

OFFICE OF THE STATE AUDITOR

AUDIT REPORT

**STUTSMAN COUNTY
JAMESTOWN, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2013



STUTSMAN COUNTY
Jamestown, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2013

	<u>Pages</u>
County Officials	1
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 10
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Statement of Fiduciary Net Position	17
Notes to the Financial Statements	18 - 34
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	35
County Road and Bridge Fund	36
Social Services Fund	37
County Correctional Center Fund	38
Highway Tax Fund	39
FEMA Fund	40
Notes to the Required Supplementary Information	41

STUTSMAN COUNTY
TABLE OF CONTENTS - CONTINUED

	<u>Page(s)</u>
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity	42 - 43
Schedule of Expenditures of Federal Awards	44 - 45
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	46 - 47
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	48 - 49
Schedule of Findings and Questioned Costs	50 - 52

STUTSMAN COUNTY
Jamestown, North Dakota

COUNTY OFFICIALS

At December 31, 2013

Mark T. Klose
Dennis Ova
David Schwartz
Dale Marks
Craig Neys

Commissioner - Chairman
Commissioner - Vice Chairman
Commissioner
Commissioner
Commissioner

Casey Bradley
Renee Valenta, Interim
Chad Kaiser
Linda Chadduck
Fritz Fremgen
Barb Hill

Auditor
Treasurer
Sheriff
Recorder
State's Attorney
Clerk of Court

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
Stutsman County
Jamestown, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stutsman County, Jamestown, North Dakota, as of and for the year ended December 31, 2013, 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 did not audit the financial statements of the James River Valley Library System, which represent 94 percent, 94 percent, and 97 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the James River Valley Library System, is based solely on the report of other auditors. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stutsman County, Jamestown, North Dakota, as of December 31, 2013, 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 Matter

As discussed in Note 21 to the financial statements, material prior period adjustments were necessary to properly restate beginning balances related to capital assets and fund balances.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 4-10 and 35-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stutsman County's basic financial statements. The *schedule of fund activity 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 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 and the schedule of expenditures of federal awards* are 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 24, 2014 on our consideration of Stutsman 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 Stutsman County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 24, 2014

Stutsman County
Jamestown, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

The Management's Discussion and Analysis (MD&A) of Stutsman County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2013. The intent of the MD&A is to look at the County's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2013 are as follows:

- The assets of Stutsman County exceeded its liabilities at the close of the most recent fiscal year by \$47,305,710. Of this amount, \$3,695,651 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net Position of Stutsman County increased \$7,349,049 as a result of the most recently completed fiscal year's operations. There were also \$646,577 adjustments to decrease and properly restate beginning net position.
- Total revenues from all sources were \$24,757,157 on the government-wide statement of activities and total revenues on a fund basis were \$20,189,046.
- Total expenses were \$17,408,098 on the government-wide statement of activities and total expenditures on a fund basis were \$19,493,864.
- The County's general fund had \$3,590,271 in total revenues and \$2,452,570 in total expenditures. There was a reduction of \$725,565 by other financing sources. Overall, the general fund balance increased by \$412,136 or 11.23% for the year ended December 31, 2013. Unassigned fund balance of the general fund totaled \$4,040,555 or 164.75% of general fund expenditures. It is important to note that this fund balance is utilized to support operating deficiencies in other funds and is being maintained at a higher than normal balance until the balances have been corrected in the other funds.
- At the close of the report year, Stutsman County's governmental funds reported a combined ending fund balance of \$17,048,605. The unassigned governmental fund combined balance is \$3,977,761 or 23.33% of total fund balances, which is available for spending at the government's discretion.
- Long-term liabilities decreased by \$182,839 (16.2%) for year ended December 31, 2013.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Stutsman County's basic financial statements. Stutsman County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Stutsman County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Stutsman County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Stutsman County is improving or deteriorating.

STUTSMAN COUNTY

Management's Discussion and Analysis – Continued

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Stutsman County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Stutsman County include general government, public safety, highways and bridges, flood repair, health and welfare, culture and recreation, conservation of natural resources, economic development, and emergency.

The government-wide financial statements include not only Stutsman County itself (known as the *primary government*), but also a legally separate water resource district and fair association for which Stutsman County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Stutsman County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Stutsman County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

Stutsman County maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, county road and bridge fund, social service fund, highway tax fund, county correctional center fund, and FEMA fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation and are summarized under the heading "Other Governmental Funds".

Stutsman County adopts an annual appropriated budget for its governmental funds, except for capital projects funds. Budgetary comparison statements have been provided for the general fund, highway tax distribution, social services, social security and regional correctional center funds to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

STUTSMAN COUNTY

Management's Discussion and Analysis – Continued

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Stutsman County's own programs.

The basic fiduciary fund financial statement can be found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-34 of the report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Stutsman County, assets exceeded liabilities by \$47,305,710 at the close of the most recent fiscal year.

By far the largest portion of Stutsman County's net position totaling \$30,279,455 (64%) reflects its investment in capital assets (e.g., land, building, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. Stutsman County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Stutsman County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Stutsman County's net position totaling \$13,330,604 (28.18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,416,571) or 7.81% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Stutsman County is able to report positive balances in all three categories of net position. The government's net position increased by \$7,349,049 during the fiscal year.

TABLE I
NET POSITION
December 31, 2013 and 2012

<u>Assets:</u>	2013	2012
Current Assets	\$18,685,896	\$18,924,873
Capital Assets (net of accumulated depreciation)	30,279,455	23,202,576
Total Assets	<u>\$48,965,351</u>	<u>\$42,127,449</u>
<u>Liabilities:</u>		
Current Liabilities	\$ 977,655	\$ 701,201
Long-Term Liabilities	681,986	823,010
Total Liabilities	<u>\$ 1,659,641</u>	<u>\$ 1,524,211</u>
<u>NET POSITION:</u>		
Invested in Capital Assets, net of Related Debt	\$30,279,455	\$22,616,132
Restricted	13,330,604	14,570,535
Unrestricted	3,695,651	3,416,571
Total Net Position	<u><u>\$47,305,710</u></u>	<u><u>\$40,603,238</u></u>

STUTSMAN COUNTY

Management's Discussion and Analysis – Continued

Table II shows the changes in net position for the fiscal years ended December 31, 2013 and 2012.

TABLE II		
CHANGES IN NET POSITION		
As of December 31, 2013 and 2012		
Revenues	<u>2013</u>	<u>2012</u>
<u>Program Revenues:</u>		
Charges for Services	\$ 3,761,205	\$ 4,562,143
Operating Grants & Contributions	6,607,502	8,611,916
Capital Grants & Contributions	4,683,464	1,160,077
<u>General Revenues:</u>		
Property Taxes	7,156,069	6,767,120
Non-restricted grants and contributions	1,814,414	1,583,289
Interest Earnings	53,264	65,107
Miscellaneous Revenue	681,229	383,062
Total Revenues	<u>\$24,757,147</u>	<u>\$23,132,714</u>
Expenses		
General Government	\$ 3,354,237	\$ 3,396,037
Public Safety	4,028,910	4,450,026
Highways and Bridges	3,286,501	6,007,745
Flood Repair	2,784,390	-
Health and Welfare	2,435,900	2,170,330
Culture and Recreation	393,812	347,034
Conservation of Natural Resources	408,267	409,530
Economic Development	183,187	290,781
Emergency	513,998	-
Interest and Fiscal Agent Charges	18,896	21,559
Total Expenses	<u>\$17,408,098</u>	<u>\$17,093,042</u>
Net Change in Assets	<u>\$ 7,349,049</u>	<u>\$ 6,039,672</u>
Net Position - January 1	\$40,603,238	\$34,534,766
Prior Period Adjustment	(646,577)	28,800
Net Position – January 1, as restated	<u>\$39,956,661</u>	<u>\$34,563,566</u>
Net Position - December 31	<u>\$47,305,710</u>	<u>\$40,603,238</u>

A decrease in current assets of \$238,977 (1.26%) was noted because multiple capital asset projects were undertaken during the fiscal period. Net capital assets of \$30,279,455 increased over the prior year by \$7,076,879 (30.5%).

Property taxes constituted 28.91%, operating grants and contributions 26.69%, charges for services 15.19%, capital grants and contributions 18.92%, non-restricted grants and contributions 7.33%, and interest earnings and miscellaneous revenue made up 2.97% of the total revenues of governmental activities of the County for year ended December 31, 2013. Total revenues increased by \$1,624,433 or 7%. It should be noted that the majority of this increase is related to a temporary increase capital grants received.

General government constituted 19.27%, public safety 23.14%, highways and bridges 18.88%, health & welfare 13.99%, flood repair 15.99%, economic development 1.05%, conservation of natural resources 2.35%, culture and recreation 2.26%, emergency 2.95%, and less than 1% on interest and service charges for the year ended December 31, 2013. Overall, expenses increased by \$315,056 (1.84%). The majority of this expenditure increased was related to one time disaster related road projects.

STUTSMAN COUNTY

Management's Discussion and Analysis – Continued

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues. Total cost of activities by function increased overall by 1.84% (\$315,056) as noted in the previous paragraph. Net costs of activities by function in total decreased 14.61% (\$402,979).

