

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**STARK COUNTY
DICKINSON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



STARK COUNTY
Dickinson, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2012

	<u>Pages</u>
County Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6 - 7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9 - 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 - 27
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	28
Farm to Market Road Fund	29
Unorganized Road and Bridge Fund	30
Highway Tax Distribution Fund	31
Social Service Fund	32
County Poor Fund	33
Capital Improvement Fund	34
County Park Fund	35
County Jail Fund	36
Notes to the Required Supplementary Information	37

STARK COUNTY

Table of Contents - Continued

	<u>Page(s)</u>
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity	38 - 39
Schedule of Expenditures of Federal Awards	40 - 41
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	42 - 43
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	44 - 45
Schedule of Findings and Questioned Costs	46 - 47

STARK COUNTY
Dickinson, North Dakota

COUNTY OFFICIALS

At December 31, 2012

Ken Zander
Russ Hoff
Duane Wolf
Jay Elkin
Pete Kuntz

Commissioner - Chairman
Commissioner - Vice Chairman
Commissioner
Commissioner
Commissioner

Kay Haag
Clarence Tuhy
Kathy Schwab
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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County, Dickinson, North Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County, Dickinson, North Dakota, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 21 to the financial statements, the financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 28-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The *schedule of fund activity arising from cash transactions and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity arising from cash transactions* is not fairly stated, in all material respects, in relation to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013 on our consideration of Stark County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stark County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 25, 2013

STARK COUNTY
Dickinson, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Fair Board
ASSETS			
Cash, cash equivalents and investments	\$ 21,303,872	\$ 445,391	\$ 205,301
Accounts receivable	10,117	-	-
Intergovernmental receivable	1,298,858	-	-
Taxes receivable	53,755	-	-
Capital Assets (not being depreciated):			
Land	80,556	-	108,000
Construction in Progress	7,643,985	-	-
Capital Assets (net of accumulated depreciation):			
Buildings	7,889,392	-	-
Vehicles and Machinery	2,791,941	-	-
Furniture and Equipment	389,293	-	-
Infrastructure	5,342,231	-	-
Total Capital Assets	<u>\$ 24,137,398</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u>\$ 46,804,000</u>	<u>\$ 445,391</u>	<u>\$ 313,301</u>
LIABILITIES:			
Accounts Payable	\$ 24,066	\$ -	\$ -
Retainage Payable	180,375	-	-
Salary and Benefits Payable	-	381	-
Interest Payable	4,331	-	-
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	39,964	-	-
Loan Payable	106,589	-	-
Compensated Absences Payable	139,212	-	-
Due After One Year:			
Capital Leases Payable	35,570	-	-
Loan Payable	1,084,687	-	-
Compensated Absences Payable	208,819	-	-
Total Liabilities	<u>1,823,613</u>	<u>381</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes Received in Advance	<u>\$ 2,008,418</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net Investment in Capital Assets	\$ 22,870,588	\$ -	\$ -
Restricted for:			
Public Safety	659,471	-	-
Highway	7,059,585	-	-
Health & Welfare	976,631	-	-
Culture & Recreation	4,020,822	-	313,301
Conservation of Nat Res	488,305	445,010	-
Emergencies	419,799	-	-
Economic Development	7,130	-	-
Capital Outlay	3,163,202	-	-
Other Purposes	1,183,035	-	-
Unrestricted	<u>2,123,401</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 42,971,969</u>	<u>\$ 445,010</u>	<u>\$ 313,301</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Fair Board
Primary Government:							
General Government	\$ 2,906,412	\$ 968,168	\$ 27,734	\$ -	\$ (1,910,510)		
Public Safety	3,336,349	587,885	343,960	-	(2,404,504)		
Highways and Bridges	4,511,539	751,586	3,574,239	8,901,324	8,715,610		
Health and Welfare	2,919,885	-	939,096	-	(1,980,789)		
Economic Development	64,935	-	-	-	(64,935)		
Culture and Recreation	129,459	-	-	-	(129,459)		
Conservation of Natural Resources	454,271	490,011	91,734	-	127,474		
Emergency	125,532	-	-	-	(125,532)		
Capital Outlay	-	-	-	1,514,476	1,514,476		
Interest	57,417	-	-	-	(57,417)		
Total Governmental Activities	\$ 14,505,799	\$ 2,797,650	\$ 4,976,763	\$ 10,415,800	\$ 3,684,414		
Component Units:							
Water Resource District	\$ 28,758	\$ -	\$ -	\$ -	\$ (28,758)	\$ -	
Fair Board	87,212	16,488	-	-	-	(70,724)	
Total Component Units	\$ 115,970	\$ 16,488	\$ -	\$ -	\$ (28,758)	\$ (70,724)	
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					\$ 1,727,097	\$ -	\$ -
Property taxes; levied for special purposes					5,288,724	13,349	111,600
Grants and contributions not restricted to specific programs					2,102,387	-	-
Unrestricted investment earnings					112,501	2,078	162
Gain on Sale of Capital Assets					1,008,386	-	-
Miscellaneous revenue					566,849	455	-
Total General Revenues					\$10,805,944	\$ 15,882	\$ 111,762
Change in Net Position					\$14,490,358	\$ (12,876)	\$ 41,038
Net Position - January 1					\$28,400,770	\$ 457,886	\$ 272,263
Prior Period Adjustment					80,841	-	-
Net Position - January 1, as restated					\$28,481,611	\$ 457,886	\$ 272,263
Net Position - December 31					\$42,971,969	\$ 445,010	\$ 313,301

