

**OFFICE OF  
STATE AUDITOR**

**AUDIT REPORT**

**STARK COUNTY  
DICKINSON, NORTH DAKOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2011**



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STARK COUNTY  
Dickinson, North Dakota

TABLE OF CONTENTS  
For the Year Ended December 31, 2011

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	<u>Pages</u>
County Officials	1
Independent Auditor's Report	2 - 3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6 - 7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9 - 10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	11
Statement of Fiduciary Assets and Liabilities	12
Notes to the Financial Statements	13 - 26
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedules	
General Fund	27
Farm to Market Road Fund	28
Unorganized Road and Bridge Fund	29
Highway Tax Distribution Fund	30
Social Service Fund	31
County Poor Fund	32
Capital Improvement Fund	33
County Park Fund	34
County Jail Fund	35
Notes to the Required Supplementary Information	36
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Fund Activity	37 - 38
Schedule of Expenditures of Federal Awards	39 - 40
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	41 - 42
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	43 - 44
Schedule of Findings and Questioned Costs	45 - 46

STARK COUNTY  
Dickinson, North Dakota

**COUNTY OFFICIALS**

At December 31, 2011

Ken Zander  
Russ Hoff  
Duane Wolf  
Jay Elkin  
Pete Kuntz

Commissioner - Chairman  
Commissioner - Vice Chairman  
Commissioner  
Commissioner  
Commissioner

Kay Haag  
Clarence Tuhy  
RaeDeen Weinberger  
Tom Henning

Auditor/Treasurer  
Sheriff  
Recorder  
State's Attorney

STATE AUDITOR

ROBERT R. PETERSON  
Phone (701) 328-2241  
Fax (701) 328-1406



Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Stark County  
Dickinson, North Dakota

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and aggregate remaining fund information of Stark County, Dickinson, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Stark County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County, Dickinson, North Dakota, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2012, on our consideration of Stark County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 27 through 35 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. 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.

**STARK COUNTY**

Independent Auditor's Report - Continued

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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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stark County's basic financial statements. The schedule of fund activity arising from cash transactions and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are 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 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 fund activity arising from cash transactions is not fairly stated in all material respects in relation to the financial statements taken as a whole. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.



Robert R. Peterson  
State Auditor

August 22, 2012

STARK COUNTY  
Dickinson, North Dakota

STATEMENT OF NET ASSETS  
December 31, 2011

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Fair Board
<b>ASSETS:</b>			
Cash and Investments	\$15,694,890	\$ 458,263	\$ 163,647
Taxes Receivable	72,811	-	616
Accounts Receivable	63,975	-	-
Intergovernmental Receivable	919,764	-	-
Capital Assets (not being depreciated):			
Land	129,393	-	108,000
Construction in Progress	645,052	-	-
Capital Assets (being depreciated):			
Buildings	7,047,962	-	-
Machinery and Vehicles	2,839,762	-	-
Furniture and Equipment	342,214	-	-
Infrastructure	5,245,454	-	-
Total Capital Assets	<u>\$16,249,837</u>	<u>\$ -</u>	<u>\$ 108,000</u>
Total Assets	<u>\$33,001,277</u>	<u>\$ 458,263</u>	<u>\$ 272,263</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 506,791	\$ -	\$ -
Unearned Revenue	2,370,337	-	-
Interest Payable	5,565	-	-
Salaries and Benefits Payable	-	377	-
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	153,018	-	-
Compensated Absences Payable	32,163	-	-
Due After One Year:			
Capital Leases Payable	1,243,167	-	-
Compensated Absences Payable	289,466	-	-
Total Liabilities	<u>\$ 4,600,507</u>	<u>\$ 377</u>	<u>\$ -</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$14,853,652	\$ -	\$ -
Restricted for:			
Public Safety	575,127	-	-
Highways	6,121,230	-	-
Health and Welfare	622,317	-	-
Culture and Recreation	3,033,476	-	272,263
Conservation of Natural Resources	330,830	457,886	-
Emergencies	409,120	-	-
Economic Development	6,600	-	-
Unrestricted	2,448,418	-	-
Total Net Assets	<u>\$28,400,770</u>	<u>\$ 457,886</u>	<u>\$ 272,263</u>

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

STARK COUNTY  
Dickinson, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Units Water Resource District	Fair Board
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	\$ 2,478,457	\$ 1,287,415	\$ 11,124	\$ (1,179,918)		
Public Safety	2,660,961	463,010	394,284	(1,803,667)		
Highways	7,011,060	397,477	5,147,834	(1,465,749)		
Health and Welfare	2,934,026	-	1,115,101	(1,818,925)		
Culture and Recreation	56,178	120	-	(56,058)		
Conserv. of Natural Resources	441,835	-	-	(441,835)		
Economic Development	63,080	9,299	-	(53,781)		
Capital Outlay	377,773	-	-	(377,773)		
Interest & Service Charges	62,965	-	-	(62,965)		
<b>Total Primary Government</b>	<b>\$ 16,086,335</b>	<b>\$ 2,157,321</b>	<b>\$ 6,668,343</b>	<b>\$ (7,260,671)</b>		
<u>Component Units:</u>						
Water Resource District	\$ 9,113	\$ -	\$ -	\$ (9,113)	\$ -	
Fair Board	71,182	17,002	-	-	(54,180)	
<b>Total Component Units</b>	<b>\$ 80,295</b>	<b>\$ 17,002</b>	<b>\$ -</b>	<b>\$ (9,113)</b>	<b>\$ (54,180)</b>	
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes				\$ 1,476,903	\$ -	\$ -
Property taxes; levied for special purposes				4,792,994	9,878	98,195
State aid & grants not restricted to specific programs:						
Nonrestricted State Grants and Contributions				2,184,206	-	-
Unrestricted investment earnings				179,958	4,322	216
Miscellaneous revenue				434,503	805	1,250
<b>Total General Revenues</b>				<b>\$ 9,068,564</b>	<b>\$ 15,005</b>	<b>\$ 99,661</b>
<b>Change in Net Assets</b>				<b>\$ 1,807,893</b>	<b>\$ 5,892</b>	<b>\$ 45,481</b>
Net Assets - January 1				\$ 21,250,144	\$ 451,994	\$ 226,782
Prior Period Adjustment				5,342,733	-	-
<b>Net Assets - January 1 - as restated</b>				<b>\$ 26,592,877</b>	<b>\$ 451,994</b>	<b>\$ 226,782</b>
<b>Net Assets - December 31</b>				<b>\$ 28,400,770</b>	<b>\$ 457,886</b>	<b>\$ 272,263</b>

