: Karen Richard, County Auditor
RE: Stark County – FY2022 Corrective Action Plan

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

Section I – Financial Statement Findings:

2022-001 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. In the 2022 budgeting process, the general fund balance is being corrected to accurately reflect what is being levied for in property tax, this was also done in the 2023 and 2024 budget cycles. The general fund levy has been lowered yearly to not increase reserves.

Anticipated Completion Date:

FY2023

STARK COUNTY

Management’s Corrective Action Plan – Continued

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



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2022-002 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 will be providing an easier form for the volunteer/rural fire departments to fill out for budgeting purposes and will also explain the process to them in a meeting. For the Stark County budget, there will be more supporting documentation in the budget to justify the amounts levied for funds going forward.

Anticipated Completion Date:

FY2023-FY2024

2022-003 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition:

During the audit of Stark County, we proposed adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

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 to look for discrepancies before year-end. Adjusting entries will be reviewed by the Deputy Auditor or myself in fiscal year 2024. In 2023 the In/Out general account is going to be disabled for use in 2024.

Anticipated Completion Date:

FY2024

STARK COUNTY

Management’s Corrective Action Plan – Continued

BOARD OF COMMISSIONERS
DEAN FRANCHUK, CHAIRMAN
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2022-004 INVENTORY DOCUMENTATION – MATERIAL WEAKNESS

Condition:

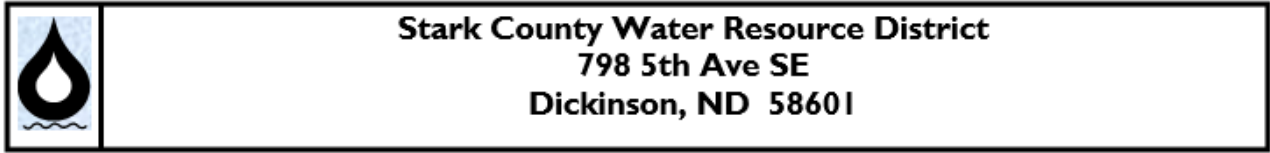
Stark County did not maintain complete inventory records for gravel as of December 31, 2022. The county did have invoices for additions but did not have supporting documentation for hauling from the gravel pits to support the inventory balances at year-end.

Corrective Action Plan:

We agree with these findings. We will work with our highway department to establish policies and procedures to ensure all supporting documentation is retained for an inventory of gravel at year-end. Additionally, we will be hiring an engineering firm at the end of the hauling this year to get an accurate inventory level at each of the county’s pits. We will then adjust our inventory count in the software to match those amounts at year’s end.

Anticipated Completion Date:

FY2023



Date: July 24, 2023
To: Joshua C. Gallion, ND State Auditor
From: Bonnie Twogood, Secretary/Treasurer
RE: Stark County Water Resource District – FY2022 Corrective Action Plan

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

Section I – Financial Statement Findings:

2022-005 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, 2022

BOARD OF COMMISSIONERS
DEAN FRANCHUK, CHAIRMAN
NEAL MESSER, VICE-CHAIRMAN
BERNIE MARSH
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2021-001 – BUDGET PREPARATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Recurring:

Year of initial finding was 2020.

Condition:

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

Current Status of Recommendation:

Not Implemented. Stark County did not prepare its budget in accordance with N.D.C.C. §11-23-02. Stark County will ensure future budget years are in compliance with N.D.C.C. §11-23-02.

2021-002 – LEVY CALCULATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Recurring:

Year of initial finding was 2020.

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:

Not Implemented. Stark County did not prepare its budget in accordance with N.D.C.C. §57-15-31(1). Stark County will ensure future budget years are in compliance with N.D.C.C. §57-15-31(1).

STARK COUNTY

Status of Prior Year Findings – Continued
For the Year Ended December 31, 2022

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
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2021-003 – AUDIT ADJUSTMENTS – OIL AND GAS TAX RECEIPTS – MATERIAL NONCOMPLIANCE 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).

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).

Current Status of Recommendation:

Implemented. Oil and Gas Tax Receipts are being deposited into the General Fund in accordance with NDCC 57-51-15(4).

2021-004 – ADJUSTING JOURNAL ENTRIES – SIGNIFICANT DEFICIENCY

Recurring:

Year of initial finding was 2020.

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 the recording of transactions affect Stark County's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Current Status of Recommendation:

Partially Implemented. We have implemented a review of the financial statements to ensure their accuracy in accordance with Uniform Guidance and GAAP respectively.

STARK COUNTY

Status of Prior Year Findings – Continued
For the Year Ended December 31, 2022

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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.

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.

Current Status of Recommendation:

Implemented. We are in compliance with the Uniform Guidance 2 CFR 200.512(a) as we will finish our audit prior to the deadline of submitting to the Federal Clearinghouse within nine months of year-end.

STARK COUNTY

Status of Prior Year Findings – Continued
For the Year Ended December 31, 2022



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

2021-005 – 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 FY2022. Stark County Water Resource District will segregate duties when it becomes feasible.

STATE AUDITOR
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STATE CAPITOL
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GOVERNANCE COMMUNICATION

October 11, 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, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, GAS and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 15, 2023. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by 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 2022. 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	208,390	-
Intergovernmental Receivables	-	208,390
<u>To remove payables</u>		
Accounts Payable	11,756	-
Expenditures	-	11,756
Special Revenue Funds		
<u>To accrue receivables</u>		
Intergovernmental Receivables	74,143	-
Accounts Receivable	39,920	-
Revenue	-	114,063
<u>To remove payables</u>		
Accounts Payable	11,261	-
Expenditures	-	11,261
<u>To record Prior Period Adjustment for</u>		
<u>Inventory and Contract Payable</u>		
Inventory - Jan 1.	2,630,811	-
Contracts Payable - Jan. 1	-	572,398
Fund Balance - Jan. 1	-	2,058,413
<u>To adjust Inventory and Contracts Payable for</u>		
<u>CY Changes</u>		
Inventory, Net	1,208,885	-
Contracts Payable	-	207,728
Expenditures	-	1,001,157
Capital Projects Fund		
<u>To record prior period adjustment (Payable)</u>		
Accounts Payable	69,674	-
Fund Balance	-	69,674

STARK COUNTY

Governance Communication – Continued

Government Wide Adjustments

To adjust receivables

Revenue	94,327	-
Accounts Receivable	39,920	
Intergovernmental Receivables	-	134,247

To remove payables

Accounts Payable	23,017	-
Expenditures	-	23,017

To record prior period adjustment (Payable)

Accounts Payable	69,674	-
Fund Balance	-	69,674

To record Capital Assets

Capital Assets	79,574	-
Net Position	-	79,574

To record Prior Period Adjustment for Inventory

Inventory - Jan 1.	2,630,811	-
Net Position - Jan.1	-	2,630,811

To adjust Inventory and Contracts Payable for CY Changes

Inventory, Net	1,208,885	-
Contracts Payable	-	85,112
Expenditures	-	1,123,773

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 11, 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.

STARK COUNTY

Governance Communication – Continued

Other Audit Findings or Issues

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

We expressed a qualified opinion over the Special Revenue Fund as management was unable to provide supporting documentation related to inventory for gravel that is being reported on the balance sheet.

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
October 11, 2023



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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