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

STARK COUNTY
Dickinson, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	Social Services	County Poor	Capital Improvement
ASSETS:							
Cash and Cash Equivalents	\$ 2,382,744	\$ 1,801,613	\$ 874,272	\$ 3,603,148	\$ 38,147	\$ 1,228,055	\$ 3,076,258
Accounts Receivable	-	-	-	-	-	-	-
Intergovernmental Receivable	208,215	33,371	384,690	321,951	-	139,626	86,944
Due from Other Fund	25,639	-	-	-	-	-	-
Taxes Receivable	12,944	5,627	4,628	-	-	13,624	-
Total Assets and Deferred Outflows of Resources	\$ 2,629,542	\$ 1,840,611	\$ 1,263,590	\$ 3,925,099	\$ 38,147	\$ 1,381,305	\$ 3,163,202
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
<u>Liabilities:</u>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Fund	-	-	-	-	-	-	-
<u>Deferred Inflows Of Resources:</u>							
Taxes Received in Advance	\$ 506,141	\$ 220,061	\$ 140,207	\$ -	\$ -	\$ 413,715	\$ -
Taxes Receivable	12,944	5,627	4,628	-	-	13,624	-
Total Liabilities and Deferred Inflows of Resources	\$ 519,085	\$ 225,688	\$ 144,835	\$ -	\$ -	\$ 427,339	\$ -
<u>Fund Balances:</u>							
<u>Restricted for:</u>							
Other Purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	-	-	-	-	-	-	-
Highways and Bridges	-	1,614,923	1,118,755	3,925,099	-	-	-
Health and Welfare	-	-	-	-	38,147	953,966	-
Culture and Recreation	-	-	-	-	-	-	-
Conservation of Natural Resources	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-
Emergency	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	3,163,202
<u>Unassigned:</u>	<u>2,110,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	\$ 2,110,457	\$ 1,614,923	\$ 1,118,755	\$ 3,925,099	\$ 38,147	\$ 953,966	\$ 3,163,202
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,629,542	\$ 1,840,611	\$ 1,263,590	\$ 3,925,099	\$ 38,147	\$ 1,381,305	\$ 3,163,202

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

County Park	County Jail	Other Governmental Funds	Total Governmental Funds
\$ 4,031,243	\$ 241,752	\$ 4,026,640	\$ 21,303,872
-	-	10,117	10,117
-	25,458	98,603	1,298,858
-	-	-	25,639
246	5,627	11,059	53,755
<u>\$ 4,031,489</u>	<u>\$ 272,837</u>	<u>\$ 4,146,419</u>	<u>\$ 22,692,241</u>

\$ -	\$ -	\$ 24,066	24,066
-	-	25,639	25,639

\$ 10,667	\$ 220,061	\$ 497,566	\$ 2,008,418
246	5,627	11,059	53,755
<u>\$ 10,913</u>	<u>\$ 225,688</u>	<u>\$ 558,330</u>	<u>\$ 2,111,878</u>

\$ -	\$ -	\$ 1,236,373	\$ 1,236,373
-	47,149	651,255	698,404
-	-	672,895	7,331,672
-	-	133,706	1,125,819
4,020,576	-	-	4,020,576
-	-	492,570	492,570
-	-	7,130	7,130
-	-	419,799	419,799
-	-	-	3,163,202
-	-	(25,639)	2,084,818
<u>\$ 4,020,576</u>	<u>\$ 47,149</u>	<u>\$ 3,588,089</u>	<u>\$ 20,580,363</u>

<u>\$ 4,031,489</u>	<u>\$ 272,837</u>	<u>\$ 4,146,419</u>	<u>\$ 22,692,241</u>
---------------------	-------------------	---------------------	----------------------

STARK COUNTY
Dickinson, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2012

Total *Fund Balances* of Governmental Funds \$ 20,580,363

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

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

Cost of Capital Assets	\$ 42,923,025	
Less Accumulated Depreciation	<u>(18,785,627)</u>	
Net Capital Assets		24,137,398

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. 53,755

Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2012 are:

Loans Payable	\$ (1,191,276)	
Retainage Payable	(180,375)	
Leases Payable	(75,534)	
Interest Payable	(4,331)	
Compensated Absences Payable	<u>(348,031)</u>	
Total Long-Term Liabilities		<u>(1,799,547)</u>

Total Net Position of Governmental Activities \$ 42,971,969

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, 2012

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	Social Services	County Poor	Capital Improvement
<u>Revenues:</u>							
Taxes	\$ 1,730,827	\$ 751,812	\$ 583,406	\$ -	\$ -	\$ 1,731,849	\$ -
Intergovernmental	657,178	163,011	9,792,329	2,913,824	914,396	611,652	1,514,475
Charges for Services	490,113	-	140,857	-	-	-	-
Licenses, Permits and Fees	965,048	-	610,728	-	-	-	-
Interest Income	69,998	-	-	-	-	-	-
Miscellaneous	143,022	-	54,005	-	-	-	-
Total Revenues	\$ 4,056,186	\$ 914,823	\$ 11,181,325	\$ 2,913,824	\$ 914,396	\$ 2,343,501	\$ 1,514,475
<u>Expenditures:</u>							
Current:							
General Government	\$ 1,543,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	1,639,985	-	-	-	-	-	-
Highways and Bridges	-	780,434	9,700,978	1,320,687	-	-	-
Health and Welfare	750	-	-	-	2,531,294	362,028	-
Economic Development	64,935	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Conservation of Natural Resources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	125,532
Capital Outlay	-	-	-	-	-	-	372,762
Debt Service:							
Principal	5,391	-	46,430	-	-	-	32,574
Interest	-	-	3,746	-	-	-	19,371
Total Expenditures	\$ 3,254,166	\$ 780,434	\$ 9,751,154	\$ 1,320,687	\$ 2,531,294	\$ 362,028	\$ 550,239
Excess (Deficiency) of Revenues Over Expenditures	\$ 802,020	\$ 134,389	\$ 1,430,171	\$ 1,593,137	\$ (1,616,898)	\$ 1,981,473	\$ 964,236
<u>Other Financing Sources (Uses):</u>							
Transfers in	\$ 4,138	\$ -	\$ 81,514	\$ -	\$ 1,555,000	\$ -	\$ -
Sale of Land	-	-	-	-	-	-	-
Capital Leases	25,783	-	-	-	-	-	-
Transfers out	(220,367)	-	-	(80,000)	-	(1,555,000)	-
Total Other Financing Sources and Uses	\$ (190,446)	\$ -	\$ 81,514	\$ (80,000)	\$ 1,555,000	\$ (1,555,000)	\$ -
Net Change in Fund Balances	\$ 611,574	\$ 134,389	\$ 1,511,685	\$ 1,513,137	\$ (61,898)	\$ 426,473	\$ 964,236
Fund Balances - January 1	\$ 1,498,883	\$ 1,480,534	\$ (392,930)	\$ 2,411,962	\$ 100,045	\$ 527,493	\$ 2,198,966
Fund Balances - December 31	\$ 2,110,457	\$ 1,614,923	\$ 1,118,755	\$ 3,925,099	\$ 38,147	\$ 953,966	\$ 3,163,202

