



Stark County

Dickinson, North Dakota

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

STARK COUNTY

Table of Contents

For the Year Ended December 31, 2017

County Officials and Audit Staff	1
Independent Auditor's Report	2
Basic Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds.....	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	7
Statement of Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	9
Statement of Fiduciary Assets & Liabilities - Agency Funds	10
Notes to the Financial Statements.....	11
Required Supplementary Information	
Budgetary Comparison Schedules	29
Schedule of Employer's Share of Net Pension Liability and Employer Contributions	36
Schedule of Employer's Share of Net OPEB Liability and Employer Contributions	38
Notes to the Required Supplementary Information	39
Supplementary Information	
Schedule of Fund Activity - Cash Basis.....	41
Schedule of Expenditures of Federal Awards.....	43
Notes to the Schedule of Expenditures of Federal Awards	44
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.....	45
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	47
Summary of Auditor's Results, Findings, and Questioned Costs	50
Governance Communication	52

STARK COUNTY

County Officials and Audit Personnel
December 31, 2017

COUNTY OFFICIALS

Jay Elkin
Ken Zander
Dean Franchuk
Russ Hoff

Commissioner - Chairman
Commissioner - Vice Chairman
Commissioner
Commissioner

Kay Haag
Terry Oestreich
Kim Kasian
Tom Henning

Auditor/Treasurer
Sheriff
Recorder
State's Attorney

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE
Jon Worrall, CPA

Audit Manager
Audit In-Charge

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



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

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

INDEPENDENT AUDITOR’S REPORT

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2017, and the related notes to the financial statements, which collectively comprise Stark County’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County, North Dakota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Stark County has restated the prior period financial statements due to new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Additionally, Stark County has restated the prior period financial statements due to adjustments to capital asset balances. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, and schedule of employer's share of net OPEB liability and employer contributions* on pages 29-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Other information of Stark County consists of the *schedule of fund activity - cash basis and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stark County's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 15, 2019

STARK COUNTY

Statement of Net Position
December 31, 2017

	Primary	Component Units	
	Government	Water	Job
	Governmental	Resource	Development
	Activities	District	Authority
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 41,086,941	\$ 441,873	\$ 11,608
Accounts Receivable	47,831	-	-
Intergovernmental Receivable	1,490,056	-	-
Taxes Receivable	519,522	-	-
Capital Assets, Net	63,489,725	-	-
Total Assets	\$ 106,634,075	\$ 441,873	\$ 11,608
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions & OPEB	\$ 5,533,809	\$ -	\$ -
LIABILITIES			
Accounts Payable	\$ 698,616	\$ -	\$ -
Salaries and Benefits Payable	37,431	388	-
Contracts Payable	584,397	-	-
Retainage Payable	298,645	-	-
Interest Payable	6,322	-	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	273,573	-	-
Compensated Absences Payable	272,595	-	-
Due After One Year			
Long-Term Debt	487,650	-	-
Compensated Absences Payable	408,893	-	-
Net Pension & OPEB Liability	10,899,239	-	-
Total Liabilities	\$ 13,967,361	\$ 388	\$ -
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	\$ 1,827,596	\$ -	\$ -
Derived from Pensions & OPEB	464,409	-	-
Total Deferred Inflows of Resources	\$ 2,292,005	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 62,429,857	\$ -	\$ -
Restricted			
Public Safety	31,882	-	-
Highways & Bridges	8,351,232	-	-
Culture & Recreation	1,668	-	-
Conservation of Nat Resources	1,836,472	441,485	-
Emergencies	484,092	-	-
Economic Development	9,651	-	11,608
Capital Projects	4,977,029	-	-
Unrestricted	17,786,635	-	-
Total Net Position	\$ 95,908,518	\$ 441,485	\$ 11,608

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

STARK COUNTY
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Job Development Authority
Primary Government							
General Government	\$ 4,738,287	\$ 506,418	\$ 57,358	\$ -	\$ (4,174,511)	\$ -	\$ -
Public Safety	5,891,568	985,192	189,306	-	(4,717,070)	-	-
Highways & Bridges	10,170,615	329,535	8,783,412	759,646	(298,022)	-	-
Health & Welfare	4,063,144	-	1,144,420	-	(2,918,724)	-	-
Economic Development	102,311	-	-	-	(102,311)	-	-
Culture and Recreation	647,531	-	-	-	(647,531)	-	-
Conserv. of Natural Resources	815,486	46,448	65,954	-	(703,084)	-	-
Emergencies	6,900	-	-	-	(6,900)	-	-
Interest on Long-Term Debt	28,270	-	-	-	(28,270)	-	-
Total Primary Government	\$ 26,464,112	\$ 1,867,593	\$ 10,240,450	\$ 759,646	\$ (13,596,423)	\$ -	\$ -
Component Units							
Water Resource District	\$ 20,793	\$ -	\$ -	\$ -	\$ -	\$ (20,793)	\$ -
Job Development Authority	215,000	-	-	-	-	-	(215,000)
Total Component Units	\$ 235,793	\$ -	\$ -	\$ -	\$ -	\$ (20,793)	\$ (215,000)
General Revenues							
Property Taxes							
Levied for General Purposes					\$ 7,429,268	\$ 11,062	\$ 215,266
Levied for Special Purposes					9,505,906	-	-
Grants and Contributions Not Restricted to Specific Programs							
Unrestricted Investment Earnings					1,741,480	-	-
Miscellaneous Revenue					263,755	1,983	43
Miscellaneous Revenue					357,937	-	-
Total General Revenues					\$ 19,298,346	\$ 13,045	\$ 215,309
Change in Net Position					\$ 5,701,923	\$ (7,748)	\$ 309
Net Position - January 1					\$ 89,820,882	\$ 449,233	\$ 11,299
Prior Period Adjustment					385,713	-	-
Net Position - January 1, Restated					\$ 90,206,595	\$ 449,233	\$ 11,299
Net Position - December 31					\$ 95,908,518	\$ 441,485	\$ 11,608