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

STARK COUNTY  
Dickinson, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	Social Services	County Poor
<u>ASSETS</u>						
Cash and Investments	\$ 1,931,096	\$ 1,676,204	\$ 169,722	\$ 2,114,225	\$ 57,523	\$ 1,001,978
Taxes Receivable	16,673	7,250	7,521	-	-	19,400
Accounts Receivable	-	33,093	-	-	-	-
Intergovernmental Receivable	201,506	27,559	50,599	297,737	42,522	115,308
Due From Other Funds	25,944	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 2,175,219</b>	<b>\$ 1,744,106</b>	<b>\$ 227,842</b>	<b>\$ 2,411,962</b>	<b>\$ 100,045</b>	<b>\$ 1,136,686</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts Payable	\$ 69,876	\$ -	\$ 436,915	\$ -	\$ -	\$ -
Due To Other Funds	-	-	-	-	-	-
Unearned Revenue	589,787	256,322	176,336	-	-	589,793
Deferred Revenue	16,673	7,250	7,521	-	-	19,400
<b>Total Liabilities</b>	<b>\$ 676,336</b>	<b>\$ 263,572</b>	<b>\$ 620,772</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 609,193</b>
<u>Fund Balances:</u>						
Restricted For:						
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and bridges	-	1,480,534	-	2,411,962	-	-
Health and welfare	-	-	-	-	100,045	527,493
Culture and recreation	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Emergency	-	-	-	-	-	-
Unassigned	1,498,883	-	(392,930)	-	-	-
<b>Total Fund Balances</b>	<b>\$ 1,498,883</b>	<b>\$ 1,480,534</b>	<b>\$ (392,930)</b>	<b>\$ 2,411,962</b>	<b>\$ 100,045</b>	<b>\$ 527,493</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,175,219</b>	<b>\$ 1,744,106</b>	<b>\$ 227,842</b>	<b>\$ 2,411,962</b>	<b>\$ 100,045</b>	<b>\$ 1,136,686</b>

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

Capital Improvement	County Park	County Jail	Other Governmental Funds	Total Governmental Funds
\$ 2,148,367	\$ 3,045,543	\$ 245,752	\$ 3,304,480	\$ 15,694,890
-	323	7,250	14,394	72,811
-	-	-	30,882	63,975
50,599	-	-	133,934	919,764
-	-	-	-	25,944
<u>\$ 2,198,966</u>	<u>\$ 3,045,866</u>	<u>\$ 253,002</u>	<u>\$ 3,483,690</u>	<u>\$ 16,777,384</u>

\$ -	\$ -	\$ -	\$ -	\$ 506,791
-	-	-	25,944	25,944
-	12,391	256,320	489,388	2,370,337
-	323	7,250	14,394	72,811
<u>\$ -</u>	<u>\$ 12,714</u>	<u>\$ 263,570</u>	<u>\$ 529,726</u>	<u>\$ 2,975,883</u>

\$ -	\$ -	\$ -	\$ 1,035,607	\$ 1,035,607
-	-	-	575,205	575,205
2,198,966	-	-	520,768	6,612,230
-	-	-	85,673	713,211
-	3,033,152	-	-	3,033,152
-	-	-	331,135	331,135
-	-	-	6,600	6,600
-	-	-	409,120	409,120
-	-	(10,568)	(10,144)	1,085,241
<u>\$ 2,198,966</u>	<u>\$ 3,033,152</u>	<u>\$ (10,568)</u>	<u>\$ 2,953,964</u>	<u>\$ 13,801,501</u>
<u>\$ 2,198,966</u>	<u>\$ 3,045,866</u>	<u>\$ 253,002</u>	<u>\$ 3,483,690</u>	<u>\$ 16,777,384</u>

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STARK COUNTY  
Dickinson, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
December 31, 2011

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Total *Fund Balances* for Governmental Funds \$ 13,801,501

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

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

Cost of Capital Assets	\$ 34,144,046	
Less Accumulated Depreciation	<u>(17,894,209)</u>	
Net Capital Assets		16,249,837

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 revenues in the funds. 72,811

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net assets. Balances at December 31, 2011 are:

Capital Leases Payable	\$ (1,396,185)	
Interest Payable	(5,565)	
Compensated Absences	<u>(321,629)</u>	
Total Long-Term Liabilities		<u>(1,723,379)</u>

Total Net Assets of Governmental Activities \$ 28,400,770

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

STARK COUNTY  
Dickinson, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	Social Services	County Poor
<b>Revenues:</b>						
Taxes	\$ 1,481,362	\$ 636,363	\$ 549,850	\$ -	\$ -	\$ 1,728,083
Intergovernmental	466,292	173,799	2,455,594	2,410,595	1,066,709	457,370
Charges for Services	544,248	-	220,715	-	-	-
Licenses, Permits and Fees	718,887	-	176,761	-	-	-
Interest Income	129,014	-	-	-	-	-
Miscellaneous	45,060	-	335	-	-	-
<b>Total Revenues</b>	<b>\$ 3,384,863</b>	<b>\$ 810,162</b>	<b>\$ 3,403,255</b>	<b>\$ 2,410,595</b>	<b>\$ 1,066,709</b>	<b>\$ 2,185,453</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	\$ 1,352,531	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	1,356,090	-	-	-	-	-
Highways and Bridges	-	828,343	4,838,265	1,082,347	-	-
Health and Welfare	-	-	-	-	2,597,615	343,173
Culture and Recreation	-	-	-	-	-	-
Conserv. of Natural Resources	-	-	-	-	-	-
Economic Development	63,080	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
<b>Debt Service:</b>						
Principal	5,446	-	44,654	-	-	-
Interest	-	-	5,522	-	-	-
<b>Total Expenditures</b>	<b>\$ 2,777,147</b>	<b>\$ 828,343</b>	<b>\$ 4,888,441</b>	<b>\$ 1,082,347</b>	<b>\$ 2,597,615</b>	<b>\$ 343,173</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 607,716</b>	<b>\$ (18,181)</b>	<b>\$ (1,485,186)</b>	<b>\$ 1,328,248</b>	<b>\$ (1,530,906)</b>	<b>\$ 1,842,280</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In	\$ -	\$ -	\$ 885,714	\$ -	\$ 1,475,000	\$ -
Transfers Out	(105,395)	-	-	(885,714)	-	(1,475,000)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (105,395)</b>	<b>\$ -</b>	<b>\$ 885,714</b>	<b>\$ (885,714)</b>	<b>\$ 1,475,000</b>	<b>\$ (1,475,000)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 502,321</b>	<b>\$ (18,181)</b>	<b>\$ (599,472)</b>	<b>\$ 442,534</b>	<b>\$ (55,906)</b>	<b>\$ 367,280</b>
Fund Balance - January 1	\$ 996,562	\$ 1,498,715	\$ 206,542	\$ 1,969,428	\$ 155,951	\$ 160,213
<b>Fund Balance - December 31</b>	<b>\$ 1,498,883</b>	<b>\$ 1,480,534</b>	<b>\$ (392,930)</b>	<b>\$ 2,411,962</b>	<b>\$ 100,045</b>	<b>\$ 527,493</b>