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

County Park	County Jail	Other Governmental Funds	Total Governmental Funds
\$ 36,126	\$ 751,812	\$ 1,449,045	\$ 7,034,877
13,115	138,890	776,080	17,494,950
-	-	498,702	1,129,672
-	-	92,202	1,667,978
42,503	-	-	112,501
5,141	-	364,681	566,849
<u>\$ 96,885</u>	<u>\$ 890,702</u>	<u>\$ 3,180,710</u>	<u>\$ 28,006,827</u>
\$ -	\$ -	\$ 1,240,376	\$ 2,783,481
-	1,053,352	647,050	3,340,387
-	-	105,381	11,907,480
-	-	-	2,894,072
-	-	-	64,935
117,847	-	-	117,847
-	-	441,829	441,829
-	-	-	125,532
-	-	-	372,762
-	-	70,763	155,158
-	-	35,534	58,651
<u>\$ 117,847</u>	<u>\$ 1,053,352</u>	<u>\$ 2,540,933</u>	<u>\$ 22,262,134</u>
\$ (20,962)	\$ (162,650)	\$ 639,777	\$ 5,744,693
\$ -	\$ 220,367	\$ -	\$ 1,861,019
1,008,386	-	-	1,008,386
-	-	-	25,783
-	-	(5,652)	(1,861,019)
<u>\$ 1,008,386</u>	<u>\$ 220,367</u>	<u>\$ (5,652)</u>	<u>\$ 1,034,169</u>
\$ 987,424	\$ 57,717	\$ 634,125	\$ 6,778,862
\$ 3,033,152	\$ (10,568)	\$ 2,953,964	\$ 13,801,501
<u>\$ 4,020,576</u>	<u>\$ 47,149</u>	<u>\$ 3,588,089</u>	<u>\$ 20,580,363</u>

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, 2012

Net Change in *Fund Balances* - Total Governmental Funds \$ 6,778,862

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

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

Current Year Capital Outlay	\$ 8,789,765	
Current Year Capital Asset Deletions	(56,460)	
Current Year Depreciation Expense	<u>(961,973)</u>	7,771,332

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of a lease isn't an inflow of resources, but does increase liabilities in net position. These are the amount by which debt repayments exceeded debt issuances.

Repayment of Debt	\$ 155,158	
Issuance of Leases	<u>(25,783)</u>	129,375

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

Net Change in Interest Payable	\$ 1,234	
Net Change in Retainage Payable	(180,375)	
Net Change in Compensated Absences	<u>8,986</u>	(170,155)

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

Net Change in Taxes Receivable		<u>(19,056)</u>
--------------------------------	--	-----------------

Change in Net Position of Governmental Activities \$ 14,490,358

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

STARK COUNTY
Dickinson, North Dakota

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 5,031,703</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 5,031,703</u>

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

STARK COUNTY
Dickinson, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

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 11th 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 13th 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 units, 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 non-exchange transactions.

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

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.

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

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

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

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

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the year ended December 31, 2012 consist of certificates of deposit stated at fair value.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

STARK COUNTY

Notes to the Financial Statements – Continued

General infrastructure assets acquired prior to January 1, 2005 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2005 as a Phase III GASB 34 implementation entity. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

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

Land	Indefinite
Buildings	25 to 75 years
Vehicles and Machinery	5 to 15 years
Infrastructure	40 years
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 position. 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.

STARK COUNTY

Notes to the Financial Statements – Continued

I. Fund Balances / Net Position

GASB Statement No. 54 established 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.

Fund Balance Spending Policy:

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

Minimum Fund Balance Policy:

Stark County established a 15% - 20% general fund carryover balance target to help with financial stability. The 15% - 20% fund balance range is a part of the county's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the county. Unassigned general fund balance of \$2,110,457 at December 31, 2012 represented 65% of annual 2012 general fund expenditures.

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.

Fund Balance Reporting and Governmental Fund Type Definitions

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

CLASSIFICATION	DEFINITION	EXAMPLES
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.

Continued on next page.....

STARK COUNTY

Notes to the Financial Statements – Continued

CONTINUED....

CLASSIFICATION	DEFINITION	EXAMPLES
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 did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2012.

Restricted Fund Balances – consist of the following items at December 31, 2012:

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, health & welfare, culture & recreation, conservation of resources, emergencies, economic development, capital projects, 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 3rd 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 the social service fund, other grant funds, and highway tax distribution.

Net Position:

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

The County implemented the provisions of GASB 63 'Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position' during the year ended December 31, 2012. Prior to GASB 63, equity in the statement of net assets was reported in the applicable categories of net assets. Under the provisions of GASB 63, the net assets statement was changed to the statement of net position, and net assets equity was changed to net position. GASB 63 didn't change how net position is calculated into the 3 primary categories as outlined in further detail below.

Net investment in capital assets is reported for capital assets less accumulated depreciation, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

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

Restrictions of net position in the statement of net position is shown by primary function (as fund balances are shown) and are restricted for public safety, highways & bridges, health & welfare, culture & recreation, conservation of natural resources, capital projects, emergencies, economic development, and other general government purposes (health insurance, insurance reserve, veteran's service officer, and social security).

STARK COUNTY

Notes to the Financial Statements – Continued

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for negative funds (sheriff's grants and state reimbursements). The unrestricted net position is available to meet the district's ongoing obligations.

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, 2012:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds</u>			
General	\$3,295,370	\$ 2,838	\$ 3,298,208
Farm to Market Road	746,820	33,614	780,434
Unorganized Road & Bridge	1,695,000	8,493,069	10,188,069
Highway Tax Distribution	1,174,386	102,010	1,276,396
County Poor	351,255	406,285	757,540
Capital Improvement	331,352	218,888	550,239
County Park	35,878	81,969	117,847
Jail	832,985	220,367	1,053,352
<u>Special Revenue Funds:</u>			
Insurance Reserve	114,920	2,377	117,297
Asset Forfeiture	1,500	4,968	6,468
Grants	30,000	202,841	232,841
Stark County Victim Witness	60,000	13,394	73,394
DVRCC	7,001	2,483	9,484
Siren Contingency	12,400	4,571	16,971
ESG	168,328	22,055	190,383

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.

STARK COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2012, the county's carrying amount of deposits was \$24,895,069 and the bank balances totaled \$25,120,683. Of the bank balances, \$1,000,001 was covered by Federal Depository Insurance. The remaining bank balances totaling \$24,120,682 were collateralized with securities held by the pledging financial institution's agent in the government's name.