TABLE III
TOTAL AND NET COST OF SERVICES
As of December 31, 2013 and 2012

	Total Cost For Year Ended Dec. 31, 2013	Net Cost For Year Ended Dec. 31, 2013	Total Cost For Year Ended Dec. 31, 2012	Net Cost For Year Ended Dec. 31, 2012
General Government	\$ 3,354,237	\$ 2,975,810	\$ 3,396,037	\$ 2,089,565
Public Safety	4,028,910	1,900,972	4,450,026	2,065,680
Highways	3,286,501	(6,512,237)	6,007,745	2,185,487
Flood Repair	2,784,390	821,600	-	(5,955,782)
Health and Welfare	2,435,900	1,936,430	2,170,330	1,699,106
Culture and Recreation	393,812	302,875	347,034	126,406
Conserv. of Natural Resources	408,267	214,396	409,530	236,104
Economic Development	183,187	183,187	290,781	290,781
Emergency	513,998	513,998	-	-
Interest and Service Charges	18,896	18,896	21,559	21,559
Total Expenses	<u>\$17,408,098</u>	<u>\$ 2,355,927</u>	<u>\$17,093,042</u>	<u>\$ 2,758,906</u>

Financial Analysis of the Governmental Funds

As noted earlier, Stutsman County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Stutsman County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spending* resources. Such information is useful in assessing Stutsman County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Stutsman County's governmental funds reported combined ending fund balances of \$17,048,605, a decrease of \$450,592 in comparison with the prior year. The primary reason for the decrease was due in large part to the completion of several major capital asset projects for which significant portions of the funding had been received and recognized in prior fiscal periods.

The general fund is the chief operating fund of Stutsman County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,040,555. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 164.75% of the total general fund expenditures.

Stutsman County's general fund balance increased by \$412,136 during the current fiscal year; a key factor in this increase was revenues exceeding expenditures, primarily due to an increase in state revenue sharing.

STUTSMAN COUNTY

Management's Discussion and Analysis – Continued

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year ended December 31, 2013, the County Board did not amend the general fund revenues, and amended (increased) general fund expenditures by \$38,436.

Actual general fund revenue for the year ended December 31, 2013 was \$367,570 more than budgeted (a total 11.41% positive variance). The most significant variance was \$218,142 more in intergovernmental income than originally budgeted.

Actual general fund expenditures were \$361,556 less than budgeted, or a 12.85% positive variance. The positive variance was primarily due to \$233,468 less spent in general government and \$131,244 less spent in public safety than budgeted.

See also, budgetary comparison schedules for the other major funds on pages 35-40 of this report, including budgetary comparison information notes.

Capital Asset Administration

Stutsman County's investment in capital assets for its governmental activities as of December 31, 2013 amounted to \$30,279,455 (net of accumulated depreciation). The investment in capital assets includes land, buildings, infrastructure, equipment, vehicles and furniture. The total increase in Stutsman County's investment in capital assets for the current fiscal year was \$6,576,552 (27.75%) and is mainly attributed to infrastructure projects related various disasters that have struck the county since 2009.

TABLE IV
CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2013 and 2012

	2013	2012
Land	\$ 606,200	\$ 606,200
Construction in Progress	1,581,871	6,157,731
Buildings	5,374,439	5,514,187
Infrastructure	20,191,637	8,621,633
Furniture and Equipment	2,525,308	2,803,152
Total Capital Assets (net of accumulated depreciation)	<u>\$30,279,455</u>	<u>\$23,702,903</u>

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 10 to the audited financial statements that follow this analysis on pages 26-27.

Debt Administration

At the end of the current fiscal year, Stutsman County had total debt outstanding of \$945,727. Of this amount, \$263,741 is due within one year.

Stutsman County's total bond debt decreased by \$25,000 (6.49%) during the current fiscal year. The decrease in debt is due solely to scheduled debt principal payments. Lease debt decreased by \$198,996 due to a trade in and subsequent payoff of leased equipment. No new debt was issued in 2013.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. Stutsman County's debt is well within the legal debt limit of \$41,985,108.

STUTSMAN COUNTY

Management's Discussion and Analysis – Continued

TABLE V
OUTSTANDING LONG-TERM DEBT
 December 31, 2013 and 2012

	Total		Total	
	Outstanding Dec. 31, 2012	Changes Current Year	Outstanding Dec. 31, 2013	Due Within One Year
2011 Tax Refunding Bonds	\$ 385,000	\$ (25,000)	\$360,000	\$ 30,000
Capital Lease	198,996	(198,996)	-	-
Compensated Absences	542,122	135,939	582,779	233,112
Special Assessments	2,447	501	2,948	629
Total Debt	<u>\$1,128,565</u>	<u>\$ 87,556</u>	<u>\$945,727</u>	<u>\$263,741</u>

For a detailed breakdown of the additions and deductions to long-term debt, as well as for information about each individual issue, readers are referred to Note 14 to the audited financial statements on pages 28-29.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Stutsman County is approximately 2.9 percent, which is very consistent with the rest of the State of North Dakota. This compares favorably to the national average rate of 6.1 percent.
- Inflationary trends in the region compare favorably to national indices.
- Great River Energy continues the construction of its \$160 million Ethanol Plant at the Spiritwood Industrial Park. The plant is anticipated to be operational in the spring of 2015.
- Great River Energy has begun startup procedures on its coal fired power plant in Spiritwood Industrial Park with an anticipated operational date in the fall of 2014.
- Cenex Harvest States has announced its plan to proceed with the construction of a \$3 billion Fertilizer Plant in Spiritwood Township. It is anticipated that this plant will employ 177 fulltime employees and is the largest project in the history of the state of North Dakota.
- The taxable valuation of the County increased from \$72,676,207 in 2012 to \$80,355,287 in 2013, an increase of 10.57 percent.
- 2009, 2010, and 2011 were historic years for Stutsman County with major Presidential Disaster Declarations being made each year. Countywide over 1,900 locations were qualified for FEMA assistance and many county roads were also designated by Federal Highway as disaster qualified. At the end of 2013, 1 Federal Highway project remains uncompleted. At the time of publishing the financial statements the remaining project has had all onsite work completed.

All of these factors were considered in preparing Stutsman County's budget for the 2014 fiscal year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, residents, and creditors with a general overview of Stutsman County's finances and to show the County's accountability for the money it receives to provide the best possible services to Stutsman County residents. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Casey Bradley, County Auditor/COO, Stutsman County, 511 2nd Avenue Southeast Jamestown, ND 58401, or cbradley@nd.gov.

STUTSMAN COUNTY
Jamestown, North Dakota
STATEMENT OF NET POSITION
December 31, 2013

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	James River Valley Library System
ASSETS:			
Cash and Investments	\$ 16,532,747	\$ 108,546	\$ 394,731
Intergovernmental Receivables	957,473	-	441,920
Accounts Receivable	57,925	-	-
Taxes Receivable	123,791	444	-
Road Receivables	801,416	-	-
Loans Receivable - Other	58,457	-	-
Job Development Loans Receivable	154,087	-	-
Prepaid Expenses	-	-	8,794
Restricted Assets:			
Hodge Fund	-	-	87,128
Capital Campaign	-	-	28,496
Capital Assets (not being depreciated):			
Land	606,200	-	6,000
Prepaid Building Costs	-	-	156,462
Construction in Progress	1,581,870	-	-
Capital Assets (net of accumulated depreciation):			
Infrastructure	20,191,638	-	-
Buildings	5,374,439	-	63,226
Bookmobile	-	-	2,324
Furniture and Equipment	2,525,308	-	29,448
Books, Periodicals, and Audio Visual Material	-	-	617,116
Total Capital Assets	<u>\$ 30,279,455</u>	<u>\$ -</u>	<u>\$ 874,576</u>
Total Assets	<u>\$ 48,965,351</u>	<u>\$ 108,990</u>	<u>\$ 1,835,645</u>
LIABILITIES:			
Accounts Payable	\$ 426,344	\$ -	\$ 4,881
Grants Received in Advance	285,740	-	-
Interest Payable	1,830	-	-
Long-Term Liabilities:			
Due Within One Year:			
General Obligation Bonds Payable	30,000	-	-
Special Assessments Payable	629	-	-
Compensated Absences Payable	233,112	-	-
Due After One Year:			
General Obligation Bonds Payable	330,000	-	-
Special Assessments Payable	2,319	-	-
Compensated Absences Payable	349,667	-	9,357
Total Liabilities	<u>\$ 1,659,641</u>	<u>\$ -</u>	<u>\$ 14,238</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 30,279,455	\$ -	\$ 874,576
Restricted For:			
Debt Service	-	-	-
Capital Projects	471,790	-	-
General Government	1,082,893	-	-
Public Safety	72,102	-	-
Highways and Bridges	7,812,513	-	-
Health and Welfare	1,894,985	-	-
Culture and Recreation	193,237	-	-
Conservation of Natural Resources	372,170	-	-
Flood Repair	243,878	-	-
Emergencies	181,014	-	-
Economic Development	1,006,022	-	-
Hodge Fund	-	-	87,128
Other Purposes	-	-	28,496
Unrestricted	<u>3,695,651</u>	<u>108,990</u>	<u>831,207</u>
Total Net Position	<u>\$ 47,305,710</u>	<u>\$ 108,990</u>	<u>\$ 1,821,407</u>