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

STARK COUNTY

Balance Sheet – Governmental Funds December 31, 2017

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	Social Services	County Poor	County Jail	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS										
Cash, Cash Equivalents, and Investments	\$ 20,687,968	\$ 3,278,892	\$ 371,353	\$ 5,203,190	\$ -	\$ -	\$ 1,509,935	\$ 4,750,926	\$ 5,284,677	\$ 41,086,941
Intergovernmental Receivable	256,385	26,293	177,081	327,150	15,460	-	20,059	642,923	24,705	1,490,056
Accounts Receivable	5,674	-	-	-	-	-	-	-	42,157	47,831
Due from Other Fund	23,834	-	-	-	-	-	-	-	-	23,834
Taxes Receivable	220,548	69,780	13,784	-	-	88,850	69,779	-	56,781	519,522
Total Assets	\$ 21,194,409	\$ 3,374,965	\$ 562,218	\$ 5,530,340	\$ 15,460	\$ 88,850	\$ 1,599,773	\$ 5,393,849	\$ 5,408,320	\$ 43,168,184
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities										
Accounts Payable	\$ 12,350	\$ -	\$ 127,458	\$ -	\$ -	\$ -	\$ 118,616	\$ 416,820	\$ 23,372	\$ 698,616
Salaries and Benefits Payable	16,334	-	-	14,915	3,051	-	-	-	3,131	37,431
Due to Other Fund	-	-	-	-	-	-	-	-	23,834	23,834
Total Liabilities	\$ 28,684	\$ -	\$ 127,458	\$ 14,915	\$ 3,051	\$ -	\$ 118,616	\$ 416,820	\$ 50,337	\$ 759,881
Deferred Inflows Of Resources										
Taxes Received in Advance	\$ 940,012	\$ 289,233	\$ 167,701	\$ -	\$ -	\$ -	\$ 289,234	\$ -	\$ 141,416	\$ 1,827,596
Taxes Receivable	220,548	69,780	13,784	-	-	88,850	69,779	-	56,781	519,522
Total Deferred Inflows of Resources	\$ 1,160,560	\$ 359,013	\$ 181,485	\$ -	\$ -	\$ 88,850	\$ 359,013	\$ -	\$ 198,197	\$ 2,347,118
Total Liabilities and Deferred Inflows of Resources	\$ 1,189,244	\$ 359,013	\$ 308,943	\$ 14,915	\$ 3,051	\$ 88,850	\$ 477,629	\$ 416,820	\$ 248,534	\$ 3,106,999
Fund Balances										
Restricted										
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,122,144	\$ -	\$ 526,596	\$ 1,648,740
Highways & Bridges	-	3,015,952	253,275	5,515,425	-	-	-	-	1,283,435	10,068,087
Health & Welfare	-	-	-	-	12,409	-	-	-	892,552	904,961
Conservation of Natural Resources	-	-	-	-	-	-	-	-	1,994,699	1,994,699
Emergencies	-	-	-	-	-	-	-	-	484,092	484,092
Economic Development	-	-	-	-	-	-	-	-	9,651	9,651
Capital Projects	-	-	-	-	-	-	-	4,977,029	-	4,977,029
Unassigned										
General Fund	20,005,165	-	-	-	-	-	-	-	2,453	20,007,618
Negative Funds	-	-	-	-	-	-	-	-	(33,692)	(33,692)
Total Fund Balances	\$ 20,005,165	\$ 3,015,952	\$ 253,275	\$ 5,515,425	\$ 12,409	\$ -	\$ 1,122,144	\$ 4,977,029	\$ 5,159,786	\$ 40,061,185
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 21,194,409	\$ 3,374,965	\$ 562,218	\$ 5,530,340	\$ 15,460	\$ 88,850	\$ 1,599,773	\$ 5,393,849	\$ 5,408,320	\$ 43,168,184

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

STARK COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2017

Total Fund Balances - Governmental Funds \$ 40,061,185

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

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

Cost of Capital Assets	\$ 90,063,101	
Less Accumulated Depreciation	<u>(26,573,376)</u>	63,489,725

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.

519,522

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 Related to Pensions and OPEB	\$ 5,533,809	
Deferred Inflows Related to Pensions and OPEB	<u>(464,409)</u>	5,069,400

Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term- are reported in the statement of net position. Balances at year end are:

Long-Term Debt	\$ (761,223)	
Contract Payable	(584,397)	
Retainage Payable	(298,645)	
Interest Payable	(6,322)	
Compensated Absences Payable	(681,488)	
Net Pension and OPEB Liability	<u>(10,899,239)</u>	<u>(13,231,314)</u>

Total Net Position - Governmental Activities \$ 95,908,518

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, 2017

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	Social Services	County Poor	County Jail	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES										
Taxes	\$ 7,311,829	\$ 2,118,879	\$ 1,119,445	\$ -	\$ -	\$ 2,684,627	\$ 2,118,881	\$ -	\$ 1,324,513	\$ 16,678,174
Intergovernmental	924,609	135,147	1,861,858	3,144,623	1,045,493	389,825	108,562	3,954,120	417,692	11,981,929
Charges for Services	620,237	-	-	-	-	-	-	-	748,169	1,368,406
Licenses, Permits and Fees	123,204	-	329,535	-	-	-	-	-	46,448	499,187
Interest Income	263,755	-	-	-	-	-	-	-	-	263,755
Miscellaneous	97,872	-	117,440	-	-	-	-	-	142,628	357,940
Total Revenues	\$ 9,341,506	\$ 2,254,026	\$ 3,428,278	\$ 3,144,623	\$ 1,045,493	\$ 3,074,452	\$ 2,227,443	\$ 3,954,120	\$ 2,679,450	\$ 31,149,391
EXPENDITURES										
Current										
General Government	\$ 4,630,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,046	\$ 4,896,069
Public Safety	3,008,320	-	-	-	-	-	1,781,000	-	693,246	5,482,566
Highways & Bridges	-	2,275,532	4,964,974	2,005,134	-	-	-	-	129,360	9,375,000
Health & Welfare	750	-	-	-	3,643,767	-	-	-	-	3,644,517
Economic Development	102,311	-	-	-	-	-	-	-	-	102,311
Culture & Recreation	629,722	-	-	-	-	-	-	-	-	629,722
Conservation of Natural Resources	-	-	-	-	-	-	-	-	727,128	727,128
Emergencies	-	-	-	-	-	-	-	-	6,900	6,900
Capital Outlay	-	-	-	-	-	-	-	5,951,611	-	5,951,611
Debt Service										
Principal	1,537	-	181,627	-	-	-	-	-	87,492	270,656
Interest on Long-Term Debt	-	-	11,433	-	-	-	-	-	18,806	30,239
Total Expenditures	\$ 8,372,663	\$ 2,275,532	\$ 5,158,034	\$ 2,005,134	\$ 3,643,767	\$ -	\$ 1,781,000	\$ 5,951,611	\$ 1,928,978	\$ 31,116,719
Excess (Deficiency) of Revenues Over Expenditures	\$ 968,843	\$ (21,506)	\$ (1,729,756)	\$ 1,139,489	\$ (2,598,274)	\$ 3,074,452	\$ 446,443	\$ (1,997,491)	\$ 750,472	\$ 32,672
OTHER FINANCING SOURCES (USES)										
Transfers In	\$ 4,205,810	\$ -	\$ 832,000	\$ -	\$ 2,519,848	\$ -	\$ -	\$ 224,675	\$ 57,282	\$ 7,839,615
Loan Proceeds	-	-	112,820	-	-	-	-	-	-	112,820
Transfers Out	-	-	(224,675)	(832,000)	-	(6,725,658)	-	-	(57,282)	(7,839,615)
Total Other Financing Sources and Uses	\$ 4,205,810	\$ -	\$ 720,145	\$ (832,000)	\$ 2,519,848	\$ (6,725,658)	\$ -	\$ 224,675	\$ -	\$ 112,820
Net Change in Fund Balances	\$ 5,174,653	\$ (21,506)	\$ (1,009,611)	\$ 307,489	\$ (78,426)	\$ (3,651,206)	\$ 446,443	\$ (1,772,816)	\$ 750,472	\$ 145,492
Fund Balances - January 1	\$ 14,830,512	\$ 3,037,458	\$ 1,262,886	\$ 5,207,936	\$ 90,835	\$ 3,651,206	\$ 675,701	\$ 6,749,845	\$ 4,409,314	\$ 39,915,693
Fund Balances - December 31	\$ 20,005,165	\$ 3,015,952	\$ 253,275	\$ 5,515,425	\$ 12,409	\$ -	\$ 1,122,144	\$ 4,977,029	\$ 5,159,786	\$ 40,061,185

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

STARK COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017

Net Change in *Fund Balances* - Total Governmental Funds \$ 145,492

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and capital contributions exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 7,859,127	
Capital Contribution	759,646	
Current Year Depreciation Expense	<u>(2,274,821)</u>	6,343,952

In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

(46,539)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayment.