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

Capital Improvement	County Park	County Jail	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 30,560	\$ 636,363	\$ 1,224,960	\$ 6,287,541
1,043,784	9,849	73,042	695,515	8,852,549
	-	-	436,004	1,200,967
	-	-	60,704	956,352
	50,944	-	-	179,958
	5,051	-	384,058	434,504
<u>\$ 1,043,784</u>	<u>\$ 96,404</u>	<u>\$ 709,405</u>	<u>\$ 2,801,241</u>	<u>\$ 17,911,871</u>
\$ -	\$ -	\$ -	\$ 1,075,152	\$ 2,427,683
-	-	839,341	563,084	2,758,515
-	-	-	236,544	6,985,499
-	-	-	-	2,940,788
-	50,127	-	-	50,127
-	-	-	441,835	441,835
-	-	-	-	63,080
987,619	-	-	-	987,619
31,221	-	-	67,823	149,144
20,724	-	-	38,475	64,721
<u>\$ 1,039,564</u>	<u>\$ 50,127</u>	<u>\$ 839,341</u>	<u>\$ 2,422,913</u>	<u>\$ 16,869,011</u>
\$ 4,220	\$ 46,277	\$ (129,936)	\$ 378,328	\$ 1,042,860
\$ -	\$ -	\$ 78,395	\$ 27,000	\$ 2,466,109
-	-	-	-	(2,466,109)
\$ -	\$ -	\$ 78,395	\$ 27,000	\$ -
\$ 4,220	\$ 46,277	\$ (51,541)	\$ 405,328	\$ 1,042,860
<u>\$ 2,194,746</u>	<u>\$ 2,986,875</u>	<u>\$ 40,973</u>	<u>\$ 2,548,636</u>	<u>\$ 12,758,641</u>
<u>\$ 2,198,966</u>	<u>\$ 3,033,152</u>	<u>\$ (10,568)</u>	<u>\$ 2,953,964</u>	<u>\$ 13,801,501</u>

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STARK COUNTY  
Dickinson, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

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Net Change in *Fund Balances* - Total Governmental Funds \$ 1,042,860

Amounts reported for governmental activities in the statement of activities are 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 the capital contribution and capital outlays exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 1,574,446	
Current Year Depreciation Expense	<u>(923,833)</u>	650,613

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Loss on Disposals of Capital Assets		(23,706)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of the repayment debt exceeded lease issuance.

Repayment of Capital Leases		149,144
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences	\$ 4,869	
Net Change in Interest Payable	<u>1,756</u>	6,625

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 net change in taxes receivable.

(17,643)

Change in Net Assets of Governmental Activities		<u>\$ 1,807,893</u>
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The notes to the financial statements are an integral part of this statement.

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STARK COUNTY  
Dickinson, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
December 31, 2011

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	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 5,683,779</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>\$ 5,683,779</u>

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

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STARK COUNTY  
Dickinson, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Stark County, Dickinson, North Dakota, 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 Stark 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 Stark 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 Stark 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 either as blended component units or as discretely presented component units.

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

Stark County Water Resource District: The Stark County 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. Complete financial statements for this component unit can be obtained from: Stark County Water Resource District, 780 11<sup>th</sup> Avenue West, Dickinson ND, 58601.

Stark County Fair Board: The Stark County Fair Board governing board is appointed by the county's governing body. The county's governing body has the authority to disapprove, amend, or approve the fair board budget. Complete financial statements for this component unit can be obtained from: Stark County Fair Board, 805 13<sup>th</sup> Street E, Dickinson ND, 58601.

**B. Basis of Presentation**

*Government-wide statements:* The statement of net assets and the statement of activities display information about the primary government, Stark County and its component unit, Stark County Water Resource District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with 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.

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

The County reports the following major governmental funds:

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

*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 Service 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.

*Capital Improvement Fund.* This fund accounts for various larger capital type improvements to county property and buildings financed from restricted grants/reimbursements.

*County Park Fund.* This fund accounts for all financial resources related to the County Park. Restricted grants/reimbursements and tax levies are revenue sources in this fund.

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

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. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

#### D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the year ended December 31, 2011 consist of certificates of deposit stated at fair value.

#### E. Capital Assets

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

**STARK COUNTY**

Notes to the Financial Statements – Continued

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

Land	Indefinite
Buildings	25 to 75
Vehicles and Machinery	5 to 15
Infrastructure	40
Furniture and Equipment	5 to 20 years

F. Compensated Absences

Full time nonsocial service employees are granted vacation benefits from 12 to 24 days per year, 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 one day per month. 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 Obligations

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

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

H. 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.

I. Fund Balances / Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

**STARK COUNTY**

## Notes to the Financial Statements – Continued

***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.

***Major Special Revenue Fund Purposes & Revenue Sources:***

Purposes and major revenue sources of the major special revenue funds (highway tax distribution, social services, county poor, county road unorganized, 10 mill farm to market road, county park, county jail, and capital improvement fund) are disclosed in more detail in Note 1B.

***GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions***

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

**STARK COUNTY**

## Notes to the Financial Statements – Continued

Stark County only has restricted and unassigned fund balances at December 31, 2011.

Restricted Fund Balances – consist of the following items at December 31, 2011:

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3<sup>rd</sup> parties (State & Federal governments for various grants & reimbursements).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
  - Restricted grants/reimbursements – primarily includes FEMA funds, other grant funds, and highway tax distribution.

Net Assets Equity:

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.

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

Net assets equity in the statement of net assets is shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

**NOTE 2: LEGAL COMPLIANCE - BUDGETS**BUDGET AMENDMENTS

The board of county commissioners approved the following amendments to the county budget for the year ended December 31, 2011:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds</u>			
Farm to Market Road	\$ 663,700	\$ 200,122	\$ 863,822
Unorganized Road & Bridge	1,479,000	3,053,203	4,532,203
County Poor	1,560,025	258,148	1,818,173
Capital Improvement	805,157	234,407	1,039,564
County Park	31,890	18,237	50,127
Jail Fund	704,253	17,123	721,376
<u>Special Revenue Funds:</u>			
Special Road & Bridge	100,000	67,182	167,182
Adult Education	8,000	980	8,980
Victim Witness/Domestic Violence	6,000	2,085	8,085
Sheriff's Grants	10,000	182,884	192,884
Special Assessments	300	48,200	48,500
SW Victim Witness	60,000	7,804	67,804
Hazardous Chemicals	2,000	6,526	8,526
DVRR	6,000	2,401	8,401

## STARK COUNTY

### Notes to the Financial Statements – Continued

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#### NOTE 3: DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial 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, 2011, the county's carrying amount of deposits was \$19,764,268 and the bank balances totaled \$19,961,234. Of the bank balances, \$1,000,001 was covered by Federal Depository Insurance. The remaining bank balances totaling \$18,961,233 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2011, the fair board and water resource district's bank balances were adequately covered by Federal Depository Insurance.

#### Credit Risk:

The county and its component units 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, 2011, the county had certificates of deposit totaling \$7,450,000 and the water resource district had certificates of deposit totaling \$414,000.

#### Concentration of Credit Risk:

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

#### NOTE 4: TAXES RECEIVABLE

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

**STARK COUNTY**

## Notes to the Financial Statements – Continued

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

**NOTE 5: ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due for fees and services provided.

**NOTE 6: INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various welfare, sheriff, and emergency management programs. These amounts consist of a mix of State and Federal dollars.