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

STUTSMAN COUNTY
Jamestown, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Governmental Activities	Water Resource District	James River Valley Library System
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	\$ 3,354,237	\$ 324,155	\$ 54,272	\$ -	\$ (2,975,810)	\$ -	\$ -
Public Safety	4,028,910	1,807,347	309,737	10,854	(1,900,972)	-	-
Highways	3,286,501	1,350,726	3,798,069	4,649,943	6,512,237	-	-
Flood Repair	2,784,390	-	1,962,790	-	(821,600)	-	-
Health and Welfare	2,435,900	36,134	463,336	-	(1,936,430)	-	-
Culture and Recreation	393,812	66,696	1,574	22,667	(302,875)	-	-
Conservation of Natural Resources	408,267	176,147	17,724	-	(214,396)	-	-
Economic Development	183,187	-	-	-	(183,187)	-	-
Emergency	513,998	-	-	-	(513,998)	-	-
Interest on Long-Term Debt	18,896	-	-	-	(18,896)	-	-
Total Primary Government	\$ 17,408,098	\$ 3,761,205	\$ 6,607,502	\$ 4,683,464	\$ (2,355,927)	\$ -	\$ -
<u>Component Units:</u>							
Water Resource District	\$ 20,420	\$ -	\$ -	\$ -		\$ (20,420)	\$ -
James River Valley Library System	657,310	11,327	69,851	-		-	(576,132)
Total Component Units	\$ 677,730	\$ 11,327	\$ 69,851	\$ -		\$ (20,420)	\$ (576,132)
<u>General Revenues:</u>							
Taxes:							
Property taxes; levied for general purposes					\$ 1,205,329	\$ 26,269	\$ 677,197
Property taxes; levied for special purposes					5,950,740	-	-
Non restricted grants and contributions					1,814,414	-	-
Restricted Investment Earnings					-	-	198
Earnings on Investments					53,264	147	1,097
Miscellaneous Revenue					681,229	-	-
Total General Revenues					\$ 9,704,976	\$ 26,416	\$ 678,492
Change in Net Position					\$ 7,349,049	\$ 5,996	\$ 102,360
Net Position - January 1					\$ 40,603,238	\$ 102,994	\$ 1,719,047
Prior Period Adjustment					(646,577)	-	-
Net Position - January 1, as restated					\$ 39,956,661	\$ 102,994	\$ 1,719,047
Net Position - December 31					\$ 47,305,710	\$ 108,990	\$ 1,821,407

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

STUTSMAN COUNTY
Jamestown, North Dakota

GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2013

	General	County Road & Bridge	Social Services	County Correctional Center	Highway Tax	FEMA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Investments	\$ 3,748,804	\$ 1,035,604	\$ 1,465,355	\$ -	\$ 4,800,834	\$ 285,740	\$ 5,196,410	\$ 16,532,747
Intergovernmental Receivables	308,888	1,129	60,587	19,888	226,807	243,878	96,296	957,473
Accounts Receivable	-	20,496	-	-	-	-	37,429	57,925
Taxes Receivable	20,841	8,376	24,727	12,364	-	-	57,483	123,791
Road Receivable	-	801,416	-	-	-	-	-	801,416
Due from Other Funds	-	5,100	-	-	-	-	52,730	57,830
Due from Other Funds - Negative Cash	77,703	-	-	-	-	-	-	77,703
Loans Receivable - Other	41,539	-	-	-	-	-	16,918	58,457
JSDC Loans Receivable	-	-	-	-	-	-	154,087	154,087
Total Assets	\$ 4,197,775	\$ 1,872,121	\$ 1,550,669	\$ 32,252	\$ 5,027,641	\$ 529,618	\$ 5,611,353	\$ 18,821,429
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$ 37,010	\$ 282,334	\$ 27,245	\$ 4,979	\$ -	\$ -	\$ 74,776	\$ 426,344
Grants Received in Advance	-	-	-	-	-	285,740	-	285,740
Due to Other Funds	57,830	-	-	-	-	-	-	57,830
Due to Other Funds - Negative Cash	-	-	-	70,203	-	-	7,500	77,703
Total Liabilities	\$ 94,840	\$ 282,334	\$ 27,245	\$ 75,182	\$ -	\$ 285,740	\$ 82,276	\$ 847,617
Deferred Inflows of Resources:								
Taxes Receivable	\$ 20,841	\$ 8,376	\$ 24,727	\$ 12,364	\$ -	\$ -	\$ 57,483	\$ 123,791
Road Receivables	-	801,416	-	-	-	-	-	801,416
Total Deferred Inflows of Resources	\$ 20,841	\$ 809,792	\$ 24,727	\$ 12,364	\$ -	\$ -	\$ 57,483	\$ 925,207
Total Liabilities and Deferred Inflows of Resources	\$ 115,681	\$ 1,092,126	\$ 51,972	\$ 87,546	\$ -	\$ 285,740	\$ 139,759	\$ 1,772,824
Fund Balances:								
Non-Spendable								
Loans Receivable	\$ 41,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,005	\$ 212,544
Restricted for:								
Debt Service	-	-	-	-	-	-	20,288	20,288
Capital Project Funds	-	-	-	-	-	-	471,790	471,790
General Government	-	-	-	-	-	-	1,132,297	1,132,297
Public Safety	-	-	-	-	-	-	295,790	295,790
Highways and Bridges	-	779,995	-	-	5,027,641	-	1,293,587	7,101,223
Health and Welfare	-	-	1,498,697	-	-	-	508,707	2,007,404
Flood Repair	-	-	-	-	-	243,878	-	243,878
Emergencies	-	-	-	-	-	-	159,158	159,158
Conservation of Natural Resources	-	-	-	-	-	-	369,333	369,333
Culture and Recreation	-	-	-	-	-	-	210,149	210,149
Economic Development	-	-	-	-	-	-	846,990	846,990
Unassigned:								
General Fund	4,040,555	-	-	-	-	-	-	4,040,555
Negative Fund Balances	-	-	-	(55,294)	-	-	(7,500)	(62,794)
Total Fund Balances	\$ 4,082,094	\$ 779,995	\$ 1,498,697	\$ (55,294)	\$ 5,027,641	\$ 243,878	\$ 5,471,594	\$ 17,048,605
Total Liabilities and Fund Balances	\$ 4,197,775	\$ 1,872,121	\$ 1,550,669	\$ 32,252	\$ 5,027,641	\$ 529,618	\$ 5,611,353	\$ 18,821,429

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

STUTSMAN COUNTY
Jamestown, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2013

Total *Fund Balances* for Governmental Funds \$ 17,048,605

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 are not reported in the governmental funds.

Cost of Capital Assets	\$ 59,945,619	
Less Accumulated Depreciation	<u>(29,666,164)</u>	
Net Capital Assets		30,279,455

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. 123,791

Road 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. 801,416

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2013 are:

Bonds Payable	\$ (360,000)	
Special Assessments Payable	(2,948)	
Accrued Interest Payable on Debt	(1,830)	
Compensated Absences	<u>(582,779)</u>	
Total Long-Term Liabilities		<u>(947,557)</u>

Total Net Position of Governmental Activities \$ 47,305,710

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

STUTSMAN COUNTY
Jamestown, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	General	County Road & Bridge	Social Services	County Correctional Center	Highway Tax	FEMA Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	\$ 1,201,531	\$ 511,953	\$ 1,416,874	\$ 708,435	\$ -	\$ -	\$ 3,298,121	\$ 7,136,914
Intergovernmental	1,821,672	3,669	482,920	24,678	3,744,499	1,434,015	902,465	8,413,918
Charges for Services	284,014	1,468,850	29,465	1,504,902	-	-	591,451	3,878,682
Licenses, Permits and Fees	8,645	16,394	-	-	-	-	-	25,039
Interest Income	12,218	2,542	5,738	474	18,705	-	13,587	53,264
Miscellaneous	262,191	111,561	10,584	15,374	-	-	281,519	681,229
Total Revenues	\$ 3,590,271	\$ 2,114,969	\$ 1,945,581	\$ 2,253,863	\$ 3,763,204	\$ 1,434,015	\$ 5,087,143	\$ 20,189,046
Expenditures:								
Current:								
General Government	\$ 1,325,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,926,018	\$ 3,251,116
Public Safety	1,060,816	-	-	2,280,621	-	-	585,134	3,926,571
Highways and Bridges	-	5,159,675	-	-	-	-	203,627	5,363,302
Flood Repair	-	-	-	-	-	1,971,726	812,664	2,784,390
Health and Welfare	66,026	-	2,086,681	-	-	-	270,448	2,423,155
Culture and Recreation	-	-	-	-	-	-	358,836	358,836
Conserv. of Natural Resources	-	-	-	-	-	-	437,078	437,078
Economic Development	-	-	-	-	-	-	183,187	183,187
Emergency	-	-	-	-	-	-	513,998	513,998
Debt Service:								
Principal	630	198,996	-	-	-	-	25,000	224,626
Interest and Fees	-	15,844	-	-	-	-	11,761	27,605
Total Expenditures	\$ 2,452,570	\$ 5,374,515	\$ 2,086,681	\$ 2,280,621	\$ -	\$ 1,971,726	\$ 5,327,751	\$ 19,493,864
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,137,701	\$ (3,259,546)	\$ (141,100)	\$ (26,758)	\$ 3,763,204	\$ (537,711)	\$ (240,608)	\$ 695,182
Other Financing Sources (Uses):								
Transfers In	\$ 83,146	\$ 3,505,100	\$ 233,038	\$ 219,600	\$ -	\$ -	\$ 1,662,965	\$ 5,703,849
Transfers Out	(808,711)	(7,500)	-	-	(3,500,000)	-	(1,387,638)	(5,703,849)
Total Other Financing Sources and Uses	\$ (725,565)	\$ 3,497,600	\$ 233,038	\$ 219,600	\$ (3,500,000)	\$ -	\$ 275,327	\$ -
Net Changes in Fund Balance	\$ 412,136	\$ 238,054	\$ 91,938	\$ 192,842	\$ 263,204	\$ (537,711)	\$ 34,719	\$ 695,182
Fund Balance - January 1	\$ 3,663,334	\$ 549,876	\$ 1,406,759	\$ (263,804)	\$ 4,764,437	\$ 1,935,433	\$ 5,443,162	\$ 17,499,197
Prior Period Adjustments	6,624	(7,935)	-	15,668	-	(1,153,844)	(6,287)	(1,145,774)
Fund Balance - Jan. 1, as restated	\$ 3,669,958	\$ 541,941	\$ 1,406,759	\$ (248,136)	\$ 4,764,437	\$ 781,589	\$ 5,436,875	\$ 16,353,423
Fund Balance - December 31	\$ 4,082,094	\$ 779,995	\$ 1,498,697	\$ (55,294)	\$ 5,027,641	\$ 243,878	\$ 5,471,594	\$ 17,048,605