270,654

Issuance of debt increases liabilities in the statement of net position, but are other financing sources on the modified accrual basis.

(112,820)

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	\$ 1,969	
Net Change in Contract Payable	119,432	
Net Change in Retainage Payable	(178,789)	
Net Change in Compensated Absences	<u>(20,030)</u>	(77,418)

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	\$ (4,088,517)	
Net Change in Deferred Outflows of Resources	2,980,845	
Net Change in Deferred Inflows of Resources	<u>29,274</u>	(1,078,398)

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. This consists of the following:

Net Change in Taxes Receivable	<u>257,000</u>
--------------------------------	----------------

Change in *Net Position* - Governmental Activities \$ 5,701,923

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

STARK COUNTY

Statement of Fiduciary Assets and Liabilities - Agency Funds
December 31, 2017

ASSETS

Cash and Cash Equivalents	<u>\$ 4,940,190</u>
---------------------------	---------------------

LIABILITIES

Due to Other Governments	<u>\$ 4,940,190</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, 2017

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.

A. Reporting Entity

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which the County is financially accountable and other organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. The 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 their operational or financial relationships 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 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 component units. These units are reported in separate columns to emphasize they are legally separate from the County.

Stark County Water Resource District. The Stark County Water Resource District (Water Resource District) governing board is appointed by the County's governing body. The County's governing body has the authority to disapprove, amend, or approve the water resource district budget.

Stark County Job Development Authority. The County's governing board appoints a voting majority of the members of the Stark County Job Development Authority (Job Development Authority). The County's governing body has the authority to disapprove, amend, or approve the job development authority's budget.

Complete financial statements of the Water Resource District and the Job Development Authority are included in these financial statements. Additional information may be obtained from the County Auditor/Treasurer; 51 3rd St E, Dickinson, ND 58601.

B. 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.

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, are presented as general revenues.

STARK COUNTY

Notes to the Financial Statements – Continued

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

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

10 Mill Farm-to-Market Road Fund - This fund accounts for repair and improvement of highways and bridges that are legally restricted from taxes levied and grants/reimbursements received.

County Road - Unorganized Fund - This is the County's primary road maintenance fund. It accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. Restricted tax levies and state and federal reimbursements/grants exist in this fund.

Highway Tax Distribution Fund - This is the County's clearing account for State Highway Tax revenue. It accounts for restricted State Highway Tax distribution revenues. These funds are transferred to the County road unorganized fund.

Social Services Fund - This is the County's primary health and welfare fund. It accounts for all financial resources related health and welfare, except those required to be accounted for in another fund. Restricted state and federal grants/reimbursements are the primary revenue source in this fund.

County Poor Fund - This is the County's health and welfare fund used to levy property taxes for welfare purposes and report various restricted state/federal grants/reimbursements. It accounts for tax levies related to health and welfare. Most of these funds are transferred to the Social Welfare fund.

County Jail Fund - This fund accounts for restricted taxes levied for County share of jail expenses.

Capital Improvements Fund - This fund accounts for resources accumulated to perform various projects.

Additionally, the County reports the following fund type:

Agency Funds. These fund accounts for assets held by the County in a custodial capacity as an agent on behalf of others. The County's agency fund is used to account for various deposits of other governments.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. 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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

STARK COUNTY

Notes to the Financial Statements – Continued

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 is both restricted and unrestricted net position available to finance the program. It is the County’s policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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.

D. Cash and Investments

Cash and cash equivalents include amounts in demand deposits, savings accounts, and money market accounts.

The investments of the County during the year ended December 31, 2017 consist of certificates of deposit stated at cost with maturities in excess of three months.

E. Capital Assets

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

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

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

F. Compensated Absences

Full time non-social service employees are granted vacation benefits from eight to sixteen hours per month, depending on tenure with the County. Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of 30 days. Sick leave benefits accrue at the rate of eight hours. 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.

Social service employees are granted vacation benefits from one to two days per month depending on tenure with the County. Social service employees may accrue up to a maximum of 240 hours of vacation. Upon termination of employment, social service employees will be paid for vacation benefits that have accrued to a maximum of 240 hours. Sick leave benefits for social service employees accrue at the rate of one day per month. Unused sick leave benefits are allowed to accumulate to an unlimited amount. Upon termination of employment or retirement all unused sick leave is forfeited. Vested or accumulated leave is reported in the general long-term debt account group.

G. Long-Term Liabilities

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

H. 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

I. Other Post-Employment Benefits (OPEB)

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

J. 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 used to purchase or finance capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

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

Unrestricted net position is the portion of net position that is not restricted or reported as net investment in capital assets.

K. Fund Balances

Fund Balance Spending Policy. It is the policy of Stark 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.

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.

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 & Federal governments for various grants & reimbursements).

Unassigned Fund Balances. Unassigned fund balances consist of amounts in the general fund and negative fund balances.

L. Interfund Transactions

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

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

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

STARK COUNTY

Notes to the Financial Statements – Continued

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, 2017, the County's carrying amount of deposits was \$45,060,257 and the bank balances totaled \$45,372,960. Of the bank balances, \$1,000,100 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. The Water Resource District had deposits with a carrying value of \$441,872, and bank balances totaling \$442,172. The districts entire bank balances were covered by Federal Depository Insurance. The Job Development Authority had deposits with a carrying value and bank balance of \$11,608. The districts entire bank balances were covered by Federal Depository Insurance.

Credit Risk

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

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

As of December 31, 2017, the County had certificates of deposit totaling \$6,750,000, and the Water Resource District had \$389,000.