**NOTE 7: DUE TO / FROM OTHER FUNDS**

The due to other funds reported in the other governmental funds represent the amount of negative cash at year-end that was covered by the general fund (\$25,944) in the sheriff's grant fund (\$25,966) and the state reimbursement fund (\$278).

**NOTE 8: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2011:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Adjustments</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>						
Land	\$ 129,393	\$ -	\$ -	\$ -	\$ -	\$ 129,393
Construction in Progress	112,039	(216)	945,809	-	(412,581)	645,051
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 241,432</b>	<b>\$ (216)</b>	<b>\$ 945,809</b>	<b>\$ -</b>	<b>\$(412,581)</b>	<b>\$ 774,444</b>
<i>Capital assets, being depreciated:</i>						
Buildings	\$ 9,211,872	\$ -	\$ 71,427	\$ -	\$ 278,754	\$ 9,562,053
Equipment	1,635,444	-	32,702	-	-	1,668,146
Vehicles	5,151,006	-	524,508	(291,697)	-	5,383,817
Infrastructure	-	16,621,759	-	-	133,827	16,755,586
<b>Total Capital Assets, Being Depreciated</b>	<b>\$15,998,322</b>	<b>\$16,621,759</b>	<b>\$ 628,637</b>	<b>\$(291,697)</b>	<b>\$ 412,581</b>	<b>\$33,369,602</b>
<i>Less accumulated depreciation for:</i>						
Buildings	\$ 2,353,268	\$ -	\$ 160,823	\$ -	\$ -	\$ 2,514,091
Equipment	1,192,885	-	133,047	-	-	1,325,932
Vehicles	2,413,405	-	398,642	(267,991)	-	2,544,056
Infrastructure	-	11,278,809	231,321	-	-	11,510,130
<b>Total Accumulated Depreciation</b>	<b>\$ 5,959,558</b>	<b>\$11,278,809</b>	<b>\$ 923,833</b>	<b>\$(267,991)</b>	<b>\$ -</b>	<b>\$17,894,209</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$10,038,764</b>	<b>\$ 5,342,950</b>	<b>\$(295,196)</b>	<b>\$ (23,706)</b>	<b>\$ 412,581</b>	<b>\$15,475,393</b>
<b>Governmental Activities-Capital Assets, Net</b>	<b>\$10,280,196</b>	<b>\$ 5,342,734</b>	<b>\$ 650,613</b>	<b>\$ (23,706)</b>	<b>\$ -</b>	<b>\$16,249,837</b>

**STARK COUNTY**

Notes to the Financial Statements – Continued

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

<b>Governmental Activities:</b>	
General Government	\$ 98,892
Public Safety	224,353
Highways	581,668
Culture and Recreation	11,612
Health and Welfare	7,308
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$923,833</b>

**Component Unit:**

**Stark County Fair Board**

The Stark County Fair Board only has land reported as assets. The Stark County Fair Board as of December 31, 2011 has a total valuation of the land at \$108,000.

**NOTE 9: ACCOUNTS PAYABLE**

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31.

**NOTE 10: DEFERRED REVENUES/UNEARNED INCOME**

Deferred revenues on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

Unearned income on the government-wide financial statements consists of prepaid property taxes totaling \$2,370,337.

**NOTE 11: LONG-TERM DEBT**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2011, the following changes occurred in liabilities reported in long-term liabilities:

**Governmental Activities:**

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Leases Payable	\$1,545,329	\$ -	\$149,144	\$1,396,185	\$153,018
Compensated Absences *	326,498	-	4,869	321,629	32,163
<b>Total Governmental Activities</b>	<b>\$1,871,827</b>	<b>\$ -</b>	<b>\$154,013</b>	<b>\$1,717,814</b>	<b>\$185,181</b>

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding governmental activities debt at December 31, 2011 is comprised of the following individual issues:

**Leases Payable:**

\$73,401 Lease from American Bank Center for a 2008 Dump Truck.  
Interest rate will be at 4.325% with payments of \$15,971 through 2012. \$ 15,298

\$78,976 Lease from American State Bank and Trust for the purchase of a 2009 Dump Truck, due in annual installments of \$16,916 through 2013 with interest at 3.489%. 32,116

**STARK COUNTY**

Notes to the Financial Statements – Continued

**Leases Payable (Continued):**

\$79,950 Lease from American State Bank and Trust for the purchase of a 2011 Dump Truck, due in annual installments of \$17,289 through 2014 with interest at 3.985%.	\$ 47,940
\$562,310 Lease from Citi Capital Commercial Corp. for improvements to the Courthouse, due in annual installments of \$25,498 to \$49,788 through 2022 with interest at 4.25%.	446,985
\$738,455 Lease from Citi Capital Commercial Corp. for improvements to the Law Enforcement Center, due in semi-annual installments of \$15,297 to \$32,960 through 2022 with interest at 4.25%.	586,648
\$361,405 Lease from Citi Capital Commercial Corp. for improvements to the DWCR, due in semi-annual installments of \$11,628 to \$19,074 through 2019 with interest at 4.35%.	260,981
\$8,154 Lease from Xerox for a printer, due in annual installments of \$1,019 to \$3,057 through 2012.	2,038
\$7,164 Lease from Xerox for a printer and tray, due in annual installments of \$597 to \$2,388 through 2013.	<u>4,179</u>
Total Leases Payable	<u>\$1,396,185</u>

Debt service requirements on governmental activity long-term debt at December 31, 2011 are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>Leases Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2012	\$ 154,194	\$ 58,651
2013	141,914	52,326
2014	129,109	46,424
2015	117,368	40,876
2016	122,455	35,788
2017 - 2021	616,124	97,138
2022 - 2026	115,021	4,245
Total	\$1,396,185	\$335,448

**NOTE 12: RELATED ORGANIZATION**

Stark County is also responsible for levying a property tax for the Senior Citizens but the county's accountability for this entity does not extend beyond the levying the tax. In 2011, the county remitted \$118,775 to the Senior Citizens.

**NOTE 13: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Stark County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability, \$2,000,000 for automobile, and \$4,086,438 for public assets (mobile equipment and portable property). The Fair Board coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability.

**STARK COUNTY**

## Notes to the Financial Statements – Continued

Stark 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.

Stark 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.

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

**NOTE 14: CONDUIT DEBT OBLIGATIONS**

From time to time, Stark 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, 2011, there were three community development block grant loans outstanding, with an aggregate principal amount payable of \$1,579,891.

**NOTE 15: JOINT VENTURES****Southwest Multi-County Correction Center**

Stark 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 2011 is not available. The following information as of and for the year ended December 31, 2010, the most current information available, is as follows:

Total Assets	\$8,011,688
Total Liabilities	847,178
Total Equity	\$7,164,510
Revenues	\$6,838,216
Expenses	6,548,067
Net Increase in Equity	\$ 290,149

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

**STARK COUNTY**

## Notes to the Financial Statements – Continued

**Southwest Law Enforcement Center**

Stark County entered into a joint venture for the maintenance of the Southwest 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.