The Water Resource District's carrying amount of deposits was \$445,391 and the bank balances were \$445,891. Of the bank balances, \$445,891 was covered entirely by Federal Depository Insurance.

The Fair Board's carrying amount of deposits was \$205,301 and the bank balances were \$205,301. Of the bank balances, \$205,301 was covered entirely 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, 2012, the County had certificates of deposit totaling \$7,450,000 and the Water Resource District had certificates of deposit totaling \$414,000.

Interest Rate Risk:

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

Concentration of Credit Risk:

The county and component units do not have a limit on the amount they may invest in any one issuer.

NOTE 4: TAXES RECEIVABLE

The taxes receivable represents the past four three 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.

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.

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 5: ACCOUNTS RECEIVABLE

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

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable consists 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 (\$25,639) in the sheriff's grant fund (\$25,966) and the state reimbursement fund (\$75).

NOTE 8: DEFERRED INFLOWS OF RESOURCES

Stark County early implemented provisions of GASB 65 "Items Previously Reported as Assets and Liabilities" during the year ended December 31, 2012. Prior to GASB 63, the offset to taxes receivable was reported as a liability in the balance sheet, but is now reported as a deferred inflow of resources under the provisions of GASB 65.

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the taxes paid in advance in the fund financial statements 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, uncollected taxes and taxes received in advance are measurable but not available. Deferred inflows of resources in the statement of net position represent the amount of taxes received in advance.

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2012.

Governmental Activities:	Balance January 1	Adjustments	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>						
Land	\$ 129,393	\$ -	\$ -	\$ 48,837	\$ -	\$ 80,556
Construction in Progress	645,051	-	7,691,510	-	(692,576)	7,643,985
Total Capital Assets, Not Being Depreciated	\$ 774,444	\$ -	\$7,691,510	\$ 48,837	\$(692,576)	\$ 7,724,541
<i>Capital assets, being depreciated:</i>						
Buildings	\$ 9,562,053	\$ 12,692	\$ 308,396	\$ -	\$ 692,576	\$10,575,717
Equipment	1,668,146	7,893	162,793	-	-	1,838,832
Vehicles	5,383,817	-	387,966	116,757	-	5,655,026
Infrastructure	16,755,586	252,373	239,100	118,150	-	17,128,909
Total Capital Assets, Being Depreciated	\$33,369,602	\$272,958	\$1,098,255	\$234,907	\$ 692,576	\$35,198,484
<i>Less accumulated depreciation for:</i>						
Buildings	\$ 2,514,091	\$ 253	\$ 171,982	\$ -	\$ -	\$ 2,686,326
Equipment	1,325,932	1,577	122,031	-	-	1,449,540
Vehicles	2,544,055	-	428,163	109,134	-	2,863,084
Infrastructure	11,510,130	154,899	239,798	118,150	-	11,786,677
Total Accumulated Depreciation	\$17,894,208	\$156,729	\$ 961,974	\$227,284	\$ -	\$18,785,627
Total Capital Assets Being Depreciated, Net	\$15,475,394	\$116,229	\$ 136,281	\$ 7,623	\$ 692,576	\$16,412,857
Governmental Activities-Capital Assets, Net	\$16,249,838	\$116,229	\$7,827,791	\$ 56,460	\$ -	\$24,137,398

STARK COUNTY

Notes to the Financial Statements – Continued

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

Depreciation by Function:	
General	\$ 78,461
Public Safety	246,720
Highway	607,061
Health and Welfare	8,886
Culture and Rec	11,612
Conservation of Natural Resources	9,234
Total	\$961,974

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, 2012 has a total valuation of the land at \$108,000.

NOTE 10: 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 11: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	\$1,294,614	\$ -	\$103,338	\$1,191,276	\$106,589
Leases Payable	101,571	25,783	51,820	75,534	39,964
Compensated Absences *	357,017	-	8,986	348,031	139,212
Total Governmental Activities	\$1,753,202	\$25,783	\$164,144	\$1,614,841	\$285,765

* 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, 2012 is comprised of the following individual issues:

Loans Payable:

\$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%.	\$ 414,410
\$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%.	543,810
\$361,405 Lease from Citi Capital Commercial Corp. for improvements to the DWCRS, due in semi-annual installments of \$11,628 to \$19,074 through 2019 with interest at 4.35%.	<u>233,056</u>
Total Loans Payable	<u>\$1,191,276</u>

STARK COUNTY

Notes to the Financial Statements – Continued

Leases Payable:

\$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%.	\$16,336
\$79,950 Lease from American State Bank and Trust for the purchase of a 2010 Dump Truck, due in annual installments of \$17,289 through 2014 with interest at 3.985%.	32,587
\$7,164 Lease from Xerox for a printer and tray, due in annual installments of \$597 to \$2,388 through 2013.	1,791
\$11,566 Lease from Xerox for a printer and tray, due in monthly installments of \$193 through 2017.	10,602
\$14,218 Lease from Pitney Bowes for a postage machine, due in quarterly installments of \$889 through 2016.	<u>14,218</u>
Total Leases Payable	<u>\$75,534</u>

Debt service requirements on governmental activity long-term debt at December 31, 2012 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	Loans Payable		Leases Payable	
	Principal	Interest	Principal	Interest
2013	\$ 107,817	\$ 50,426	\$39,964	\$1,900
2014	112,491	45,752	22,486	671
2015	117,368	40,876	5,868	-
2016	122,455	35,788	5,868	-
2017	127,764	30,480	1,349	-
2018 - 2022	603,381	70,903	-	-
Total	\$1,191,276	\$274,225	\$75,534	\$2,571

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 2012, the county remitted \$129,940 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 \$4,552,201 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, 2012, there was one community development block grant loan outstanding (Red Trail Energy), with an aggregate principal amount payable of \$182,204.