Interest Rate Risk

The County does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk

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

NOTE 3: PROPERTY TAXES

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes 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 4: CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the year ended December 31, 2017:

Primary Government	Bal. Jan 1 Restated	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,871,278	\$ -	\$ -	\$ -	\$ 1,871,278
Construction in Progress	3,522,080	8,058,347	-	(4,508,913)	7,071,514
Total Capital Assets, Not Being Depreciated	\$ 5,393,358	\$ 8,058,347	\$ -	\$ (4,508,913)	\$ 8,942,792
<i>Capital assets, being depreciated:</i>					
Vehicles & Machinery	\$ 8,392,403	\$ 520,030	\$ 173,697	\$ -	\$ 8,738,736
Furniture & Equipment	2,288,036	40,397	-	-	2,328,433
Buildings	11,897,941	-	-	1,164,429	13,062,370
Land Improvements	-	-	-	174,489	174,489
Infrastructure	53,646,286	-	-	3,169,995	56,816,281
Total Capital Assets, Being Depreciated	\$ 76,224,666	\$ 560,427	\$ 173,697	\$ 4,508,913	\$ 81,120,309
<i>Less accumulated depreciation for:</i>					
Vehicles & Machinery	\$ 4,365,294	\$ 736,011	\$ 127,158	\$ -	\$ 4,974,147
Furniture & Equipment	1,846,173	75,977	-	-	1,922,150
Buildings	3,433,406	228,710	-	-	3,662,116
Land Improvements	-	5,817	-	-	5,817
Infrastructure	14,780,840	1,228,306	-	-	16,009,146
Total Accumulated Depreciation	\$ 24,425,713	\$ 2,274,821	\$ 127,158	\$ -	\$ 26,573,376
Total Capital Assets Being Depreciated, Net	\$ 51,798,953	\$ (1,714,394)	\$ 46,539	\$ 4,508,913	\$ 54,546,933
Total Capital Assets, Net	\$ 57,192,311	\$ 6,343,953	\$ 46,539	\$ -	\$ 63,489,725

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

Primary Government	Amounts
General	\$ 87,010
Public Safety	290,990
Highways & Bridges	1,816,763
Health & Welfare	45,175
Culture & Recreation	17,809
Conservation of Natural Resources	17,074
Total Depreciation Expense	\$ 2,274,821

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 5: LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2017, the following changes occurred in governmental activities long-term liabilities for the County:

Primary Government	Bal. Jan 1 Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term-Debt					
Leases Payable	\$ 457,285	\$ -	\$ 159,122	\$ 298,163	\$ 161,358
Loans Payable	461,773	112,820	111,533	463,060	112,215
Total Long-Term Debt	\$ 919,058	\$ 112,820	\$ 270,655	\$ 761,223	\$ 273,573
Compensated Absences *	661,458	20,030	-	681,488	272,595
Net Pension and OPEB Liability	6,810,722	4,088,517	-	10,899,239	-
Total Long-Term Liabilities	\$ 8,391,238	\$ 4,221,367	\$ 270,655	\$ 12,341,950	\$ 546,168

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

The annual debt service requirements for long-term debt as of December 31, 2017 are as follows:

Year Ending Dec 31	Leases Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2018	\$ 161,358	\$ 7,284	\$ 112,215	\$ 18,500
2019	116,416	3,427	116,996	13,720
2020	20,389	594	82,573	9,165
2021	-	-	86,042	5,696
2022	-	-	65,234	2,087
Total	\$ 298,163	\$ 11,305	\$ 463,060	\$ 49,168

NOTE 6: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability, \$2,000,000 for automobile, and \$6,162,352 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 \$1,000,000 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 workers compensation with the North Dakota Workforce Safety and Insurance. The County provides health insurance benefits for the County employees through Blue Cross/Blue Shield of North Dakota, and pays 75% of the premium for that coverage.

STARK COUNTY

Notes to the Financial Statements – Continued

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

NOTE 7: CONDUIT DEBT OBLIGATIONS

From time to time, the County has obtained community development block grant loans to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facility transfers to the private-sector entity served by the loan. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

As of December 31, 2017, there were two community development block grant loans outstanding (Red Trail Energy), with an aggregate principal amount payable of \$1,318,180.

NOTE 8: JOINT VENTURES

Southwest Multi-County Correction Center

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

Summary financial information for 2017 is not available. The following information as of and for the year ended December 31, 2016, the most current information available, is as follows:

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

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

Dickinson Law Enforcement Center

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

STARK COUNTY

Notes to the Financial Statements – Continued

Summary financial information for 2017 is not available. The following information as of and for the year ended December 31, 2016, the most current information available, is as follows:

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

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

Southwest District Health Unit

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

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

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

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

NOTE 9: PENSION PLANS

General Information about the NDPERS Pension Plan (Main & Law Enforcement Systems)

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

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 seven 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include 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. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

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

Law Enforcement System (with prior main system service)

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

STARK COUNTY

Notes to the Financial Statements – Continued

Member and Employer Contributions

Main System

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

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

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

Law Enforcement System (without prior main system service)

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

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

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

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

Main System

At December 31, 2017, the County reported a liability of \$9,298,908 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At December 31, 2017, the County’s proportion was .578532 percent, which was a decrease of .005045 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$1,450,983. At December 31, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 55,272	\$ 45,306
Changes of Assumptions	3,813,180	209,733
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	125,063	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	176,001	30,427
Employer Contributions Subsequent to the Measurement Date	394,497	-
Total Main System	\$ 4,564,013	\$ 285,466

\$394,487 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, 2018.

STARK COUNTY

Notes to the Financial Statements – Continued

Law Enforcement System

At December 31, 2017, the County reported a liability of \$1,066,612 for its share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s share of covered payroll/contributions in the Law Enforcement pension plan relative to the covered payroll of all participating Law Enforcement System employers. At December 31, 2017, the County’s proportion was 4.844673 percent, which was a decrease of 0.282165 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, the Employer recognized pension expense of \$225,909. At December 31, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 156,184	\$ 14,309
Changes of Assumptions	570,334	27,750
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	2,767
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	100,920
Employer Contributions Subsequent to the Measurement Date	109,415	-
Total Law Enforcement System	\$ 835,933	\$ 145,746

\$109,415 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, 2018.

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	Total
2018	\$ 854,077	\$ 118,182	\$ 972,259
2019	1,025,679	136,852	1,162,531
2020	895,371	126,443	1,021,814
2021	727,611	112,330	839,941
2022	381,312	86,965	468,277

Actuarial assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 – 40	7.50%
	41 – 49	6.00%
	50+	5.00%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

STARK COUNTY

Notes to the Financial Statements – Continued

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	(0.45%)
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

Discount Rate

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).

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Main System	\$ 12,623,552	\$ 9,298,908	\$ 6,532,943
Law Enforcement System	1,605,058	1,066,612	628,531
Total Proportionate Share	\$ 14,228,610	\$ 10,365,520	\$ 7,161,474

STARK COUNTY

Notes to the Financial Statements – Continued

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 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

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

STARK COUNTY

Notes to the Financial Statements – Continued

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

At December 31, 2017, the Employer reported a liability of \$533,719. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on the County's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017 the Employer's proportion for the County was 0.674730 percent.