Summary financial information for 2011 is not available. The following information as of and for the year ended December 31, 2010, the most current information available, is as follows:

Assets	\$123,819
Total Equity	\$ 92,937
Total Revenues	\$451,050
Total Expenses	390,708
Net Increase in Equity	\$ 60,342

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

**Southwest District Health Unit**

Stark 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.

Summary financial information for 2011 and 2010 are not available. The following information as of and for the year ended December 31, 2009, the most current information available, is as follows:

Assets	\$ 769,177
Total Liabilities	\$ 284,550
Total Equity	484,627
Total Liabilities and Equity	\$ 769,177
Total Revenues	\$1,951,758
Total Expenses	1,852,475
Net Decrease in Equity	\$ 99,283

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

**NOTE 16: PENSION PLAN****North Dakota Public Employees' Retirement System**

Stark County participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of Stark County. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement

**STARK COUNTY**

## Notes to the Financial Statements – Continued

benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' 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 employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 4% of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. Stark County has implemented a salary reduction agreement and is currently contributing the employees share. Stark County is required to contribute 4% of each participant's salary as the employer's share. In addition to the 4% employer contribution the employer is required to contribute 1.26% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Stark County's required and actual contributions to NDPERS for the fiscal years ended December 31, 2011, 2010, and 2009 were \$265,879, \$255,361, and \$246,115, respectively.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

**NOTE 17: CONSTRUCTION COMMITMENTS**

Stark County had several open construction commitments as of December 31, 2011 as follows:

<b>Project</b>	<b>Original Contract</b>	<b>Change Orders</b>	<b>Total Contract w/Change Orders</b>	<b>Total Completed</b>
Weed Building-Storage	\$581,915	\$ -	\$581,915	\$645,051

**NOTE 18: DEFICIT BALANCES**

The following funds were in a negative fund balance position at December 31, 2011:

<b>County Funds</b>	<b>Balance</b>
County Rd.-Unorganized	\$(392,930)
County Jail Fund	(10,568)

This deficit will be eliminated with reimbursements from other entities or transfers from other funds.

**STARK COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 19: TRANSFERS**

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2011:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Funds:</b>		
General Fund	\$ -	\$ 105,395
Unorganized Road Fund	885,714	-
Highway Tax Distribution Fund	-	885,714
Social Services Fund	1,475,000	-
County Poor Fund	-	1,475,000
County Jail Fund	78,395	-
<b>Special Revenue Funds:</b>		
Siren Contingency	27,000	-
<b>Total Transfers</b>	<b>\$2,466,109</b>	<b>\$2,466,109</b>

Transfers are used to 1) move unrestricted general fund revenues to finance various programs, 2) move various road funds revenues from funds with collection authority to fund projects done in other road funds and 3) move revenues from the county poor fund which has taxing authority to the social service fund which operates the welfare programs.

**NOTE 20: PRIOR PERIOD ADJUSTMENTS**

Prior period errors were noted in capital assets for cost and depreciation from the prior period for Stark County. The result of the errors was to increase beginning net assets equity by a total of \$5,342,733 on the statement of activities.

<b>Governmental Activities (County):</b>	<b>Amounts</b>
Beginning Net Assets, as previously reported	\$21,250,144
<b>Adjustments to restate the January 1, 2011 Net Assets:</b>	
Adjustment to correct capital asset costs	16,621,542
Adjustment to correct accumulated depreciation	(11,278,809)
<b>Net Assets January 1, as restated</b>	<b>\$26,592,877</b>

**NOTE 21: SUBSEQUENT EVENTS**

Stark County is a defendant in a lawsuit incident to its operations. The lawsuit seeks reversal of the County Commission's action, damages, and attorney fees. The dollar value of the lawsuit is unknown at this time.

STARK COUNTY  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,542,500	\$ 1,542,500	\$ 1,481,362	\$ (61,138)
Intergovernmental	372,894	372,894	466,292	93,398
Charges for Services	307,140	307,140	544,248	237,108
Licenses, Permits and Fees	323,100	323,100	718,887	395,787
Interest Income	200,000	200,000	129,014	(70,986)
Miscellaneous	32,200	32,200	45,060	12,860
<b>Total Revenues</b>	<b>\$ 2,777,834</b>	<b>\$ 2,777,834</b>	<b>\$ 3,384,863</b>	<b>\$ 607,029</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,318,003	\$ 1,311,003	\$ 1,352,531	\$ (41,528)
Public Safety	1,345,133	1,345,133	1,356,090	(10,957)
Health and Welfare	750	750	-	750
Economic Development	110,774	110,774	63,080	47,694
Debt Service:				
Principal	-	-	5,446	(5,446)
<b>Total Expenditures</b>	<b>\$ 2,774,660</b>	<b>\$ 2,767,660</b>	<b>\$ 2,777,147</b>	<b>\$ (9,487)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 3,174</b>	<b>\$ 10,174</b>	<b>\$ 607,716</b>	<b>\$ 597,542</b>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (105,395)	\$ (105,395)
<b>Net Change in Fund Balances</b>	<b>\$ 3,174</b>	<b>\$ 10,174</b>	<b>\$ 502,321</b>	<b>\$ 492,147</b>
<b>Fund Balance - January 1</b>	<b>\$ 996,562</b>	<b>\$ 996,562</b>	<b>\$ 996,562</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ 999,736</b>	<b>\$ 1,006,736</b>	<b>\$ 1,498,883</b>	<b>\$ 492,147</b>

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

STARK COUNTY  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
10 MILL - FARM TO MARKET ROAD FUND  
For the Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 635,500	\$ 635,500	\$ 636,363	\$ 863
Intergovernmental	407,934	407,934	173,799	(234,135)
Total Revenues	<u>\$ 1,043,434</u>	<u>\$ 1,043,434</u>	<u>\$ 810,162</u>	<u>\$ (233,272)</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 663,700	\$ 863,823	\$ 828,343	\$ 35,480
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 379,734</u>	<u>\$ 179,611</u>	<u>\$ (18,181)</u>	<u>\$ (197,792)</u>
Fund Balance - January 1	<u>\$ 1,498,715</u>	<u>\$ 1,498,715</u>	<u>\$ 1,498,715</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,878,449</u>	<u>\$ 1,678,326</u>	<u>\$ 1,480,534</u>	<u>\$ (197,792)</u>

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

STARK COUNTY  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
UNORGANIZED ROAD AND BRIDGE FUND  
For the Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 531,300	\$ 531,300	\$ 549,850	\$ 18,550
Intergovernmental	761,032	761,032	2,455,594	1,694,562
Charges for Services	100,000	100,000	220,715	120,715
Licenses, Permits and Fees	55,800	55,800	176,761	120,961
Miscellaneous	53,000	53,000	335	(52,665)
<b>Total Revenues</b>	<b>\$ 1,501,132</b>	<b>\$ 1,501,132</b>	<b>\$ 3,403,255</b>	<b>\$ 1,902,123</b>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 1,479,000	\$ 4,532,204	\$ 4,838,265	\$ (306,061)
Debt Service:				
Principal	-	44,479	44,654	(175)
Interest	-	5,522	5,522	-
<b>Total Expenditures</b>	<b>\$ 1,479,000</b>	<b>\$ 4,582,205</b>	<b>\$ 4,888,441</b>	<b>\$ (306,236)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 22,132	\$ (3,081,073)	\$(1,485,186)	\$ 1,595,887
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 80,000	\$ 80,000	\$ 885,714	\$ 805,714
<b>Net Change in Fund Balances</b>	<b>\$ 102,132</b>	<b>\$ (3,001,073)</b>	<b>\$ (599,472)</b>	<b>\$ 2,401,601</b>
Fund Balance - January 1	\$ 206,542	\$ 206,542	\$ 206,542	\$ -
<b>Fund Balance - December 31</b>	<b>\$ 308,674</b>	<b>\$ (2,794,531)</b>	<b>\$ (392,930)</b>	<b>\$ 2,401,601</b>