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

STUTSMAN COUNTY
Jamestown, 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, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ 695,182

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

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

Current Year Capital Outlay	\$ 3,379,589	
Capital Contributions	4,683,464	
Current Year Depreciation Expense	<u>(1,452,229)</u>	6,610,824

Miscellaneous transactions involving capital assets caused a decrease in net position.

Loss on Disposals of Capital Assets		(34,272)
-------------------------------------	--	----------

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

Repayment of Debt - Bonds	\$ 25,000	
Repayment of Debt - Capital Leases	198,997	
Repayment of Debt - Special Assessments	<u>629</u>	224,626

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

Net Change in Compensated Absences	\$ (40,657)	
Net Change in Interest Payable	<u>8,709</u>	(31,948)

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 changes in taxes and road receivables.

Net Change in Taxes Receivable	\$ 19,155	
Net Change in Road Receivables	<u>(134,518)</u>	<u>(115,363)</u>

Change in Net Position of Governmental Activities		<u>\$ 7,349,049</u>
---	--	---------------------

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

STUTSMAN COUNTY
Jamestown, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 6,133,136</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>\$ 6,133,136</u>

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

STUTSMAN COUNTY
Jamestown, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stutsman County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of Stutsman 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. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Stutsman 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 Stutsman County.

Based on these criteria, the component units discussed below are included within the county's reporting entity because of the significance of its operational or financial relationship with the county.

COMPONENT UNITS

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

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

James River Valley Library System - The County's governing board appoints a voting majority of the members of the James River Valley Library System's governing board. Although the county does not have the authority to approve or modify the library board operational and capital budgets, the tax levy established by the library board must be approved by the county's governing board. The library has the authority to issue bonded debt. Schauer & Associates conducted the audit for the James River Valley Library System for the year ended December 31, 2013.

Complete financial statements of the James River Valley Library System are included in these financial statements. Additional information may be obtained from the Stutsman County Auditor; 511 2nd Avenue SE; Jamestown, ND 58401-4298.

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Stutsman County Water Resource District - The County's governing board appoints a voting majority of the members of the Stutsman County Water Resource Districts Board. The county has the authority to approve or modify the water resource district operational and capital budgets. The county also must approve the tax levy established by the water resource district.

Complete financial statements of Stutsman County Water Resource District are included in these financial statements. Additional information may be obtained from the Stutsman County Auditor; 511 2nd Avenue SE; Jamestown, ND 58401-4298.

B. Government-wide and fund financial statements

Government-wide statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements: The fund financial statements provide information about the county's funds including its fiduciary funds and blended component unit. 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.

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar item are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

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.

County Road and Bridge 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. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Social Services Fund. This is the County's primary health and welfare fund. It accounts for all financial resources related to health and welfare, except those required to be accounted for in another fund. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

County Correctional Center Fund. This is the County's primary correctional center fund. It accounts for all financial resources related operation of the county correctional center, except those required to be accounted for in another fund. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Highway Tax Fund. This is the County's clearing account for State Highway Tax revenue. It accounts for State Highway Tax distribution. These funds are transferred to the Road and Bridge Fund. The major sources of revenues are restricted State/Federal grants/reimbursements.

FEMA Fund. This is the County's FEMA fund. It accounts for the expenses and revenues related to presidentially declared disasters. The major sources of revenues are restricted State/Federal grants/reimbursements.

Additionally, county reports the following fund type:

Agency Funds. These fund accounts for assets by the County in a custodial capacity as an agent on behalf of others. The County's agency funds are used to account for property taxes collected on behalf of other governments.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and certificates of deposit with a maturity date of 90 days or less.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at cost.

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

E. Capital Assets

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

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

Assets	Years
Land	Indefinite
Buildings	50 Years
Machinery & Equipment	8-10 Years
Infrastructure	50 Years
Vehicles	7-10 Years
Office Equipment	5-20 Years

Capital assets of the James River Valley Library System are depreciated using the straight line method over the following useful lives:

Assets	Years
Buildings & Improve.	25 Years
Bookmobile	20 Years
Books, Periodicals, AV	10 Years
Equipment & Furniture	5-10 Years

F. Compensated Absences

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 hours of vacation leave may be carried over at year end. Upon termination of employment, employees will be paid for all vacation accrued up to the last day of work with the County and 10% of unused sick leave benefits that if the individual leaves the County's employment in good standing and have 10 years or more of continuous employment. A liability for the vested portion of compensated absences is reported in the governmental-wide statements.

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. Fund Balances / Net Position

GASB Statement No. 54 requires reporting 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 Stutsman County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Minimum Fund Balance Policy:

The Stutsman County budget committee 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 budget recommendation adopted by the county each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$4,082,094 at December 31, 2013 represented 166% of annual 2013 expenditures.

Replenishing deficiencies – when fund balance falls below the minimum 15% range, the County will replenish shortages/deficiencies using the budget strategies and time frames described below.

The following budgetary strategies shall be utilized by the County to replenish funding fund balance deficiencies:

- The County will reduce recurring expenditures to eliminate any structural deficit or;
- The County will increase revenues or pursue other funding sources, or;
- Some combination of the two options above;

Minimum fund balance deficiencies shall be replenished within the following time frames:

- Deficiency resulting in a minimum fund balance between 12.5 percent and 15 percent shall be replenished over a period not to exceed one year;
- Deficiency resulting in a minimum fund balance between 10 percent and 12.5 percent shall be replenished over a period not to exceed three years;
- Deficiency resulting in a minimum fund balance of less than 10 percent shall be replenished over a period not to exceed five years;

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (county road & bridge, social services, county correctional center, highway tax, and FEMA fund) are disclosed in more detail in Note 1C.

Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

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

<i>CLASSIFICATION</i>	<i>DEFINITION</i>	<i>EXAMPLES</i>
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.

TABLE CONTINUED ON NEXT PAGE.....

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

CONTINUED....

CLASSIFICATION	DEFINITION	EXAMPLES
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

Stutsman County only has non-spendable, restricted and unassigned fund balances at December 31, 2013.

Restricted Fund Balances – consist of the following items at December 31, 2013:

Restricted fund balances are shown by primary function on the balance sheet for general government, public safety, highways and bridges, flood repair, health and welfare, culture and recreation, conservation of resources, economic development, emergencies, debt service, and capital projects. 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 FEMA funds, 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.

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

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, and are restricted for highways and bridges, public safety, flood repair, health and welfare, culture and recreation, conservation of natural resources, emergencies, economic development, debt service, capital projects, and general government purposes (health insurance, insurance reserve, veteran's service officer, and social security).

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for negative funds (correctional center, victim witness advocate, data processing, and homeland security grant). The unrestricted net position is available to meet the district's ongoing obligations

I. Interfund Transactions

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

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

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota. whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At December 31, 2013, the county's carrying amount of deposits was \$21,963,958, and the bank balances were \$22,272,808. Of the bank balances, \$2,000,000 was covered by Federal Depository Insurance. The remaining balances of \$20,272,808 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2013, the Stutsman County Water Resource District, a discretely presented component unit of Stutsman County, had a carrying amount of deposits of \$102,622, and the bank balances were \$109,187, all of which was covered by Federal Depository Insurance.

At December 31, 2013, the James River Valley Library System, a discretely presented component unit of Stutsman County, had a carrying amount of cash of \$510,082 with bank balances totaling \$516,328 entirely covered by Federal Depository Insurance or collateralized with securities held by the Library.

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Credit Risk:

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

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

As of December 31, 2013, the county held certificates of deposit in the amount of \$3,771,719. Stutsman County Water Resource District, a discretely presented component unit of Stutsman County, held certificates of deposit in the amount of \$89,666, which are all considered deposits. James River Valley Library System, a discretely presented component unit of Stutsman County, held certificates of deposit in the amount of \$386,525, of which \$110,397 are considered deposits, and \$276,128 are considered investments.