For the year ended December 31, 2017 the Employer recognized OPEB expense of \$64,567. At December 31, 2017 the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 13,017
Changes of Assumptions	51,694	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	20,180
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,487	-
Employer Contributions Subsequent to the Measurement Date	63,164	-
Total	\$ 116,345	\$ 33,197

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions Subsequent to the Measurement Date	17,519	-

\$63,164 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

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

2018	\$ 1,243
2019	1,243
2020	1,243
2021	1,243
2022	6,288
2023	6,288
Thereafter	2,436

Actuarial assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, net of investment expenses
Cost of living adjustments	None

STARK COUNTY

Notes to the Financial Statements – Continued

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount rate

The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net OPEB Liability	\$ 668,151	\$ 533,719	\$ 418,487

NOTE 11: CONSTRUCTION COMMITMENTS

The County had three open construction commitments as of December 31, 2017 as follows:

County Project	Amended Contract	Total Completed	Retainage	Remaining Balance	Percent Complete
CBP-0045(16)02	\$ 917,000	\$ -	\$ -	\$ 917,000	0.00%
CBP-0045(16)05	212,822	-	-	212,822	0.00%
Courthouse Addition	6,769,851	6,519,739	298,645	548,757	96.31%
Total	\$ 7,899,673	\$ 6,519,739	\$ 298,645	\$ 1,678,579	82.53%

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 12: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2017:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 4,205,810	\$ -
County Roads - Unorganized	832,000	224,675
Highway Tax Distribution		832,000
Social Services	2,519,848	-
County Poor	-	6,725,658
Capital Improvement	224,675	-
Nonmajor Funds		
24/7 Funds	57,282	-
ESG Funds	-	57,282
Total Transfers	\$ 7,839,615	\$ 7,839,615

Transfers are used to move unrestricted general revenue to close out projects as they are completed, to close out funds, and to subsidize other programs in accordance with County Commission Authority.

NOTE 13: DEFICIT BALANCES

The following funds had deficit cash fund balances, and were also reported as due to other funds on the balance sheet:

	Balance
Sheriff Grants	\$ (1,604)
OT Grant	(1,094)
State Reimbursements	(1,636)
BCI JAG Grant	(19,500)

These deficits will be eliminated with grant reimbursements from other entities or transfers from other funds.

NOTE 14: TAX ABATEMENTS

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

At December 31, 2017, the Dickinson City, Dickinson School, Western Soil assessment district provided tax abatements to individuals and commercial entities within the County in the form of property tax exemptions under the following criteria.

Public Charity Exemption

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

Childhood Services Exemption

Under NDCC §57-02-08(36), the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services or adult daycare may be exempt from taxation.

STARK COUNTY

Notes to the Financial Statements – Continued

Commercial and Residential

Under NDCC §57-02.2-03, commercial and residential property improvements may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements.

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

Program	Reduction in Property Tax Revenue
Public Charity Exemption	\$ 495,131
Childhood Services Exemption	1,718
Commercial and Residential Improvements	5,002
Total Reduction in Property Tax Revenue	\$ 501,851

NOTE 15: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*.

The result of implementing GASB 75 reduced beginning net position of the County, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

Additionally, adjustments to capital assets were necessary for corrections to construction in progress, and infrastructure.

Adjustments to beginning net position are outlined as follows:

Primary Government	Amounts
Beginning Net Position, as previously reported	\$ 89,820,882
Adjustments to restate the January 1, 2017 Net Position:	
Net OBEB Liability	(535,739)
Cost of Capital Assets	945,877
Accumulated Depreciation	(24,425)
Net Position January 1, as restated	\$ 90,206,595

STARK COUNTY

Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 7,381,350	\$ 7,381,350	\$ 7,311,829	\$ (69,521)
Intergovernmental	798,691	798,691	924,609	125,918
Charges for Services	274,000	274,000	620,237	346,237
Licenses, Permits and Fees	278,125	278,125	123,204	(154,921)
Interest Income	220,000	220,000	263,755	43,755
Miscellaneous	138,500	138,500	97,872	(40,628)
Total Revenues	<u>\$ 9,090,666</u>	<u>\$ 9,090,666</u>	<u>\$ 9,341,506</u>	<u>\$ 250,840</u>
EXPENDITURES				
Current				
General Government	\$ 5,211,040	5,211,040	\$ 4,630,023	\$ 581,017
Public Safety	3,113,559	3,113,559	3,008,320	105,239
Health & Welfare	750	750	750	-
Culture and Recreation	326,970	326,970	629,722	(302,752)
Economic Development	132,002	132,002	102,311	29,691
Debt Service				
Principal	-	-	1,537	(1,537)
Total Expenditures	<u>\$ 8,784,321</u>	<u>\$ 8,784,321</u>	<u>\$ 8,372,663</u>	<u>\$ 411,658</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 306,345</u>	<u>\$ 306,345</u>	<u>\$ 968,843</u>	<u>\$ 662,498</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 4,205,810	\$ 4,205,810
Net Change in Fund Balances	<u>\$ 306,345</u>	<u>\$ 306,345</u>	<u>\$ 5,174,653</u>	<u>\$ 4,868,308</u>
Fund Balance - January 1	<u>\$ 14,830,512</u>	<u>\$ 14,830,512</u>	<u>\$ 14,830,512</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 15,136,857</u>	<u>\$ 15,136,857</u>	<u>\$ 20,005,165</u>	<u>\$ 4,868,308</u>

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

STARK COUNTYBudgetary Comparison Schedule - 10 Mill - Farm to Market Road Fund
For the Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,228,405	\$ 2,228,405	\$ 2,118,879	\$ (109,526)
Intergovernmental	140,845	140,845	135,147	(5,698)
Total Revenues	<u>\$ 2,369,250</u>	<u>\$ 2,369,250</u>	<u>\$ 2,254,026</u>	<u>\$ (115,224)</u>
EXPENDITURES				
Current				
Highways & Bridges	<u>\$ 2,127,000</u>	<u>\$ 2,275,532</u>	<u>\$ 2,275,532</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 242,250</u>	<u>\$ 93,718</u>	<u>\$ (21,506)</u>	<u>\$ (115,224)</u>
Fund Balance - January 1	<u>\$ 3,037,458</u>	<u>\$ 3,037,458</u>	<u>\$ 3,037,458</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 3,279,708</u>	<u>\$ 3,131,176</u>	<u>\$ 3,015,952</u>	<u>\$ (115,224)</u>

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

STARK COUNTY

Budgetary Comparison Schedule – County Road - Unorganized Fund
 For the Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,176,100	\$ 1,176,100	\$ 1,119,445	\$ (56,655)
Intergovernmental	950,510	950,510	1,861,858	911,348
Licenses, Permits and Fees	414,000	414,000	329,535	(84,465)
Miscellaneous	30,700	30,700	117,440	86,740
Total Revenues	\$ 2,571,310	\$ 2,571,310	\$ 3,428,278	\$ 856,968
EXPENDITURES				
Current				
Highways & Bridges	\$ 5,252,000	\$ 5,252,000	\$ 4,852,154	\$ 399,846
Debt Service				
Principal	-	-	181,627	(181,627)
Interest	-	-	11,433	(11,433)
Total Expenditures	\$ 5,252,000	\$ 5,252,000	\$ 5,045,214	\$ 206,786
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,680,690)	\$ (2,680,690)	\$ (1,616,936)	\$ 1,063,754
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 832,000	\$ 832,000
Net Change in Fund Balances	\$ (2,680,690)	\$ (2,680,690)	\$ (1,009,611)	\$ 1,671,079
Fund Balance - January 1	\$ 1,262,886	\$ 1,262,886	\$ 1,262,886	\$ -
Fund Balance - December 31	\$ (1,417,804)	\$ (1,417,804)	\$ 253,275	\$ 1,671,079