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

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STARK COUNTY  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
HIGHWAY TAX DISTRIBUTION FUND  
For the Year Ended December 31, 2011

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	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 1,867,759	\$ 1,867,759	\$ 2,410,595	\$ 542,836
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 1,095,164	\$ 1,095,164	\$ 1,082,347	\$ 12,817
Excess (Deficiency) of Revenues Over Expenditures	\$ 772,595	\$ 772,595	\$ 1,328,248	\$ 555,653
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (8,000)	\$ (80,000)	\$ (885,714)	\$ (805,714)
Net Change in Fund Balances	\$ 764,595	\$ 692,595	\$ 442,534	\$ (250,061)
Fund Balance - January 1	\$ 1,969,428	\$ 1,969,428	\$ 1,969,428	\$ -
Fund Balance - December 31	\$ 2,734,023	\$ 2,662,023	\$ 2,411,962	\$ (250,061)

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

STARK COUNTY  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICE FUND  
For the Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 1,200,971	\$ 1,200,971	\$ 1,066,709	\$ (134,262)
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 3,016,711	\$ 3,016,711	\$ 2,597,615	\$ 419,096
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,815,740)	\$ (1,815,740)	\$ (1,530,906)	\$ 284,834
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,212,438	\$ 1,212,438	\$ 1,475,000	\$ 262,562
Net Change in Fund Balances	\$ (603,302)	\$ (603,302)	\$ (55,906)	\$ 547,396
Fund Balance - January 1	\$ 155,951	\$ 155,951	\$ 155,951	\$ -
Fund Balance - December 31	\$ (447,351)	\$ (447,351)	\$ 100,045	\$ 547,396

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

STARK COUNTY  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COUNTY POOR FUND  
For the Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,808,623	\$ 1,808,623	\$ 1,728,083	\$ (80,540)
Intergovernmental	1,555,675	1,555,675	457,370	(1,098,305)
Total Revenues	<u>\$ 3,364,298</u>	<u>\$ 3,364,298</u>	<u>\$ 2,185,453</u>	<u>\$ (1,178,845)</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 346,587	\$ 604,735	\$ 343,173	\$ 261,562
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,017,711</u>	<u>\$ 2,759,563</u>	<u>\$ 1,842,280</u>	<u>\$ (917,283)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (1,212,438)	\$ (1,212,438)	\$ (1,475,000)	\$ (262,562)
Net Change in Fund Balances	<u>\$ 1,805,273</u>	<u>\$ 1,547,125</u>	<u>\$ 367,280</u>	<u>\$ (1,179,845)</u>
Fund Balance - January 1	<u>\$ 160,213</u>	<u>\$ 160,213</u>	<u>\$ 160,213</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,965,486</u>	<u>\$ 1,707,338</u>	<u>\$ 527,493</u>	<u>\$ (1,179,845)</u>

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

STARK COUNTY  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT FUND  
For the Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 801,000	\$ 801,000	\$ 1,043,784	\$ 242,784
<u>Expenditures:</u>				
Current:				
Capital Outlay	\$ 753,211	\$ 987,618	\$ 987,619	\$ (1)
Debt Service:				
Principal	31,221	31,221	31,221	-
Interest	20,724	20,724	20,724	-
Total Expenditures	\$ 805,156	\$ 1,039,563	\$ 1,039,564	\$ (1)
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,156)	\$ (238,563)	\$ 4,220	\$ 242,783
Fund Balance - January 1	\$ 2,194,746	\$ 2,194,746	\$ 2,194,746	\$ -
Fund Balance - December 31	\$ 2,190,590	\$ 1,956,183	\$ 2,198,966	\$ 242,783

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

STARK COUNTY  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COUNTY PARK FUND  
For the Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 30,600	\$ 30,600	\$ 30,560	\$ (40)
Intergovernmental	7,444	7,444	9,849	2,405
Interest Income	26,000	26,000	50,944	24,944
Miscellaneous Income	100,000	100,000	5,051	(94,949)
<b>Total Revenues</b>	<b>\$ 164,044</b>	<b>\$ 164,044</b>	<b>\$ 96,404</b>	<b>\$ (67,640)</b>
<u>Expenditures:</u>				
Current:				
Culture and Recreation	\$ 31,890	\$ 50,127	\$ 50,127	\$ -
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 132,154</b>	<b>\$ 113,917</b>	<b>\$ 46,277</b>	<b>\$ (67,640)</b>
<b>Fund Balance - January 1</b>	<b>\$ 2,986,875</b>	<b>\$ 2,986,875</b>	<b>\$ 2,986,875</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,119,029</b>	<b>\$ 3,100,792</b>	<b>\$ 3,033,152</b>	<b>\$ (67,640)</b>

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

STARK COUNTY  
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COUNTY JAIL FUND  
For the Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 636,400	\$ 636,400	\$ 636,363	\$ (37)
Intergovernmental	67,853	67,853	73,042	5,189
Total Revenues	<u>\$ 704,253</u>	<u>\$ 704,253</u>	<u>\$ 709,405</u>	<u>\$ 5,152</u>
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 703,139	\$ 721,376	\$ 839,341	\$ (117,965)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,114</u>	<u>\$ (17,123)</u>	<u>\$ (129,936)</u>	<u>\$ (112,813)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 78,395	\$ 78,395
Net Change in Fund Balances	<u>\$ 1,114</u>	<u>\$ (17,123)</u>	<u>\$ (51,541)</u>	<u>\$ (34,418)</u>
Fund Balance - January 1	<u>\$ 40,973</u>	<u>\$ 40,973</u>	<u>\$ 40,973</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 42,087</u>	<u>\$ 23,850</u>	<u>\$ (10,568)</u>	<u>\$ (34,418)</u>

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

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STARK COUNTY  
Dickinson, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2011

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**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information:

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

**NOTE 2: EXPENDITURES IN EXCESS OF BUDGET**

During fiscal year 2011, Stark County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
<u>Special Revenue Funds:</u>			
County Jail	\$721,376	\$839,341	\$(117,965)