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 2012 is not available. The following information as of and for the year ended December 31, 2010, the most current information available, is as follows:

GOVERNMENTAL ACTIVITIES

Total Assets	\$8,011,688
Total Liabilities	<u>847,178</u>
Net Assets	<u>\$7,164,510</u>
Revenues	\$6,838,216
Expenses	<u>6,548,067</u>
Change in Net Assets	<u>\$ 290,149</u>

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 2012 is not available. The following information as of and for the year ended December 31, 2010, the most current information available, is as follows:

GOVERNMENTAL ACTIVITIES

Total Assets	\$123,819
Total Liabilities	<u>30,882</u>
Net Assets	<u>\$ 92,937</u>
Revenues	\$451,050
Expenses	<u>390,708</u>
Change in Net Assets	<u>\$ 60,342</u>

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 2012 is not available. The following information as of and for the year ended December 31, 2010, the most current information available, is as follows:

GOVERNMENTAL ACTIVITIES

Total Assets	\$ 824,272
Total Liabilities	<u>184,219</u>
Net Assets	<u>\$ 640,053</u>
Revenues	\$2,152,846
Expenses	<u>2,033,803</u>
Change in Net Assets	<u>\$ 290,149</u>

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 contributes to the North Dakota Public Employee's Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota, 58502-1214.

STARK COUNTY

Notes to the Financial Statements – Continued

During January 1, 2012 through December 31, 2012, plan members were required to contribute 5% of their annual covered salary. Stark County has elected to contribute the employees required contribution. The county was required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's required contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$340,463, \$265,879, and \$255,361 and actual contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$584,491, \$448,796, and \$435,860.

NOTE 17: CONSTRUCTION COMMITMENTS

Stark County had several open construction commitments as of December 31, 2012 as follows:

Project	Original Contract	Total Completed	Retainage	Remaining Balance w/Retainages	% Complete
COI-4510 (062) Highway Project	\$7,911,071	\$7,463,611	\$180,375	\$627,835	94.34%

NOTE 18: DEFICIT BALANCES

The following funds were in a negative fund balance position at December 31, 2012:

County Funds	Balance
Sheriff Grants	\$(25,564)
State Reimbursements	(75)

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

NOTE 19: OPERATING LEASES

The county leases postage machines under non-cancelable operating leases. Total costs for such leases were \$2,140 for the year ended December 31, 2012. The future minimum lease payments for these leases are as follows:

GOVERNMENTAL ACTIVITIES			
Year Ending December 31	County Social Services Pitney Bowes-Postage	County Extension Pitney Bowes-Postage	Total
2013	\$1,033	\$1,108	\$2,141
2014	1,032	1,108	2,140
2015	1,032	1,108	2,140
2016	516	1,108	1,624
2017	-	924	924
Totals	\$3,613	\$5,356	\$8,969

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 20: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2012:

	Transfers In	Transfers Out
Major Funds:		
General	\$ 4,138	\$ 220,367
Unorganized Road & Bridge	81,514	-
Highway Tax Distribution	-	80,000
Social Services	1,555,000	-
County Poor	-	1,555,000
County Jail	220,367	-
Special Revenue Funds:		
Oil & Gas Infrastructure	-	1,514
Sheriff's Shooting Range	-	4,138
Total Transfers	\$1,861,019	\$1,861,019

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 21: PRIOR PERIOD ADJUSTMENTS

Prior period errors were noted in capital assets for cost and depreciation and compensated absence liability from the prior period for Stark County. The result of the errors was to increase beginning net position equity by a total of \$80,841 on the statement of activities.

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$28,400,770
Adjustments to restate the January 1, 2011 Net Position:	
Adjustment to correct capital asset costs	272,958
Adjustment to correct accumulated depreciation costs	(35,388)
Adjustment to correct compensated absence liability	(156,729)
Net Position January 1, as restated	\$28,481,611

NOTE 22: CONTINGENT LIABILITY

The County is defendant in one lawsuit incident to its operations. In the opinion of County's Attorney and management, the claim against the County not covered by insurance would not materially affect the financial condition of the County.

STARK COUNTY
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,735,686	\$ 1,735,686	\$ 1,730,827	\$ (4,859)
Intergovernmental	451,946	451,946	657,178	205,232
Charges for Services	395,000	395,000	490,113	95,113
Licenses, Permits and Fees	788,650	788,650	965,048	176,398
Interest Income	125,000	125,000	69,998	(55,002)
Miscellaneous	41,700	41,700	143,022	101,322
Total Revenues	\$ 3,537,982	\$ 3,537,982	\$ 4,056,186	\$ 518,204
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,582,743	\$ 1,585,581	\$ 1,517,322	\$ 68,259
Public Safety	1,615,973	1,615,973	1,639,985	(24,012)
Health and Welfare	750	750	750	-
Economic Development	95,904	95,904	64,935	30,969
Debt Service:				
Principal	-	-	5,391	(5,391)
Total Expenditures	\$ 3,295,370	\$ 3,298,208	\$ 3,228,383	\$ 69,825
Excess (Deficiency) of Revenues Over Expenditures	\$ 242,612	\$ 239,774	\$ 827,803	\$ 588,029
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 4,138	\$ 4,138
Transfers out	-	-	(220,367)	(220,367)
Net Change in Fund Balances	\$ 242,612	\$ 239,774	\$ 611,574	\$ 371,800
Fund Balance - January 1	\$ 1,498,883	\$ 1,498,883	\$ 1,498,883	\$ -
Fund Balance - December 31	\$ 1,741,495	\$ 1,738,657	\$ 2,110,457	\$ 371,800

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, 2012

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 751,020	\$ 751,020	\$ 751,812	\$ 792
Intergovernmental	100,514	100,514	163,011	62,497
Total Revenues	<u>\$ 851,534</u>	<u>\$ 851,534</u>	<u>\$ 914,823</u>	<u>\$ 63,289</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 746,820	\$ 780,434	\$ 780,434	\$ -
Net Change in Fund Balances	<u>\$ 104,714</u>	<u>\$ 71,100</u>	<u>\$ 134,389</u>	<u>\$ 63,289</u>
Fund Balance - January 1	<u>\$ 1,480,534</u>	<u>\$ 1,480,534</u>	<u>\$ 1,480,534</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,585,248</u>	<u>\$ 1,551,634</u>	<u>\$ 1,614,923</u>	<u>\$ 63,289</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, 2012