Concentration of Credit Risk:

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

NOTE 3: TAXES RECEIVABLE

Taxes receivable represent the past four years of delinquent uncollected taxes and special assessments. No allowance has been established for uncollectible taxes and special assessment receivables.

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 each month.

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

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

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of money due the county at December 31, 2013 in county road and bridge fund, and in the E-911 fund for charges for services/fees. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 5: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of amounts due from the state for the state and federal share of various social service programs, highway tax distribution, state aid and other state and federal grants.

NOTE 6: ROAD RECEIVABLE

Road receivable consists of amounts due for roadwork for individuals, townships, and cities reported in the county road and bridge fund.

NOTE 7: LOANS RECEIVABLE

Stutsman County had entered into transactions as of December 31, 2011 that involved loans to townships that would enable various townships to fix roads that were damaged during the spring 2008, 2009, and 2011 floods that FEMA did not allow reimbursements for the repairs.

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

There is one loan to the James River Senior Center that was used to construct a new roof prior to 2008. The emergency fund (\$18,308) was used to issue the loans during 2008 and prior, but the rest of the loans that Stutsman County issue after 2008 will be from the General Fund (\$57,887). The total balance of these loans outstanding at December 31, 2013 was \$58,457.

NOTE 8: JOB DEVELOPMENT LOANS RECEIVABLE

The county provides loans to businesses for either startup costs or expansion costs. The Job Service Development Corporation (JSDC) receives applications from various businesses. The Job Service Development Corporation screens the applications then brings the applications to the governing board that either approves or denies the application. The JSDC sets up a payment schedule with interest for the loans to be repaid. The county has the following loan activity during the year ended December 31, 2013.

Name/Business	Beg. Balance 1-1-13	Adjustments/ Payments	Ending Balance 12-31-13
Browning Honey, Inc.	\$ 38,721	\$ 4,929	\$ 33,792
Chamber of Commerce	467	145	322
Chamber of Commerce II	1,483	183	1,300
Dakota Brands	9,744	1,006	8,738
Dakota Brands (NJT)	524	-	524
Dunwoodie Developments	32,974	6,535	26,439
DuraTech Industries	29,825	-	29,825
Eldermark (NJT)	23,556	1,082	22,474
ICS/FAARMS	10,433	1,068	9,365
Precision Results (NJT)	4,401	559	3,842
RTS Shearing (NJT)	19,547	3,057	16,490
SCDRC	323	133	189
ToMarket	1,345	558	787
Total Loans Receivable	\$173,343	\$19,255	\$154,087

NOTE 9: DUE TO/FROM OTHER FUNDS

The due to/from other funds represent amounts that special revenue funds owe monies to the general fund (\$77,703) of Stutsman County for negative cash balances in the correctional center fund (\$70,203) and homeland security grant fund (\$7,500).

NOTE 10: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2013:

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1-1-13	Increases	Decreases	Transfers	Balance 12-31-13
<i>Capital assets not being depreciated:</i>					
Land	\$ 606,200	\$ -	\$ -	\$ -	\$ 606,200
Construction in Progress	6,157,730	5,812,429	-	(10,388,289)	1,581,870
Total Capital Assets, Not Being Depreciated	\$ 6,763,930	\$5,812,429	\$ -	\$(10,388,289)	\$ 2,188,070
<i>Capital assets being depreciated:</i>					
Buildings	\$10,782,385	\$ 54,751	\$ -	\$ -	\$10,837,136
Equipment	6,262,821	188,584	146,199	-	6,305,206
Infrastructure	28,219,627	2,007,291	-	10,388,289	40,615,207
Total Capital Assets, Being Depreciated	\$45,264,833	\$2,250,626	\$146,199	\$ 10,388,289	\$57,757,549
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 5,268,198	\$ 194,499	\$ -	\$ -	\$5,462,697
Equipment	3,459,669	432,155	111,927	-	3,779,897
Infrastructure	19,597,994	825,576	-	-	20,423,570
Total Accumulated Depreciation	\$28,325,861	\$1,452,230	111,927	\$ -	\$29,666,164
Total Capital Assets Being Depreciated, Net	\$16,938,972	\$ 798,396	\$ 34,272	\$ 10,388,289	28,091,385
Governmental Activities Capital Assets, Net	\$23,702,902	\$6,610,825	\$ 34,272	\$ -	\$30,279,455

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

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

Governmental Activities:	Amounts
General Government	\$ 166,139
Public Safety	111,231
Highways	1,099,472
Health and Welfare	4,603
Conservation of Natural Resources	12,821
Culture and Recreation	57,964
Total Depreciation Expense - Governmental Activities	\$1,452,230

Discretely Presented Component Unit – James River Valley Library System:

Component Unit - Library	Balance			Balance
Governmental Activities:	1-1-13	Increases	Decreases	12-31-13
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Prepaid Building Costs	82,564	73,898,	-	156,462
Total Capital assets, not being depreciated	\$ 88,564	\$ 73,898	\$ -	\$ 162,462
<i>Capital assets being depreciated:</i>				
Buildings	\$ 339,331	\$ 14,117	\$ -	\$ 353,448
Bookmobile	93,290	-	-	93,290
Equipment	125,280	13,232	-	138,512
Books, periodicals, and Audio Visual Mat.	1,296,630	91,389	78,566	1,309,453
Total Capital Assets, Being Depreciated	\$1,854,531	\$118,738	\$78,566	\$1,894,703
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 285,080	\$5,142	\$ -	\$ 290,222
Bookmobile	86,301	4,665	-	90,966
Equipment	95,360	13,704	-	109,064
Books, periodicals, and Audio Visual Mat.	654,654	116,249	78,566	692,337
Total Accumulated Depreciation	\$1,121,395	\$139,760	\$78,566	\$1,182,589
Total Capital Assets Being Depreciated, Net	\$ 733,136	\$ (21,022)	\$ -	\$ 712,114
Total Capital Assets	\$ 821,700	\$ 52,876	\$ -	\$ 874,576

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

Governmental Activities:	Amounts
Buildings and Grounds	\$ 5,142
Materials and Supplies	134,318
Total Depreciation Expense – Component Unit- Library	\$139,760

NOTE 11: PREPAID EXPENSES

Prepaid expenses represent an amount shown for the James River Valley Library System in the net position statement for prepaid building costs.

NOTE 12: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2013 and chargeable to the appropriations for the years then ended, but paid for subsequent to that date.

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

NOTE 13: GRANTS RECEIVED IN ADVANCE

Grants received in advance consist of funds received in the FEMA fund where the eligibility requirements have not all been met at December 31, 2013. Asset recognition criteria have been met, but revenue recognition criteria have not been met.

NOTE 14: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2013, the following changes occurred in liabilities reported in long-term liabilities:

Primary Government (County):

Governmental Activities:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Bonds Payable	\$ 385,000	\$ -	\$ 25,000	\$ 360,000	\$ 30,000
Special Assessments Payable	2,447	1,130	629	2,948	629
Capital Leases Payable	198,996	-	198,996	-	-
Compensated Absences *	542,122	40,657	-	582,779	233,112
Total Governmental Activities	\$1,128,565	\$41,787	\$224,625	\$945,727	\$263,741

* - The addition to compensated absences is the net change for the year.

Bonds Payable:

\$435,000 Tax Revenue Refunding Bonds Series 2011 for the Central Valley Health Unit Building, payable in annual installments of \$25,000 to \$35,000 with interest rates at 3.05% through 2025. \$360,000

Special Assessments Payable:

\$4,335 Specials were issued on various parcels that are the property of Stutsman County. \$ 2,948

The annual debt service requirements for long-term debt (excluding compensated absences) outstanding as of December 31, 2013, are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending 12-31-13	G.O. Bonds Payable	
	Principal	Interest
2014	\$ 30,000	\$10,522
2015	25,000	9,684
2016	25,000	8,921
2017	25,000	8,159
2018	30,000	7,320
2019 - 2023	155,000	21,198
2024 - 2026	70,000	3,736
Total	\$360,000	\$69,540

GOVERNMENTAL ACTIVITIES		
Year Ending 12-31-13	Special Assessments Payable	
	Principal	Interest
2014	\$ 629	\$ 89
2015	629	67
2016	282	46
2017	282	38
2018	282	31
2019 - 2022	844	45
Total	\$ 2,948	\$ 316

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Component Unit – James River Valley Library System:

Governmental Activities:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Compensated Absences	\$8,109	\$1,248	\$ -	\$9,357	\$ -

Operating Lease Commitments – James River Valley Library System:

The library leases its copier under a sixty month lease and a postage meter under a sixty-three month lease. Lease expense for the year ended December 31, 2013 was \$2,145.

Future minimum lease commitments under the lease agreements are as follows:

Year Ending 12-31-13	Amounts
2014	\$2,003
2015	1,139
2016	864
2017	864
2018	72
Total	\$4,942

NOTE 15: DEFERRED INFLOWS

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met consisting of taxes receivable and road receivable. Under the modified accrual basis of accounting, such amounts are measurable but not available.

NOTE 16: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The county pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, one million for automobile and \$5,294,489 for public assets/mobile equipment and portable property. The County also has the Steam Boiler insured with The Hartford Steam Boiler Inspection and Insurance Company with an equipment breakdown limit of \$26,000,000.