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

STARK COUNTYBudgetary Comparison Schedule – Highway Tax Distribution Fund
For the Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 3,304,655	\$ 3,304,655	\$ 3,144,623	\$ (160,032)
EXPENDITURES				
Current				
Highways & Bridges	\$ 2,037,348	\$ 2,037,348	\$ 2,005,134	\$ 32,214
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,267,307	\$ 1,267,307	\$ 1,139,489	\$ (127,818)
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ -	\$ -	\$ (832,000)	\$ (832,000)
Net Change in Fund Balances	\$ 1,267,307	\$ 1,267,307	\$ 307,489	\$ (959,818)
Fund Balance - January 1	\$ 5,207,936	\$ 5,207,936	\$ 5,207,936	\$ -
Fund Balance - December 31	\$ 6,475,243	\$ 6,475,243	\$ 5,515,425	\$ (959,818)

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

STARK COUNTY

Budgetary Comparison Schedule – Social Services Fund
 For the Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 676,150	\$ 676,150	\$ 1,045,493	\$ 369,343
EXPENDITURES				
Current				
Health & Welfare	\$ 3,850,189	\$ 3,850,189	\$ 3,643,767	\$ 206,422
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,174,039)	\$ (3,174,039)	\$ (2,598,274)	\$ 575,765
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 2,519,848	\$ 2,519,848
Net Change in Fund Balances	\$ (3,174,039)	\$ (3,174,039)	\$ (78,426)	\$ 3,095,613
Fund Balance - January 1	\$ 90,835	\$ 90,835	\$ 90,835	\$ -
Fund Balance - December 31	\$ (3,083,204)	\$ (3,083,204)	\$ 12,409	\$ 3,095,613

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

STARK COUNTYBudgetary Comparison Schedule – County Poor Fund
For the Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,819,809	\$ 2,819,809	\$ 2,684,627	\$ (135,182)
Intergovernmental	792,530	792,530	389,825	(402,705)
Total Revenues	<u>\$ 3,612,339</u>	<u>\$ 3,612,339</u>	<u>\$ 3,074,452</u>	<u>\$ (537,887)</u>
EXPENDITURES				
Current				
Health & Welfare	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,602,339</u>	<u>\$ 3,602,339</u>	<u>\$ 3,074,452</u>	<u>\$ (527,887)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (3,800,000)	\$ (3,800,000)	\$ (6,725,658)	\$ (2,925,658)
Net Change in Fund Balances	<u>\$ (197,661)</u>	<u>\$ (197,661)</u>	<u>\$ (3,651,206)</u>	<u>\$ (3,453,545)</u>
Fund Balance - January 1	<u>\$ 3,651,206</u>	<u>\$ 3,651,206</u>	<u>\$ 3,651,206</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 3,453,545</u></u>	<u><u>\$ 3,453,545</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (3,453,545)</u></u>

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

STARK COUNTY

Budgetary Comparison Schedule – County Jail Fund
 For the Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,142,000	\$ 2,142,000	\$ 2,118,881	\$ (23,119)
Intergovernmental	112,005	112,005	108,562	(3,443)
Total Revenues	\$ 2,254,005	\$ 2,254,005	\$ 2,227,443	\$ (26,562)
EXPENDITURES				
Current				
Public Safety	\$ 2,127,000	\$ 2,127,000	\$ 1,781,000	\$ 346,000
Excess (Deficiency) of Revenues Over Expenditures	\$ 127,005	\$ 127,005	\$ 446,443	\$ 319,438
Fund Balance - January 1	\$ 675,701	\$ 675,701	\$ 675,701	\$ -
Fund Balance - December 31	<u>\$ 802,706</u>	<u>\$ 802,706</u>	<u>\$ 1,122,144</u>	<u>\$ 319,438</u>

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, 2017

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

Main System	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.578532%	0.583577%	0.558091%	0.547798%
County's proportionate share of the net pension liability (asset)	\$ 9,298,908	\$ 5,687,527	\$ 3,794,924	\$ 3,476,991
County's covered-employee payroll	\$ 5,905,904	\$ 5,881,077	\$ 4,971,918	\$ 4,614,538
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

Law Enforcement System	2017	2016	2015	2014
LEC's proportion of the net pension liability (asset)	4.844673%	5.126838%	6.897293%	8.227919%
LEC's proportionate share of the net pension liability (asset)	\$ 1,066,612	\$ 587,456	\$ 419,046	\$ 509,040
LEC's covered-employee payroll	\$ 1,393,603	\$ 1,447,096	\$ 1,010,899	\$ 1,075,719
LEC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.54%	40.60%	41.45%	47.32%
Plan fiduciary net position as a percentage of the total pension liability	87.23%	98.17%	104.37%	100.61%

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

STARK COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued
 For the Year Ended December 31, 2017

Schedule of Employer Contributions
ND Public Employee's Retirement System
Last 10 Fiscal Years

Main System	2017	2016	2015	2014
Statutory required contribution	\$ 428,250	\$ 425,781	\$ 377,657	\$ 328,555
Contributions in relation to the statutory required contribution	\$ 431,014	\$ 446,487	\$ 379,909	\$ 328,555
Contribution deficiency (excess)	\$ (2,764)	\$ (20,706)	\$ (2,252)	\$ -
County's covered-employee payroll	\$ 6,118,672	\$ 6,026,257	\$ 5,731,191	\$ 5,200,620
Contributions as a percentage of covered-employee payroll	7.04%	7.41%	6.63%	6.32%

Law Enforcement System	2017	2016	2015	2014
Statutory required contribution	\$ 145,599	\$ 122,229	\$ 109,179	\$ 105,528
Contributions in relation to the statutory required contribution	\$ 151,165	\$ 154,250	\$ 130,443	\$ 105,528
Contribution deficiency (excess)	\$ (5,566)	\$ (32,021)	\$ (21,264)	\$ -
LEC's covered-employee payroll	\$ 1,443,809	\$ 1,482,819	\$ 1,165,276	\$ 1,212,344
Contributions as a percentage of covered-employee payroll	10.47%	10.40%	11.19%	8.70%

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

STARK COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2017

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

Main System	2017
County's proportion of the net OPEB liability (asset)	0.674730%
County's proportionate share of the net OPEB liability (asset)	\$ 533,719
County's covered-employee payroll	\$ 7,299,507
County's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