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

STARK COUNTY  
Dickinson, North Dakota

SCHEDULE OF FUND ACTIVITY - CASH BASIS  
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-11
<b>Primary Government:</b>						
General Fund	\$ 1,326,884.03	\$ 3,462,342.98	\$ -	\$ 105,395.21	2,726,792.14	\$ 1,957,039.66
Farm to Market Road - 10 Mill	1,702,298.34	837,727.84	-	-	863,822.49	1,676,203.69
County Roads - Unorganized	336,252.69	3,479,959.32	885,713.82	-	4,532,203.48	169,722.35
Highway Tax Distribution	1,730,092.11	2,352,194.10	-	885,713.82	1,082,347.51	2,114,224.88
Social Services	98,444.43	1,081,693.05	1,475,000.00	-	2,597,614.72	57,522.76
County Jail	217,286.49	789,411.81	78,395.21	-	839,341.19	245,752.32
County Poor	570,415.05	2,249,735.97	-	1,475,000.00	343,172.87	1,001,978.15
Capital Improvement Fund	2,029,835.93	1,158,095.57	-	-	1,039,564.22	2,148,367.28
County Park	2,996,125.07	99,545.01	-	-	50,126.89	3,045,543.19
<b>Total Major Funds</b>	<b>\$11,007,634.14</b>	<b>\$15,510,705.65</b>	<b>\$ 2,439,109.03</b>	<b>\$ 2,466,109.03</b>	<b>\$14,074,985.51</b>	<b>\$12,416,354.28</b>
<b>Special Revenue Funds:</b>						
Special Road & Bridge	\$ 408,062.22	\$ 136,970.09	\$ -	\$ -	\$ 167,182.33	\$ 377,849.98
Information Technology	356,632.24	297,507.97	-	-	222,187.73	431,952.48
Oil & Gas Infrastructure	78,092.98	139,335.49	-	-	69,361.56	148,066.91
Insurance Reserve	300,536.50	93,110.70	-	-	109,597.61	284,049.59
Comprehensive Health Care	110,833.27	325,504.83	-	-	252,286.84	184,051.26
Emergency Fund	396,392.44	9,967.42	-	-	-	406,359.86
Veterans Service Officer	60,106.03	122,169.75	-	-	71,744.14	110,531.64
Social Security	312,555.84	383,519.65	-	-	331,032.34	365,043.15
Advertising	34,282.98	40,710.03	-	-	26,048.71	48,944.30
County Agent	165,040.62	188,442.58	-	-	130,150.50	223,332.70
Weed Control	59,484.11	303,085.48	-	-	277,361.52	85,208.07
Emergency 911	93,473.88	286,843.80	-	-	248,619.59	131,698.09
Adult Education	6,280.68	9,299.04	-	-	8,979.89	6,599.83
Asset Forfeiture	26,760.00	1,405.00	-	-	-	28,165.00
Fingerprint Station	5,059.67	3,436.00	-	-	251.20	8,244.47
Sheriffs Grants	(11,722.48)	178,940.24	-	-	192,884.25	(25,666.49)
Security Transfer/DJS Reimburse.	-	1,206.94	-	-	1,206.94	-
Southwest Victim Witness Prog.	100,509.29	60,462.73	-	-	67,803.69	93,168.33
Hazardous Chemical Preparedness	21,208.13	3,937.50	-	-	8,526.31	16,619.32
DVRCC	0.50	8,400.85	-	-	8,401.34	0.01
Preservation Fee	68,070.68	60,704.22	-	-	34,323.23	94,451.67
State Reimbursements	(590.00)	1,881.09	-	-	1,568.89	(277.80)
Siren Contingency	10,892.55	10,000.00	27,000.00	-	6,308.09	41,584.46
ESG Funds	9,918.24	152,935.90	-	-	149,602.19	13,251.95
911 Equipment	149,048.38	96,717.96	-	-	44,597.24	201,169.10
Sheriffs Shooting Range	4,137.67	-	-	-	-	4,137.67
<b>Total Non-Major Special Revenue Funds</b>	<b>\$ 2,765,066.42</b>	<b>\$ 2,916,495.26</b>	<b>\$ 27,000.00</b>	<b>\$ -</b>	<b>\$ 2,430,026.13</b>	<b>\$ 3,278,535.55</b>
<b>Total Government Funds</b>	<b>\$13,772,700.56</b>	<b>\$18,427,200.91</b>	<b>\$ 2,466,109.03</b>	<b>\$ 2,466,109.03</b>	<b>\$16,505,011.64</b>	<b>\$15,694,889.83</b>
<b>Agency Funds:</b>						
Fair Board	\$ 28,804.16	\$ 107,009.64	\$ -	\$ -	\$ 99,153.71	\$ 36,660.09
Domestic Violence Prevention	(175.00)	8,619.00	-	-	8,085.00	359.00
Estimate Tax	4,781.74	127,495.89	-	-	127,864.35	4,413.28
Game and Fish	147,868.00	217,375.00	-	-	231,311.00	133,932.00
Protest Fund	500.00	-	-	-	500.00	-
Judgement Execution Fund	-	13,336.67	-	-	13,336.67	-
Vector Control	22,190.61	78,467.73	-	-	69,467.10	31,191.24
Stark County Job Development	38,405.61	119,176.44	-	-	132,841.60	24,740.45
Senior Citizens	19,202.81	124,147.58	-	-	118,775.10	24,575.29
Water Commission	-	9,878.10	-	-	9,878.10	-
Southwest District Health	69,686.92	300,476.40	-	-	281,450.07	88,713.25

Continued on next page....

STARK COUNTY  
Dickinson, North Dakota

SCHEDULE OF FUND ACTIVITY - CASH BASIS  
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-11
CONTINUED.....						
<u>Agency Funds (Cont.):</u>						
State Tax	\$ 19,202.81	\$ 71,653.59	\$ -	\$ -	\$ 66,281.11	\$ 24,575.29
SW Water Authority	19,202.81	80,478.45	-	-	75,105.97	24,575.29
Library	27,883.45	124,615.08	-	-	119,339.43	33,159.10
Airport	6,970.88	26,108.04	-	-	24,789.10	8,289.82
Total Cities	1,251,091.19	4,938,926.96	-	-	4,598,474.98	1,591,543.17
Total Parks	338,509.47	1,283,295.54	-	-	1,186,006.17	435,798.84
Total School Districts	2,460,377.36	10,398,186.09	-	-	9,749,523.85	3,109,039.60
Soil Conservation District	19,597.33	82,018.58	-	-	76,667.52	24,948.39
Total Rural Fire Protection Districts	68,856.69	291,018.09	-	-	278,531.60	81,343.18
Payroll Deduction	9,566.22	1,843.21	-	-	5,488.09	5,921.34
<b>Total Agency Funds</b>	<b>\$ 4,552,523.06</b>	<b>\$18,404,126.08</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$17,272,870.52</b>	<b>\$ 5,683,778.62</b>
<b>Total Primary Government</b>	<b>\$18,325,223.62</b>	<b>\$36,831,326.99</b>	<b>\$ 2,466,109.03</b>	<b>\$ 2,466,109.03</b>	<b>\$33,777,882.16</b>	<b>\$21,378,668.45</b>
<u>Component Units:</u>						
County Water Resource District	\$ 451,994.38	\$ 15,004.85	\$ -	\$ -	\$ 9,113.19	\$ 457,886.04
County Fair Board	121,877.54	117,419.27	-	-	70,848.18	168,448.63
<b>Total Component Units</b>	<b>\$ 573,871.92</b>	<b>\$ 132,424.12</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 79,961.37</b>	<b>\$ 626,334.67</b>
<b>Total Reporting Entity</b>	<b>\$18,899,095.54</b>	<b>\$36,963,751.11</b>	<b>\$ 2,466,109.03</b>	<b>\$ 2,466,109.03</b>	<b>\$33,857,843.53</b>	<b>\$22,005,003.12</b>