Stutsman 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 one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the county with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Stutsman County has workers compensation with the North Dakota Workforce Safety and Insurance. The County does pay a portion of health insurance premiums for full-time, permanent employees. The health insurance coverage is provided through NDPERS.

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

NOTE 17: CONDUIT DEBT OBLIGATIONS

From time to time, Stutsman County has issued 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 facilities transfers to the private-sector entity served by the loan issuance. Neither the County, nor 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, 2013, there was one Community Development Block Grant Loan outstanding with an aggregate principal amount payable of \$67,250.

During the audit period of the year ending December 31, 2010, Stutsman County had become involved in a program that issues Recovery Zone Facility Bonds. Recovery Zone Facility Bonds are a new type of tax-exempt private activity bond created by the American Recovery and Reinvestment Act, passed by Congress in February 2009. They may be used to finance certain kinds of business development activities in areas of significant economic distress.

Under this program, counties and large municipalities with greater than 100,000 in population (Originally Awarded Localities) are eligible for allocations of tax-exempt private activity bond issuing authority called "Recovery Zone Facility Bonds" to finance certain kinds of business facilities in Recovery Zones. Because Exempt Facility Bonds are considered private activities (i.e. they benefit businesses or individuals), they are not tax-exempt unless they are issued under the traditional state Bond Cap Allocation Program, or under this RZ-FB program.

A Recovery Zone is defined as an area having significant poverty, unemployment, home foreclosures, or general distress; or an area that has already been federally designated as an Empowerment Zone or Renewal Community. In addition to the federally designated areas, the county or municipality may designate areas within their jurisdiction as Recovery Zones.

RZ-FBs may be used by taxpayers engaged in certain types of businesses to finance the purchase of depreciable business property within a Recovery Zone, provided the taxpayer acquires the property after the area has received the Recovery Zone designation. Some kinds of property specifically do not qualify under this program; including land, rental property, and property used for certain kinds of activities such as golf courses, country clubs, and several others listed in federal tax regulations.

As of December 31, 2013, there are two Recovery Zone Facility issuances which involved IRET Properties for the amount of \$2,200,000 and Allied Agronomy LLC for the amount of \$2,500,000.

During the audit period of the year ending December 31, 2013, Stutsman County had become involved in a program that issues tax-exempt bonds that state and local governments issue through housing finance agencies (HFAs) to help fund below-market-interest-rate mortgages for first-time qualifying homebuyers. Eligible borrowers are first-time homebuyers with low to moderate incomes below 115 percent of median family income.

As of December 31, 2013, there is one issuance which involved LSS Housing Jamestown, LCC for the amount of \$3,600,000 and a Taxable portion for \$900,000.

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

NOTE 18: PENSION PLANNorth Dakota Public Employee's Retirement System

Stutsman 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.

Plan members are required to contribute 5% of their annual covered salary. The county is 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 contributions to NDPERS for the years ending December 31, 2013, 2012, and 2011 were \$370,879, \$227,719, and \$257,285, respectively, equal to the required contributions for the year.

James River Valley Library System:

The James River Library System also participates in the North Dakota Public Employee's Retirement System. The required and actual contribution to NDPERS for the year ended December 31, 2013, 2012 and 2011 were \$23,884, \$20,295, and \$17,863, respectively.

NOTE 19: DEFICIT BALANCE

The following fund(s) was/were in a deficit fund balance and cash position at December 31, 2013:

Funds	Fund Balance	Cash Balance
<u>Special Revenue Funds:</u>		
Correctional Center	\$ (55,295)	\$ (70,203)
Homeland Security Grant	(7,500)	(7,500)

NOTE 20: TRANSFERS

The following table shows amounts reported for transfers in and transfers out as reported in the basic financial statements in the governmental funds for the year ended December 31, 2013:

Fund	Transfers In	Transfers Out
General Fund	\$ 83,146	\$ 808,711
Road and Bridge	3,505,100	7,500
Correctional Center	219,600	-
Emergency Fund	600,000	-
Social Service	233,038	-
Matching Federal Aid Road	10,030	600,000
Highway Tax	-	3,500,000

TABLE CONTINUED ON NEXT PAGE....

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

CONTINUED.....

Fund	Transfers In	Transfers Out
Social Security	\$ -	\$ 118,000
911 Emergency Telephone	-	114,600
Regional Child Support	-	33,038
County Agent	-	10,000
Employees Hospital Insurance	441,000	-
Witness Advocacy Program	22,000	-
Witness Advocacy Assessment	-	22,000
Health Insurance Levy	-	290,000
Data Processing	436,935	-
Park	8,000	-
Emergency Human Services	-	200,000
Courthouse Building	137,500	-
Road and Bridge Building	7,500	-
Total Transfers	\$5,703,849	\$5,703,849

Transfers are used to move unrestricted general revenue to finance programs that the county accounts for in other funds in accordance with budget authority and to subsidize other programs.

NOTE 21: PRIOR PERIOD ADJUSTMENT

There were prior period adjustments for the period ending December 31, 2013 for Governmental Activities involving adjustments to the general fund, the job incentive fund, the county correctional center fund, the FEMA fund, and total non-major funds. Adjustments to beginning net position were also necessary for various capital asset restatements and special assessments payable.

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$40,603,238
Adjustments to restate the January 1, 2013 Net Position:	
Fund balance error corrections	(1,145,774)
Capital asset cost	178,612
Capital asset accumulated depreciation	321,715
Special assessments payable	(1,130)
Net Position January 1, as restated	\$39,956,661

Beginning fund balance adjustments were necessary to the general fund, the county correctional center fund, and the FEMA fund. The general fund, correctional center, and nonmajor funds adjustments were for irreconcilable differences when the County switched general ledger software. The FEMA fund adjustment was to account for prior unearned revenue related to DES payments.

Governmental Fund - General:	Amounts
Beginning fund balance	\$3,663,334
Adjustments to restate the January 1, 2013 fund balance:	
Error correction to prior fund balance	6,624
Fund Balance, January 1, as restated	\$3,669,958

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Governmental Fund – County Road & Bridge:	Amounts
Beginning fund balance	\$549,876
Adjustments to restate the January 1, 2013 fund balance:	
Error correction to prior fund balance	(7,935)
Fund Balance, January 1, as restated	\$541,941

Governmental Fund – County Correctional Center:	Amounts
Beginning fund balance	\$(263,804)
Adjustments to restate the January 1, 2013 fund balance:	
Error correction to prior fund balance	15,668
Fund Balance, January 1, as restated	\$(248,136)

Governmental Fund - FEMA:	Amounts
Beginning fund balance	\$ 1,935,433
Adjustments to restate the January 1, 2013 fund balance:	
Error correction to prior fund balance	(1,153,844)
Fund Balance, January 1, as restated	\$ 781,589

Governmental Fund – Total Nonmajor Funds:	Amounts
Beginning fund balance	\$5,443,162
Adjustments to restate the January 1, 2013 fund balance:	
Error correction to prior fund balance	(6,287)
Fund Balance, January 1, as restated	\$5,436,875

Governmental Funds - Total (County):	Amounts
Beginning fund balance	\$17,499,197
Adjustments to restate the January 1, 2013 fund balance:	
Error corrections to prior fund balances	(1,145,774)
Fund Balance, January 1, as restated	\$16,353,423

NOTE 22: JOINT VENTURES

Under authorization of state statutes, Stutsman County and the City of Jamestown established and jointly operate a Job Development Authority, known as the Jamestown/Stutsman Development Corporation (JSDC). The agreement was established for the mutual advantage of the governments. Each government appoints two members of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity can be determined as to the location of the separate loan applicants.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2013, which is the most current audited information available:

2013	
Total Assets	\$ 3,607,786
Total Liabilities	292,260
Total Net Position	<u>\$ 3,607,786</u>
Revenues	\$ 1,000,096
Expenses	1,365,316
Change in Net Position	<u>\$ (365,220)</u>

STUTSMAN COUNTY

Notes to the Financial Statements – Continued

Complete financial statements for the Jamestown/Stutsman Development Corporation can be obtained from the Stutsman County Auditor's Office at 511 2nd Ave SE Jamestown, ND 58401-4210.

Under authorization of state statutes, Stutsman County, Logan County, and the City of Jamestown established and jointly operate a Health District, known as the Central Valley Health District. The agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity can be determined as to the location of the separate loan applicants.

The following is a summary of financial information on the joint venture as of and for the year ended June 30, 2013, which is the most current audited information available:

2013	
Total Assets	\$ 1,826,865
Total Liabilities	562,167
Total Net Position	<u>\$ 1,264,698</u>
Revenues	\$ 2,302,947
Expenses	<u>2,218,612</u>
Change in Net Position	<u>\$ (84,335)</u>

Complete financial statements for the Central Valley Health District can be obtained from the Stutsman County Auditor's Office at 511 2nd Ave SE Jamestown, ND 58401-4210.

NOTE 23: LEGAL COMPLIANCE - BUDGETS**BUDGET AMENDMENTS**

The board of county commissioners amended the county budget for 2013 as follows:

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$2,775,690	\$ 38,436	\$2,814,126
County Road & Bridge	5,586,100	215,000	5,801,100

NOTE 24: SUBSEQUENT EVENTS

On July 10, 2014, Stutsman County issued \$7,095,000 Refunding Improvement Bonds Series 2014. The bonds will be used for road improvements for assigned improvement districts.