Main System	2017
Statutory required contribution	\$ 84,852
Contributions in relation to the statutory required contribution	\$ 86,572
Contribution deficiency (excess)	\$ (1,720)
County's covered-employee payroll	\$ 6,118,672
Contributions as a percentage of covered-employee payroll	1.41%

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

STARK COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The County commission adopts an appropriated budget on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The County auditor prepares an annual budget for the general fund and each special revenue fund of the County. 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: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3: CHANGES OF ASSUMPTIONS

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2017. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NOTE 4: BUDGET TO ACTUAL RECONCILIATION

The County entered into a loan for a 2018 Western Star Tractor in 2017. The capital lease financing and corresponding expenditures were reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds, but were not reported on the budgetary comparison schedule in the unorganized road fund. The County didn't budget for these funds and these transactions were not recorded on the County's general ledger. The differences are as follows:

	Combined Statement	Adjustment	Budget to Actual
County Road - Unorganized			
Expenditures	\$ 5,158,034	\$ (112,820)	\$ 5,045,214
Loan Proceeds	112,820	(112,820)	-

STARK COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 5: LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The Board of County Commissioners approved the following amendments to the County budget for the year ended December 31, 2017:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Major Funds			
10 Mill - Farm to Market Road	\$ 2,127,000	\$ 148,532	2,275,532
Non-Major Funds			
Veteran's Service Officer	115,204	1,599	116,803
Weed Control	467,861	75,003	542,864
Fingerprint Station	2,000	2,520	4,520
Security Reimbursement	2,500	268	2,768
SW Victim Witness	85,000	11,040	96,040
State Reimbursement	5,000	4	11,484
Siren Contingency	15,000	10,890	25,890
24/7 Fund	-	39,571	39,571

STARK COUNTY

Schedule of Fund Activity - Cash Basis For the Year Ended December 31, 2017

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
Major Funds						
General Fund	\$ 15,705,684.61	\$ 9,209,084.76	\$ 4,205,810.46	\$ -	\$ 8,408,778.20	\$ 20,711,801.63
Farm to Market Road - 10 Mill	3,291,530.43	2,262,894.43			2,275,532.38	3,278,892.48
County Roads - Unorganized	1,117,412.39	3,614,535.38	832,000.00	224,674.80	4,967,919.90	371,353.07
Highway Tax Distribution	4,940,205.49	3,107,839.32	-	832,000.00	2,012,854.90	5,203,189.91
County Jail	935,748.84	2,236,570.33	-	-	1,662,384.23	1,509,934.94
Social Services	12,914.27	1,109,907.24	2,519,847.91	-	3,642,669.42	-
County Poor	3,899,331.35	2,826,327.02	-	6,725,658.37	-	-
Capital Improvement	6,505,863.71	3,706,958.86	224,674.80	-	5,686,570.96	4,750,926.41
Total Major Funds	\$ 36,408,691.09	\$ 28,074,117.34	\$ 7,782,333.17	\$ 7,782,333.17	\$ 28,656,709.99	\$ 35,826,098.44
Non-Major Funds						
Special Revenue Funds						
Special Road & Bridge	\$ 1,092,081.11	\$ 356,199.87	\$ -	\$ -	\$ 129,360.45	\$ 1,318,920.53
Emergency Fund	477,206.82	11,151.66	-	-	6,899.70	481,458.78
Veterans Service Officer	712,020.90	325,601.31	-	-	116,803.00	920,819.21
County Agent	1,194,483.28	459,859.16	-	-	121,046.81	1,533,295.63
Weed Control	298,045.33	511,215.25	-	-	596,698.76	212,561.82
Emergency 911	139,558.67	323,495.68	-	-	337,192.14	125,862.21
Adult Education	10,092.93	1,291.16	-	-	1,732.81	9,651.28
Asset Forfeiture	21,770.40	-	-	-	-	21,770.40
Fingerprint Station	17,522.75	2,030.00	-	-	4,520.00	15,032.75
Sheriffs Grants	(19,773.97)	31,969.73	-	-	13,800.73	(1,604.97)
OT Grant	-	-	-	-	1,093.42	(1,093.42)
Security Transfer/DJS Reimburse.	207.94	2,559.60	-	-	2,767.54	-
Southwest Victim Witness Prog.	27,352.29	100,366.47	-	-	96,040.49	31,678.27
Hazardous Chem. Preparedness	35,355.16	9,300.00	-	-	538.20	44,116.96
Preservation Fee	270,195.54	46,447.50	-	-	9,382.89	307,260.15
State Reimbursements	(600.00)	3,967.95	-	-	5,003.64	(1,635.69)
Siren Contingency	24,872.92	14,072.43	-	-	25,889.69	13,055.66
24/7 Fund	-	49,677.00	57,281.80	-	39,571.10	67,387.70
ESG Funds	85,345.68	225,334.36	-	57,281.80	248,887.50	4,510.74
BCI Asset Forfeiture	-	37,694.89	-	-	37,694.89	-
BCI JAG Grant	-	-	-	-	19,500.00	(19,500.00)
911 Equipment	140,957.96	62,189.21	-	-	45,550.31	157,596.86
SIRN	-	72,431.75	-	-	55,186.75	17,245.00
Discovery Benefits	-	2,444.34	-	-	-	2,444.34
Tax Overpayments	-	8.34	-	-	-	8.34
Total Non-Major	\$ 4,526,695.71	\$ 2,649,307.66	\$ 57,281.80	\$ 57,281.80	\$ 1,915,160.82	\$ 5,260,842.55
Total Government Funds	\$ 40,935,386.80	\$ 30,723,425.00	\$ 7,839,614.97	\$ 7,839,614.97	\$ 30,571,870.81	\$ 41,086,940.99

Continued on next page...

STARK COUNTY
Schedule of Fund Activity - Cash Basis - Continued

Continued...

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
Agency Funds						
Fair Board	\$ 112.39	\$ -	\$ -	\$ -	\$ 112.39	\$ -
Domestic Violence Prevention	420.00	3,360.00	-	-	3,325.00	455.00
Estimate Tax	11,929.94	68,776.52	-	-	59,020.07	21,686.39
Protest Fund	1,854.11	448,476.92	-	-	450,331.03	-
DVRCC	-	4,242.89	-	-	4,242.89	-
Judgement Execution Fund	(150.31)	116,991.12	-	-	116,840.81	-
BCI- Tack Force	(155,761.49)	296,881.45	-	-	200,053.40	(58,933.44)
Vector Control	23,437.35	10,165.41	-	-	33,461.14	141.62
Stark County Job Development	28,518.80	216,493.94	-	-	215,265.63	29,747.11
Senior Citizens	28,350.07	410,059.53	-	-	408,732.24	29,677.36
Water Commission	-	11,062.28	-	-	11,062.28	-
Southwest District Health	92,735.35	764,581.44	-	-	746,883.18	110,433.61
State Tax	28,350.07	213,704.19	-	-	212,375.74	29,678.52
SW Water Authority	28,350.07	225,327.77	-	-	223,999.20	29,678.64
Library	37,801.45	351,760.54	-	-	348,419.90	41,142.09
Airport	9,450.38	80,804.33	-	-	79,969.28	10,285.43
Total Cities	1,009,778.49	7,548,150.69	-	-	7,526,343.70	1,031,585.48
Total Parks	223,142.61	1,645,921.56	-	-	1,607,149.94	261,914.23
Total School Districts	2,552,038.56	19,601,088.80	-	-	19,062,132.60	3,090,994.76
Richardton-Taylor Ambulance	13,489.56	117,784.72	-	-	112,350.31	18,923.97
New England Ambulance	5,175.65	17,157.48	-	-	18,265.65	4,067.48
Soil Conservation District	28,353.57	225,355.09	-	-	224,029.13	29,679.53
Total Rural Fire Prot. Districts	94,200.22	874,559.65	-	-	864,893.89	103,865.98
Payroll Deduction	43,057.58	5,565,166.93	-	-	5,453,057.84	155,166.67
Total Agency Funds	\$ 4,104,634.42	\$ 38,817,873.25	\$ -	\$ -	\$ 37,982,317.24	\$ 4,940,190.43
Total Primary Government	\$ 45,040,021.22	\$ 69,541,298.25	\$ 7,839,614.97	\$ 7,839,614.97	\$ 68,554,188.05	\$ 46,027,131.42