STARK COUNTY  
Dickinson, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE:</u>		
<u>Passed through the North Dakota State Department of Human Services:</u>		
Violence Against Women Formula Grants, Recovery	16.588	\$ 11,652
<u>Passed Through State's Attorney General:</u>		
Missing Children's Assistance	16.543	<u>340</u>
Total U.S. Department of Justice		<u>\$ 11,992</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed through the North Dakota State Department of Transportation:</u>		
Highway Planning and Construction - Recovery	20.205	\$ 27,538
State and Community Highway Safety	20.600	9,756
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>17,366</u>
Total U.S. Department of Transportation		<u>\$ 54,660</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed through the North Dakota State Department of Human Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 18,752
Temporary Assistance for Needy Families	93.558	** 298,073
Child Support Enforcement	93.563	26,288
Child Care and Development Block Grant	93.568	325
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	16,629.00
Children's Justice Grants to States	93.643	216
Adoption Assistance (Recovery)	93.659	1,576
Stephanie Tubbs Jones Child Welfare Services Program	93.645	581
Foster Care-Title IV-E	93.658	138,250
Adoption Assistance	93.659	1,232
Chafee Foster Care Independence Program	93.674	24,067
Children's Health Insurance Program	93.767	3,005
Maternal and Child Health Services Block Grant to the States	93.994	<u>3,006</u>
Total U.S. Department of Health and Human Services		<u>\$ 532,000</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed through the North Dakota State Division of Emergency Services:</u>		
Emergency Management Performance Grants	97.042	\$ 49,864
State Homeland Security Program (SHSP)	97.073	<u>23,680</u>
Total U.S. Department of Homeland Security		<u>\$ 73,544</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>		
<u>Passed through the North Dakota State Department of Human Services:</u>		
State Administrative Matching Funds for the Supplemental Nutrition Assistance Program, Recovery	10.561	<u>\$ 127</u>

*Continued on next page.....*

STARK COUNTY  
Dickinson, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<b><u>CONTINUED:</u></b>		
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>		
<b><u>Passed through the North Dakota Department of Commerce:</u></b>		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	** \$ 321,463
Total Expenditures of Federal Awards		<u>\$ 993,786</u>

\*\* - Major program tested

**NOTE 1: BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Stark County under programs of the federal government for the year ended December 31, 2011. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Stark County, it is not intended to and does not present the financial position or changes in net assets of Stark County.

**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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

**STATE AUDITOR**

ROBERT R. PETERSON  
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Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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

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Board of County Commissioners  
Stark County  
Dickinson, North Dakota

We have audited the financial statements of the governmental activities, the 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, 2011, which collectively comprise Stark County's basic financial statements and have issued our report thereon dated August 22, 2012. 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.

**Internal Control Over Financial Reporting**

Management of Stark County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Stark County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Stark County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified one deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs* as item 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

**Compliance and Other Matters**

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, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we have reported to the management of Stark County in a letter dated August 22, 2012.

Stark County's response to the finding identified in the audit is described in the accompanying *schedule of findings and questioned costs*. We did not audit Stark County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the county, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson  
State Auditor

August 22, 2012

**STATE AUDITOR**

ROBERT R. PETERSON  
Phone (701) 328-2241  
Fax (701) 328-1406



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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Independent Auditor's Report

Board of County Commissioners  
Stark County  
Dickinson, North Dakota

**Compliance**

We have audited Stark County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Stark County's major federal programs for the year ended December 31, 2011. Stark County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Stark County's management. Our responsibility is to express an opinion on Stark County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of Stark County's compliance with those requirements.

In our opinion, Stark County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

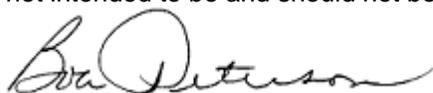
**Internal Control Over Compliance**

Management of Stark County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Stark County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the county, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson  
State Auditor

August 22, 2012

STARK COUNTY  
Dickinson, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2011

**Section I - Summary of Auditor's Results**

Financial Statements

Type of Report Issued?	
Governmental Activities	Unqualified
Component Units	Unqualified
Major Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ No
	<u>  X  </u>	
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u> Yes	_____ No
Noncompliance material to financial statements noted?	_____ Yes	<u>  X  </u> No

Federal Awards

Internal Control over major programs:

Material weaknesses identified?	_____ Yes	<u>  X  </u> No
Significant deficiencies identified?	_____ Yes	<u>  X  </u> None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	<u>  X  </u> No

Identification of major programs:

CFDA Numbers	Name of Federal Program Or Cluster
93.558	TANF Block Grant
93.658	Foster Care – Title IV-E

Dollar threshold used to distinguish between Type A and B programs:

\$300,000

Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	_____ No
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**STARK COUNTY**

Schedule of Findings and Questioned Costs - Continued

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**Section II - Financial Statement Findings**

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**2011-01 – INFRASTRUCTURE ADDITIONS**

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**Condition:**

Stark County did not include infrastructure owned by the county after the 2004 implementation date of GASB 34 in its asset listing. All of the County's bridges and two highways were added to the capital asset listing this audit period. The resulting prior period adjustment is \$5,245,455.35.

**Effect:**

Stark County was not in compliance with GASB 34 and accounting principles generally accepted in the United States of America regarding reporting infrastructure.

**Cause:**

Client was informed about including infrastructure in asset listing in prior audits but was only able to obtain the estimates for the assets this period.

**Criteria:**

The requirements of GASB 34 are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Governments with total annual revenues (excluding extraordinary items) of \$100 million or more (phase 1) should apply this Statement for periods beginning after June 15, 2001. Governments with at least \$10 million but less than \$100 million in revenues (phase 2) should apply this Statement for periods beginning after June 15, 2002. Governments with less than \$10 million in revenues (phase 3) should apply this Statement for periods beginning after June 15, 2003. Stark County is a phase 3 entity. Governmental units have a phase-in period of four years after the adoption of the general provisions of GASB 34 depending on what phase the entity is in to complete retroactive capitalization. Mandatory retroactive capitalization is limited only to "major" general infrastructure assets acquired, significantly reconstructed, or that received significant improvements in fiscal years ending after June 30, 1980.

**Recommendation:**

We recommend that the Stark County continue to obtain and include infrastructure that is owned by the County in the listing of capital assets on an annual basis.

**Views of Responsible Officials / Planned Corrective Actions:**

Agree with the recommendation – we will include infrastructure in capital assets going forward.

**Section III - Federal Award Findings and Questioned Costs**

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No matters were reported.