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 619,925	\$ 619,925	\$ 583,406	\$ (36,519)
Intergovernmental	635,388	635,388	9,792,329	9,156,941
Charges for Services	141,929	141,929	140,857	(1,072)
Licenses, Permits and Fees	104,000	104,000	610,728	506,728
Miscellaneous	52,000	52,000	54,005	2,005
Total Revenues	\$ 1,553,242	\$ 1,553,242	\$ 11,181,325	\$ 9,628,083
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 1,645,000	\$ 10,138,069	\$ 9,700,978	\$ 437,091
Debt Service:				
Principal	50,000	50,000	46,430	3,570
Interest	-	-	3,746	(3,746)
Total Expenditures	\$ 1,695,000	\$ 10,188,069	\$ 9,751,154	\$ 436,915
Excess (Deficiency) of Revenues Over Expenditures	\$ (141,758)	\$ (8,634,827)	\$ 1,430,171	\$ 10,064,998
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 81,514	\$ 81,514
Net Change in Fund Balances	\$ (141,758)	\$ (8,634,827)	\$ 1,511,685	\$ 10,146,512
Fund Balance - January 1	\$ (392,930)	\$ (392,930)	\$ (392,930)	\$ -
Fund Balance - December 31	\$ (534,688)	\$ (9,027,757)	\$ 1,118,755	\$ 10,146,512

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

STARK COUNTY
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 2,195,156	\$ 2,195,156	\$ 2,913,824	\$ 718,668
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 1,174,386	\$ 1,276,397	\$ 1,320,687	\$ (44,290)
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,020,770	\$ 918,759	\$ 1,593,137	\$ 674,378
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (80,000)	\$ (80,000)	\$ (80,000)	\$ -
Net Change in Fund Balances	\$ 940,770	\$ 838,759	\$ 1,513,137	\$ 674,378
Fund Balance - January 1	\$ 2,411,962	\$ 2,411,962	\$ 2,411,962	\$ -
Fund Balance - December 31	\$ 3,352,732	\$ 3,250,721	\$ 3,925,099	\$ 674,378

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, 2012

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 1,285,935	\$ 1,285,935	\$ 914,396	\$ (371,539)
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 2,977,645	\$ 2,977,645	\$ 2,531,294	\$ 446,351
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,691,710)	\$ (1,691,710)	\$ (1,616,898)	\$ 74,812
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 1,555,000	\$ 1,555,000
Net Change in Fund Balances	\$ (1,691,710)	\$ (1,691,710)	\$ (61,898)	\$ 1,629,812
Fund Balance - January 1	\$ 100,045	\$ 100,045	\$ 100,045	\$ -
Fund Balance - December 31	\$ (1,591,665)	\$ (1,591,665)	\$ 38,147	\$ 1,629,812

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, 2012

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,750,876	\$ 1,750,876	\$ 1,731,849	\$ (19,027)
Intergovernmental	419,036	419,036	611,652	192,616
Total Revenues	<u>\$ 2,169,912</u>	<u>\$ 2,169,912</u>	<u>\$ 2,343,501</u>	<u>\$ 173,589</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 351,255	\$ 757,540	\$ 362,028	\$ 395,512
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,818,657</u>	<u>\$ 1,412,372</u>	<u>\$ 1,981,473</u>	<u>\$ 569,101</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (1,159,488)	\$ (1,159,488)	\$ (1,555,000)	\$ (395,512)
Net Change in Fund Balances	<u>\$ 659,169</u>	<u>\$ 252,884</u>	<u>\$ 426,473</u>	<u>\$ 173,589</u>
Fund Balance - January 1	<u>\$ 527,493</u>	<u>\$ 527,493</u>	<u>\$ 527,493</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 1,186,662</u></u>	<u><u>\$ 780,377</u></u>	<u><u>\$ 953,966</u></u>	<u><u>\$ 173,589</u></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, 2012

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 971,000	\$ 971,000	\$ 1,514,475	\$ 543,475
<u>Expenditures:</u>				
Current:				
Capital Outlay	\$ 155,000	\$ 373,888	\$ 372,762	\$ 1,126
	124,406	124,406	125,532	(1,126)
Debt Service:				
Principal	32,574	32,574	32,574	-
Interest	19,371	19,371	19,371	-
Total Expenditures	\$ 331,351	\$ 550,239	\$ 550,239	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 639,649	\$ 420,761	\$ 964,236	\$ 543,475
Fund Balance - January 1	\$ 2,198,966	\$ 2,198,966	\$ 2,198,966	\$ -
Fund Balance - December 31	\$ 2,838,615	\$ 2,619,727	\$ 3,163,202	\$ 543,475

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, 2012

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 36,078	\$ 36,078	\$ 36,126	\$ 48
Intergovernmental	9,156	9,156	13,115	3,959
Interest Income	2,000	2,000	42,503	40,503
Miscellaneous Income	100,000	100,000	5,141	(94,859)
Total Revenues	\$ 147,234	\$ 147,234	\$ 96,885	\$ (50,349)
<u>Expenditures:</u>				
Current:				
Culture and Recreation	\$ 35,878	\$ 117,847	\$ 117,847	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 111,356	\$ 29,387	\$ (20,962)	\$ (50,349)
<u>Other Financing Sources (Uses):</u>				
Sale of Lots	\$ -	\$ -	\$ 1,008,386	\$ 1,008,386
Net Change in Fund Balances	\$ 111,356	\$ 29,387	\$ 987,424	\$ 958,037
Fund Balance - January 1	\$ 3,033,152	\$ 3,033,152	\$ 3,033,152	\$ -
Fund Balance - December 31	\$ 3,144,508	\$ 3,062,539	\$ 4,020,576	\$ 958,037

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, 2012

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 750,700	\$ 750,700	\$ 751,812	\$ 1,112
Intergovernmental	82,285	82,285	138,890	56,605
Total Revenues	<u>\$ 832,985</u>	<u>\$ 832,985</u>	<u>\$ 890,702</u>	<u>\$ 57,717</u>
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 832,985	\$ 1,053,352	\$ 1,053,352	\$ -
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (220,367)</u>	<u>\$ (162,650)</u>	<u>\$ 57,717</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 220,367	\$ 220,367
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (220,367)</u>	<u>\$ 57,717</u>	<u>\$ 278,084</u>
Fund Balance - January 1	<u>\$ (10,568)</u>	<u>\$ (10,568)</u>	<u>\$ (10,568)</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ (10,568)</u></u>	<u><u>\$ (230,935)</u></u>	<u><u>\$ 47,149</u></u>	<u><u>\$ 278,084</u></u>

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

STARK COUNTY
Dickinson, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2012, Stark County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
<u>Special Revenue Funds:</u>			
Highway Tax Distribution	\$1,276,397	\$1,320,687	\$(44,290)