STARK COUNTY

Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2017

CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF JUSTICE			
Passed Through State's Association of Counties:			
16.738	Edward Byrne Memorial Justice Assistance Grant Program	N/A	\$ <u>27,705</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Human Services:			
93.556	Promoting Safe and Stable Families	N/A	\$ 41,223
93.558	Temporary Assistance for Needy Families	N/A	366,827
93.563	Child Support Enforcement	N/A	12,000
93.575	Child Care and Development Block Grant	N/A	588
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	N/A	13,456
93.643	Children's Justice Grants to States	N/A	230
93.645	Stephanie Tubbs Jones Child Welfare Services Program	N/A	4,888
93.658	Foster Care-Title IV-E	N/A	227,934
93.659	Adoption Assistance	N/A	2,945
93.994	Maternal and Child Health Services Block Grant to the States	N/A	<u>3,957</u>
Total U.S. Department of Health and Human Services			\$ <u>674,048</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through State Department of Emergency Services:			
97.012	Boating Safety Financial Assistance	N/A	\$ 2,500
97.042	Emergency Management Performance Grants	N/A	<u>64,131</u>
Total U.S. Department of Homeland Security			\$ <u>66,631</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through State Highway Department:			
20.616	National Priority Safety Programs	N/A	\$ <u>13,833</u>
Total Expenditures of Federal Awards			\$ <u><u>782,217</u></u>

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

STARK COUNTY

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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, 2017. 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.

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



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

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

**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, 2017, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated January 15, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *summary of auditor's results, findings, and questioned costs* as items 2017-001 and 2017-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *summary of auditor's results, findings, and questioned costs* as item 2017-003 to be a significant deficiency.

STARK COUNTY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stark County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *summary of auditor's results, findings, and questioned costs* as item 2017-003.

Stark County's Response to Findings

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

Purpose of this Report

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 15, 2019

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



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

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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS 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

We have audited Stark County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Stark County's major federal program for the year ended December 31, 2017. Stark County's major federal program is identified in the summary of auditor's results section of the accompanying summary of auditor's results, findings, and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Stark County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stark County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Stark County's compliance.

Opinion on Each Major Federal Program

In our opinion, Stark County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

STARK COUNTY

Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance – Continued

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Stark County as of and for the year ended December 31, 2017, and have issued our report thereon dated January 15, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 15, 2019

STARK COUNTY

Summary of Auditor's Results, Findings, and Questioned Costs
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting

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

Federal Awards

Internal Control Over Major Programs

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

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families

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

Auditee qualified as low-risk auditee? Yes X No

STARK COUNTY

Summary of Auditor’s Results, Findings, and Questioned Costs – Continued

Section II - Financial Statement Findings

2017-001 – FINANCIAL STATEMENT PREPARATION

Condition

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

Criteria

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

Cause

This deficiency is due to limited resources coupled with the fact that Stark County may not know how to prepare basic financial statements that comply with GAAP. Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

Effect

Stark County's management is aware of the deficiency and addresses it by recording the underlining trial balance, as well as reviewing and approving the adjusting journal entries. However, as of December 31, 2017, SAO assisted management with preparation of the financial statements.

Recommendation

We recognize Stark County is not staffed with personnel fully knowledgeable of GAAP. However, it is important that they are aware of this weakness and that management accepts responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP, even if the auditor assisted in drafting those financial statements.

Stark County's Response

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

2017-002 – ADJUSTING JOURNAL ENTRIES

Condition

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

Criteria

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

Cause

Management of Stark County does not have adequate resources to obtain proper internal controls and training to ensure fair presentation of the Stark County's financial statements in accordance with GAAP.

STARK COUNTY

Summary of Auditor’s Results, Findings, and Questioned Costs – Continued

Effect

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

Recommendation

We recognize Stark County is not staffed with personnel fully knowledgeable of GAAP. However, it is important that they are aware of this weakness and that management accepts responsibility for the audit adjustments.

Stark County’s Response

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

2017-003 – ADVERTISED BIDDING OF ROAD EQUIPMENT

Condition

Stark County purchased two pieces of road equipment that were not advertised for bids in accordance with state law.

Effect

Non-compliance with NDCC §24-05-04(2).

Cause

Stark County management did not realize these assets required bidding.

Criteria

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

Recommendation

We recommend Stark County properly advertise bids for any road machinery which exceeds \$50,000 in accordance with NDCC §24-05-04(2).

Views of Responsible Officials

We agree with the recommendation. The county will properly bid equipment over \$50,000.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



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

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITAL
600 E. BOULEVARD AVENUE – DEPT 117
BISMARCK, NORTH DAKOTA 58505

GOVERNANCE COMMUNICATION

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, 2017 which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated January 15, 2019. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated August 1, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Stark County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2017. Application of existing policies was not changed during the year ended December 31, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

STARK COUNTY

Governance Communication - Continued

Corrected and Uncorrected Misstatements

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

AUDIT ADJUSTMENTS - PRIMARY GOVERNMENT			
Modified Accrual Adjustments			
Intergovernmental Receivable	\$	1,490,056	
Accounts Receivable		47,831	
Revenue			\$ 1,537,887
Revenue		1,827,595	
Prepaid Taxes - Client Adj.			1,827,595
Expenditures		848,867	
Accounts Payable			698,616
Salaries Payable			37,431
Capital Lease Financing			112,820
Government Wide Adjustments			
Capital Assets	\$	112,820	
Net Position			\$ 112,820
Accumulated Depreciation		22,564	
Expense			22,564

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 January 15, 2019.

Management Consultations with Other Independent Accountants

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

STARK COUNTY

Governance Communication - Continued

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

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

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 15, 2019

You may obtain audit reports on the internet at:

www.nd.gov/auditor/

or by contacting the
Division of Local Government Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

(701) 328-2220