Cenex Harvest States (CHS) has announced its plans to construct a \$3 billion Fertilizer Plant in Spiritwood, North Dakota. The facility, as proposed, is the largest private project ever undertaken in the state. Once the project is completed this project will have a material impact on the value of the county. Current valuation estimates project that this single project could increase the taxable value of the county by 58%. Stutsman County will likely enter into a significant tax incentive program with the project which will still be a material amount of overall tax revenues. Current proposals would still represent about a 24% increase in tax revenues during the incentive period, if approved by the Stutsman County Commission.

In 2014, the James River Valley Library System has approved 2 properties adjacent to the current library site for expansion. The cost of the properties is \$774,900.

STUTSMAN COUNTY
Jamestown, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,145,725	\$ 1,145,725	\$ 1,201,531	\$ 55,806
Licenses, Permits and Fees	6,400	6,400	8,645	2,245
Intergovernmental	1,603,530	1,603,530	1,821,672	218,142
Charges for Services	258,400	258,400	284,014	25,614
Interest Income	16,000	16,000	12,218	(3,782)
Miscellaneous	192,646	192,646	262,191	69,545
Total Revenues	\$ 3,222,701	\$ 3,222,701	\$ 3,590,271	\$ 367,570
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,526,234	\$ 1,558,566	\$ 1,325,098	\$ 233,468
Public Safety	1,185,956	1,192,060	1,060,816	131,244
Health and Welfare	63,000	63,000	66,026	(3,026)
Debt Service:				
Principal	500	500	630	(130)
Total Expenditures	\$ 2,775,690	\$ 2,814,126	\$ 2,452,570	\$ 361,556
Excess (Deficiency) of Revenues Over Expenditures	\$ 447,011	\$ 408,575	\$ 1,137,701	\$ 729,126
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 10,000	\$ 10,000	\$ 83,146	\$ 73,146
Transfers Out	(487,646)	(487,646)	(808,711)	(321,065)
Total Other Financing Sources and Uses	\$ (477,646)	\$ (477,646)	\$ (725,565)	\$ (247,919)
Net Change in Fund Balances	\$ (30,635)	\$ (69,071)	\$ 412,136	\$ 481,207
Fund Balance - January 1	\$ 3,663,334	\$ 3,663,334	\$ 3,663,334	\$ -
Prior Period Adjustment	-	-	6,624	6,624
Fund Balance - January 1, as restated	\$ 3,663,334	\$ 3,663,334	\$ 3,669,958	\$ 6,624
Fund Balance - December 31	\$ 3,632,699	\$ 3,594,263	\$ 4,082,094	\$ 487,831

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

STUTSMAN COUNTY
Jamestown, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 508,490	\$ 508,490	\$ 511,953	\$ 3,463
Intergovernmental	7,700	7,700	3,669	(4,031)
Charges for Services	1,121,600	1,121,600	1,468,850	347,250
Licenses	2,000	2,000	16,394	14,394
Interest Income	4,000	4,000	2,542	(1,458)
Miscellaneous	432,000	432,000	111,561	(320,439)
Total Revenues	\$ 2,075,790	\$ 2,075,790	\$ 2,114,969	\$ 39,179
<u>Expenditures</u>				
Current:				
Highways and Bridges	\$ 5,584,800	\$ 5,584,800	\$ 5,159,675	\$ 425,125
Debt Service:				
Principal	1,300	216,300	198,996	17,304
Interest	-	-	15,844	(15,844)
Total Expenditures	\$ 5,586,100	\$ 5,801,100	\$ 5,374,515	\$ 426,585
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,510,310)	\$ (3,725,310)	\$ (3,259,546)	\$ 465,764
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 3,500,000	\$ 3,500,000	\$ 3,505,100	\$ 5,100
Transfers Out	(7,500)	(7,500)	(7,500)	-
Total Other Financing Sources and Uses	\$ 3,492,500	\$ 3,492,500	\$ 3,497,600	\$ 5,100
Net Change in Fund Balances	\$ (17,810)	\$ (232,810)	\$ 238,054	\$ 470,864
Fund Balance - January 1	\$ 549,876	\$ 549,876	\$ 549,876	\$ -
Prior Period Adjustment	-	-	(7,935)	(7,935)
Fund Balance - January 1, as restated	\$ 549,876	\$ 549,876	\$ 541,941	\$ (7,935)
Fund Balance - December 31	\$ 532,066	\$ 317,066	\$ 779,995	\$ 462,929

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

STUTSMAN COUNTY
Jamestown, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,381,905	\$ 1,381,905	\$ 1,416,874	\$ 34,969
Intergovernmental	354,377	354,377	482,920	128,543
Charges for Services	22,200	22,200	29,465	7,265
Interest Income	10,000	10,000	5,738	(4,262)
Miscellaneous	4,880	4,880	10,584	5,704
Total Revenues	<u>\$ 1,773,362</u>	<u>\$ 1,773,362</u>	<u>\$ 1,945,581</u>	<u>\$ 172,219</u>
<u>Expenditures</u>				
Current:				
Health and Welfare	<u>\$ 2,144,800</u>	<u>\$ 2,144,800</u>	<u>\$ 2,086,681</u>	<u>\$ 58,119</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (371,438)</u>	<u>\$ (371,438)</u>	<u>\$ (141,100)</u>	<u>\$ 230,338</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 350,000	\$ 350,000	\$ 233,038	\$(116,962.00)
Transfers Out	(56,300)	(56,300)		56,300
Total Other Financing Sources and Uses	<u>\$ 293,700</u>	<u>\$ 293,700</u>	<u>\$ 233,038</u>	<u>\$ (60,662)</u>
Net Change in Fund Balances	<u>\$ (77,738)</u>	<u>\$ (77,738)</u>	<u>\$ 91,938</u>	<u>\$ 169,676</u>
Fund Balance - January 1	<u>\$ 1,406,759</u>	<u>\$ 1,406,759</u>	<u>\$ 1,406,759</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 1,329,021</u></u>	<u><u>\$ 1,329,021</u></u>	<u><u>\$ 1,498,697</u></u>	<u><u>\$ 169,676</u></u>

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

STUTSMAN COUNTY
Jamestown, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY CORRECTIONAL CENTER FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 690,953	\$ 690,953	\$ 708,435	\$ 17,482
Intergovernmental	21,600	21,600	24,678	3,078
Charges for Services	1,535,000	1,535,000	1,504,902	(30,098)
Interest Income	1,000	1,000	474	(526)
Miscellaneous	12,000	12,000	15,374	3,374
Total Revenues	\$ 2,260,553	\$ 2,260,553	\$ 2,253,863	\$ (6,690)
<u>Expenditures</u>				
Current:				
Public Safety	\$ 2,460,553	\$ 2,460,553	\$ 2,280,621	\$ 179,932
Excess (Deficiency) of Revenues Over Expenditures	\$ (200,000)	\$ (200,000)	\$ (26,758)	\$ 173,242
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 229,600	\$ 229,600	\$ 219,600	\$ (10,000)
Net Change in Fund Balances	\$ 29,600	\$ 29,600	\$ 192,842	\$ 163,242
Fund Balance - January 1	\$ (263,804)	\$ (263,804)	\$ (263,804)	\$ -
Prior Period Adjustment	-	-	15,668	15,668
Fund Balance - January 1, as restated	\$ (263,804)	\$ (263,804)	\$ (248,136)	\$ 15,668
Fund Balance - December 31	\$ (234,204)	\$ (234,204)	\$ (55,294)	\$ 178,910

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

STUTSMAN COUNTY
Jamestown, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 1,934,945	\$ 1,934,945	\$ 3,744,499	\$ 1,809,554
Interest Income	20,000	20,000	18,705	(1,295)
Total Revenues	<u>\$ 1,954,945</u>	<u>\$ 1,954,945</u>	<u>\$ 3,763,204</u>	<u>\$ 1,808,259</u>
<u>Expenditures</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,954,945</u>	<u>\$ 1,954,945</u>	<u>\$ 3,763,204</u>	<u>\$ 1,808,259</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	<u>\$ (3,000,000)</u>	<u>\$ (3,000,000)</u>	<u>\$ (3,500,000)</u>	<u>\$ (500,000)</u>
Net Change in Fund Balances	<u>\$ (1,045,055)</u>	<u>\$ (1,045,055)</u>	<u>\$ 263,204</u>	<u>\$ 1,308,259</u>
Fund Balance - January 1	<u>\$ 4,764,437</u>	<u>\$ 4,764,437</u>	<u>\$ 4,764,437</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 3,719,382</u></u>	<u><u>\$ 3,719,382</u></u>	<u><u>\$ 5,027,641</u></u>	<u><u>\$ 1,308,259</u></u>

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

STUTSMAN COUNTY
Jamestown, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 1,434,015	\$ 1,434,015
<u>Expenditures</u>				
<u>Current:</u>				
Highways and bridges	\$ -	\$ -	\$ 1,971,726	\$ (1,971,726)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ (537,711)	\$ (537,711)
Net Change in Fund Balances	\$ -	\$ -	\$ (537,711)	\$ (537,711)
Fund Balance - January 1	\$ 1,935,433	\$ 1,935,433	\$ 1,935,433	\$ -
Prior Period Adjustment	-	-	(1,153,844)	(1,153,844)
Fund Balance - January 1, as restated	\$ 1,935,433	\$ 1,935,433	\$ 781,589	\$ (1,153,844)
Fund Balance - December 31	\$ 1,935,433	\$ 1,935,433	\$ 243,878	\$ (1,691,555)