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, 2012

	Balance 1-1-12	Receipts	Transfers In	Other Fin. Sources	Transfers Out	Disbursements	Balance 12-31-12
Primary Government:							
General Fund	\$ 1,957,039.66	\$ 3,965,831.21	\$ 4,137.67	\$ -	\$ 220,367.42	3,298,257.70	\$ 2,408,383.42
Farm to Market Road - 10 Mil	1,676,203.69	905,842.79	-	-	-	780,433.68	1,801,612.80
County Roads - Unorganized	169,722.35	10,811,104.59	81,513.85	-	-	10,188,068.95	874,271.84
Highway Tax Distribution	2,114,224.88	2,889,609.33	-	-	80,000.00	1,320,686.58	3,603,147.63
Social Services	57,522.76	956,918.49	1,555,000.00	-	-	2,531,294.02	38,147.23
County Jail	245,752.32	828,984.85	220,367.42	-	-	1,053,352.42	241,752.17
County Poor	1,001,978.15	2,143,104.88	-	-	1,555,000.00	362,028.16	1,228,054.87
Capital Improvement Fund	2,148,367.28	1,478,130.61	-	-	-	550,239.43	3,076,258.46
County Park	3,045,543.19	95,161.49	-	1,008,385.71	-	117,847.23	4,031,243.16
Total Major Funds	\$12,416,354.28	\$24,074,688.24	\$1,861,018.94	\$1,008,385.71	\$1,855,367.42	\$20,202,208.17	\$17,302,871.58
Special Revenue Funds:							
Special Road & Bridge	\$ 377,849.98	\$ 149,297.97	\$ -	\$ -	\$ -	\$ 15,020.21	\$ 512,127.74
Information Technology	431,952.48	304,298.96	-	-	-	276,681.28	459,570.16
Oil & Gas Infrastructure	148,066.91	127,558.10	-	-	1,513.85	90,361.15	183,750.01
Insurance Reserve	284,049.59	106,674.67	-	-	-	117,297.04	273,427.22
Comprehensive Health Care	184,051.26	389,985.66	-	-	-	258,031.76	316,005.16
Emergency Fund	406,359.86	13,438.85	-	-	-	-	419,798.71
Veterans Service Office	110,531.64	133,182.66	-	-	-	82,500.51	161,213.79
Social Security	365,043.15	452,466.15	-	-	-	359,475.79	458,033.51
Advertising	48,944.30	43,138.55	-	-	-	30,551.55	61,531.30
County Agent	223,332.70	205,480.49	-	-	-	123,816.48	304,996.71
Weed Control	85,208.07	294,185.48	-	-	-	281,038.98	98,354.57
Emergency 911	131,698.09	294,895.05	-	-	-	288,367.86	138,225.28
Adult Education	6,599.83	5,594.60	-	-	-	5,064.10	7,130.33
Asset Forfeiture	28,165.00	3,636.53	-	-	-	6,468.00	25,333.53
Fingerprint Station	8,244.47	4,016.00	-	-	-	529.99	11,730.48
Sheriffs Grants	(25,666.49)	232,943.41	-	-	-	232,840.97	(25,564.05)
Security Transfer/DJS Reimburse.	-	920.56	-	-	-	920.56	-
Southwest Victim Witness Prog.	93,168.33	71,389.45	-	-	-	73,394.12	91,163.66
Hazardous Chemical Preparedness	16,619.32	5,037.50	-	-	-	2,020.93	19,635.89
DVRCC	0.01	9,483.29	-	-	-	9,483.30	-
Preservation Fee	94,451.67	92,202.29	-	-	-	36,973.22	149,680.74
State Reimbursements	(277.80)	745.00	-	-	-	542.20	(75.00)
Siren Contingency	41,584.46	14,042.33	-	-	-	16,970.63	38,656.16
ESG Funds	13,251.95	192,055.05	-	-	-	188,383.11	16,923.89
911 Equipment	201,169.10	98,315.17	-	-	-	20,133.24	279,351.03
Sheriffs Shooting Range	4,137.67	-	-	-	4,137.67	-	-
Total Non-Major	\$ 3,278,535.55	\$ 3,244,983.77	\$ -	\$ -	\$ 5,651.52	\$ 2,516,866.98	\$ 4,001,000.82
Total Government Funds	\$15,694,889.83	\$27,319,672.01	\$1,861,018.94	\$1,008,385.71	\$1,861,018.94	\$22,719,075.15	\$21,303,872.40
Agency Funds:							
Fair Board	\$ 36,660.09	\$ 97,904.37	\$ -	\$ -	\$ -	\$ 112,216.00	\$ 22,348.46
Domestic Violence Prevention	359.00	7,481.00	-	-	-	7,735.00	105.00
Estimate Tax	4,413.28	92,687.78	-	-	-	86,524.82	10,576.24
Game and Fish	133,932.00	309,961.50	-	-	-	283,815.50	160,078.00
Judgement Execution Fund	-	12,804.29	-	-	-	12,804.29	-
Vector Control	31,191.24	82,307.99	-	-	-	84,845.06	28,654.17
Stark County Job Development	24,740.45	74,475.75	-	-	-	76,934.44	22,281.76
Senior Citizens	24,575.29	137,916.66	-	-	-	129,940.46	32,551.49
Water Commission	-	13,349.47	-	-	-	13,349.47	-
Southwest District Health	88,713.25	311,742.82	-	-	-	327,598.06	72,858.01

STARK COUNTY
Dickinson, North Dakota

SCHEDULE OF FUND ACTIVITY - CASH BASIS
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Other Fin. Sources	Transfers Out	Disbursements	Balance 12-31-12
CONTINUED.....							
<u>Agency Funds (Cont.):</u>							
State Tax	\$ 24,575.29	\$ 73,160.37	\$ -	\$ -	\$ -	\$ 75,472.96	\$ 22,262.70
SW Water Authority	24,575.29	84,953.46	-	-	-	87,266.05	22,262.70
Library	33,159.10	134,200.53	-	-	-	136,879.11	30,480.52
Airport	8,289.82	27,686.36	-	-	-	28,356.15	7,620.03
Total Cities	1,591,543.17	4,581,741.25	-	-	-	4,853,502.85	1,319,781.57
Total Parks	435,798.84	1,218,779.45	-	-	-	1,298,389.02	356,189.27
Total School Districts	3,109,039.60	10,843,518.84	-	-	-	11,184,871.24	2,767,687.20
Richardton-Taylor Ambulance	-	13,483.01	-	-	-	-	13,483.01
Soil Conservation District	24,948.39	86,489.38	-	-	-	88,648.57	22,789.20
Total Rural Fire Protection Districts	81,343.18	320,583.77	-	-	-	325,691.12	76,235.83
Payroll Deduction	5,921.34	885.54	-	-	-	(36,651.06)	43,457.94
Total Agency Funds	\$ 5,683,778.62	\$18,526,113.59	\$ -	\$ -	\$ -	\$19,178,189.11	\$ 5,031,703.10
Total Primary Government	\$21,378,668.45	\$45,845,785.60	\$1,861,018.94	\$1,008,385.71	\$1,861,018.94	\$41,897,264.26	\$26,335,575.50
<u>Component Units:</u>							
County Water Resource District	\$ 457,886.04	\$ 15,882.61	\$ -	\$ -	\$ -	\$ 28,758.24	\$ 445,010.41
County Fair Board	168,448.63	117,419.27	-	-	-	70,848.18	215,019.72
Total Component Units	\$ 626,334.67	\$ 133,301.88	\$ -	\$ -	\$ -	\$ 99,606.42	\$ 660,030.13
Total Reporting Entity	\$22,005,003.12	\$45,979,087.48	\$1,861,018.94	\$1,008,385.71	\$1,861,018.94	\$41,996,870.68	\$26,995,605.63

STARK COUNTY
Dickinson, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed through the North Dakota State Department of Transportation:</u>		
State and Community Highway Safety	20.600	\$ 9,350
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>21,098</u>
Total U.S. Department of Transportation		<u>\$ 30,448</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	\$ 9,360
Temporary Assistance for Needy Families	93.558	** 283,350
Child Support Enforcement	93.563	34,600
Child Care and Development Block Grant	93.575	847
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	15,816
Children's Justice Grants to States	93.643	319
Stephanie Tubbs Jones Child Welfare Services Program	93.645	7,064
Foster Care-Title IV-E	93.658	127,198
Adoption Assistance	93.659	2,047
Children's Health Insurance Program	93.767	2,568
Maternal and Child Health Services Block Grant to the States	93.994	<u>3,665</u>
Total U.S. Department of Health and Human Services		<u>\$ 486,834</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	\$ 69,228
Homeland Security Grant Program	97.067	<u>27,938</u>
<u>Passed through the North Dakota State Game and Fish:</u>		
Boating Safety Financial Assistance	97.012	<u>\$ 1,250</u>
Total U.S. Department of Homeland Security		<u>\$ 98,416</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>\$ 420</u>
Total Expenditures of Federal Awards		<u><u>\$ 616,118</u></u>

** - Major program tested

Continued on next page....

STARK COUNTY
Dickinson, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
--	---------------------------	-------------------------

CONTINUED.....

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, 2012. 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
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

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

Independent Auditor's Report

Board of County Commissioners
Stark County
Dickinson, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2012, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated September 25, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2012-01].

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 is required to be reported under *Government Auditing Standards*.

STARK COUNTY

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

Stark County's Response to Findings

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 25, 2013

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Stark County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Stark County's major federal program for the year ended December 31, 2012. Stark County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Stark County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Stark County's compliance.

Opinion on Each Major Federal Program

In our opinion, Stark County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

RAMSEY COUNTY

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 - Continued

Report on Internal Control Over Compliance

Management of Stark County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Stark County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Stark County as of and for the year ended December 31, 2012, and have issued our report thereon dated September 25, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 25, 2013

STARK COUNTY
Dickinson, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

Material weakness identified?	_____ Yes	_____ <u>X</u> None noted
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None noted
Type of auditor's report issued on compliance for major programs?	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	_____ <u>X</u> No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
93.558	Temporary Assistance for Needy Families

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

\$300,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

STARK COUNTY

Schedule of Findings and Questioned Costs – Continued

Section II - Financial Statement Findings

2012-01 – Capital Asset & Compensated Absences Adjustments to Net Position

Condition:

Per review of the results of capital asset testing of the County's capital asset listing, a net amount of \$116,229 of adjustments, consisting of an increase of \$272,958 to various categories of capital assets costs and an increase of \$156,729 to various categories of capital assets accumulated depreciation, were proposed to correct errors in the capital asset listing. Errors were noted in capital asset classifications for buildings, furniture and equipment, and infrastructure. Additionally, based on testing conducted in the compensated absences program, a net increase in the compensated absences liability totaling \$156,729 was proposed to correct prior period errors related to sick leave accruals.

Effect:

The capital assets and compensated absences prior period errors resulted in a prior period adjustment to beginning net position totaling \$80,741. Compensated absences prior period errors totaled a \$156,729 increase to the applicable liability. Capital asset prior period errors netted to an increase of \$116,229 to beginning net capital asset balances consisting of an increase of \$272,958 to various categories of capital assets costs and an increase of \$156,729 to various categories of capital assets accumulated depreciation. The effect of these errors also resulted in an emphasis of a matter language in the audit report opinion as the total of the errors exceeded performance materiality/tolerable misstatement.

Cause:

Regarding capital assets, the primary cause was missing a bridge (box culvert) infrastructure project from the prior audit.

Regarding compensated absences, sick leave reported in the social service department uses the state policy that accrues 10% of sick leave for employees with at least ten years of experience, and this fact was not correctly reported during the prior audit resulting in an understatement of the December 31, 2011 sick leave compensated absences liability balance.

Criteria:

Generally Accepted Accounting Standards (GAAP) prescribes qualifying expenses to be capitalized at their proper cost and compensated absences be reported at the proper amounts. Proper internal controls surrounding capital assets and compensated absences ensure that capital assets and compensated absences balances and activity are fairly stated.

Recommendation:

We recommend that Stark County ensure proper amounts of capital assets and compensated absences are reported at each year-end. Detailed capital asset records should include all properly classified assets into proper asset classifications including appropriate descriptions of the asset, year of purchase or construction, useful lives, annual depreciation, proper accumulated depreciation, book values or balance to depreciate, and the correct function of the asset. The county should also prepare a detailed addition and deletion summary of assets for each year. Additionally, the county should pay special attention to ensure that all infrastructure projects are carefully reviewed on at least an annual basis to ensure infrastructure projects that need to be capitalized are indeed properly reported and disclosed. Additionally, it is recommended that proper sick leave balances are accrued based on applicable related policies in place at each year-end.

Views of Responsible Officials:

I agree with the recommendation. Stark County will implement the recommendation.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.