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

STUTSMAN COUNTY
Jamestown, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2013

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The county commission adopts an “appropriated budget” on the modified accrual basis of accounting.
- The county auditor prepares an annual budget for the general fund, each special revenue fund, and each debt service 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 expenditures 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 required by section 11-11-05 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. No county expenditure may be made or liability incurred, nor may a bill be paid for any purpose, in excess of the appropriation, except as provided in section 11-23-07. NDCC 11-23-06
- 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 2013, Stutsman County had the following fund expenditures in excess of budgeted amounts:

Overspent SR Funds:	Budget	Actual	Overspent
<u>Major Fund:</u>			
FEMA Fund	\$ -	\$1,971,726	\$1,971,726
<u>Non-Major Funds:</u>			
Unorganized Dist. Roads	24,000	40,962	16,092
Regional Child Support	-	5,050	5,050
Drug Program	102,100	176,748	74,648
Witness Advoc. Program	46,600	48,374	1,774
Document Preservation	3,500	20,694	17,194
Data Processing	481,335	496,125	14,790
Homeland Security Grant	-	31,979	31,979
Road and Bridge Building	100	179	79

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

STUTSMAN COUNTY
Jamestown, North Dakota

SCHEDULE OF FUND ACTIVITY - MODIFIED ACCRUAL BASIS
For the Year Ended December 31, 2013

	Balance 1-1-13	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12-31-13
Major Funds:						
10 General Fund	\$ 2,753,782.86	\$ 3,560,846.58	\$ -	\$ 545,475.78	\$ 2,452,568.65	\$ 3,316,585.01
50 General Fund Reserve	110,000.00	-	-	-	-	110,000.00
52 General Fund Sub Account	806,174.97	29,423.63	83,145.78	263,235.00	-	655,509.38
Total General Fund	\$ 3,669,957.83	\$ 3,590,270.21	\$ 83,145.78	\$ 808,710.78	\$ 2,452,568.65	\$ 4,082,094.39
15 Road & Bridge	541,941.65	2,114,968.84	3,505,100.00	7,500.00	5,374,515.58	779,994.91
18 Social Services	1,406,759.26	1,945,580.81	233,038.35	-	2,086,681.45	1,498,696.97
23 Correctional Center	(248,135.73)	2,253,862.40	219,600.00	-	2,280,621.37	(55,294.70)
32 Highway Aid	4,764,437.03	3,763,203.54	-	3,500,000.00	-	5,027,640.57
100 FEMA Funds	781,588.31	1,434,015.84	-	-	1,971,725.96	243,878.19
Total Major Funds	\$ 10,916,548.35	\$ 15,101,901.64	\$ 4,040,884.13	\$ 4,316,210.78	\$ 14,166,113.01	\$ 11,577,010.33
Special Revenue Funds:						
11 Social Security	\$ 512,056.95	\$ 1,342,254.88	\$ -	\$ 118,000.00	\$ 1,029,816.09	\$ 706,495.74
13 Restorative Justice	8,641.88	6,555.83	-	-	5,837.81	9,359.90
14 9-1-1 Emerg. Telephone	239,736.56	282,373.94	-	114,600.00	168,052.90	239,457.60
16 Unorg. Dist. Roads	44,652.95	60,978.88	-	-	29,495.13	76,136.70
17 Reg. Child Support	33,038.35	15,112.00	-	33,038.35	5,050.00	10,062.00
21 Park	212,660.51	348,324.15	8,000.00	-	358,835.54	210,149.12
22 Emergency Fund	90,969.69	811,768.03	600,000.00	-	1,326,661.18	176,076.54
24 Weed Control	205,407.74	302,082.67	-	-	292,106.67	215,383.74
26 Veteran's	13,269.21	88,091.53	-	-	84,558.94	16,801.80
27 County Agent	37,335.21	182,891.27	-	10,000.00	142,941.44	67,285.04
28 Advertising	3,666.08	2,884.56	-	-	2,675.50	3,875.14
30 Employees Hospital Ins.	442,122.54	135,826.77	441,000.00	-	730,918.12	288,031.19
33 Matching Federal Aid	1,431,840.33	375,579.13	10,030.00	600,000.00	-	1,217,449.46
37 Correctional Cntr. Commissary	12,135.25	5,845.13	-	-	5,970.84	12,009.54
38 Drug Program	46,736.55	136,734.44	-	-	176,747.72	6,723.27
39 Witness/Advocacy Prog.	1,750.33	25,253.38	22,000.00	-	48,373.85	629.86
43 Wit/Adv Assessment	21,642.44	16,264.52	-	22,000.00	-	15,906.96
44 Document Preservation	44,116.62	34,573.52	-	-	20,693.86	57,996.28
46 Health Ins. Levy	21,668.00	277,871.42	-	290,000.00	-	9,539.42
47 Chase Lake	25,500.00	-	-	-	-	25,500.00
48 Hazardous Chem. Levy	10,335.59	2,969.32	-	-	1,601.83	11,703.08
53 Data Processing	64,938.92	77,642.77	436,935.00	-	496,125.14	83,391.55
56 Bond Forfeiture	40,963.41	-	-	-	-	40,963.41
57 County Extension	2,393.31	2,599.84	-	-	2,029.65	2,963.50
58 Emergency Human Serv.	546,584.62	135,259.04	-	200,000.00	-	481,843.66
63 FY04 Homeland Security Grant	(5,480.00)	29,959.40	-	-	31,979.40	(7,500.00)
64 Weed Board Grant	204.06	-	-	-	-	204.06
77 Job Incentive	869,590.33	314,673.17	-	-	183,186.98	1,001,076.52
Off Book Activity- CDBG	1.00	-	-	-	-	1.00
Total Special Revenue Funds	\$ 4,978,478.43	\$ 5,014,369.59	\$ 1,517,965.00	\$ 1,387,638.35	\$ 5,143,658.59	\$ 4,979,516.08
Debt Service Funds:						
66 Elevator Sinking & Interest	\$ 7,596.42	\$ 0.49	\$ -	\$ -	\$ -	\$ 7,596.91
69 CVH Bond Issue	9,452.14	40,000.00	-	-	36,761.25	12,690.89
Total Debt Service Funds	\$ 17,048.56	\$ 40,000.49	\$ -	\$ -	\$ 36,761.25	\$ 20,287.80

CONTINUED ON NEXT PAGE...

STUTSMAN COUNTY
Jamestown, North Dakota

SCHEDULE OF FUND ACTIVITY - MODIFIED ACCRUAL BASIS
For the Year Ended December 31, 2013

	Balance 1-1-13	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12-31-13
CONTINUED.....						
<u>Capital Projects Funds:</u>						
40 Courthouse Building	\$ 113,064.19	\$ 27,701.02	\$ 137,500.00	\$ -	\$ 100,498.75	\$ 177,766.46
41 Law Enforc. Construction	48,414.95	4,312.26	-	-	46,651.20	6,076.01
49 Weed Board Cap. Imp.	187,842.20	514.72	-	-	-	188,356.92
54 Road & Bridge Building	88,682.19	242.63	7,500.00	-	179.47	96,245.35
91 Crt Remodeling	3,344.79	-	-	-	-	3,344.79
Total Capital Projects Funds	\$ 441,348.32	\$ 32,770.63	\$ 145,000.00	\$ -	\$ 147,329.42	\$ 471,789.53
Total Nonmajor Funds	\$ 5,436,875.31	\$ 5,087,140.71	\$ 1,662,965.00	\$ 1,387,638.35	\$ 5,327,749.26	\$ 5,471,593.41
Total Governmental Funds	\$16,353,423.66	\$ 20,189,042.35	\$ 5,703,849.13	\$ 5,703,849.13	\$19,493,862.27	\$ 17,048,603.74
<u>Agency Funds:</u>						
12 Estimated Tax	\$ 2,629,715.50	\$ 3,424,154.20	\$ -	\$ -	\$ 3,808,595.53	\$ 2,245,274.17
19 Central Valley Health	6,075.68	246,434.41	-	-	244,812.89	7,697.20
20 Airport	195.31	27,029.90	-	-	27,144.69	80.52
25 Historical Society	4,617.63	13,103.58	-	-	12,000.00	5,721.21
31 Tax Refund	754.44	22,457.27	-	-	23,211.71	-
35 Library - General	781.41	125,893.64	-	-	126,353.26	321.79
55 Cancelled Warr. Fund	-	93.00	-	-	93.00	-
71 Fair Board	171.84	24,628.82	-	-	24,665.99	134.67
73 Senior Citizens	437.03	115,111.24	-	-	112,749.89	2,798.38
74 Protest on Taxes	3,349.78	-	-	-	3,349.78	-
76 Game & Fish	107,659.43	168,536.00	-	-	180,604.00	95,591.43
81 Total Cities	1,779,934.57	6,944,925.74	-	-	7,329,803.77	1,395,056.54
83 Total School	3,278,258.22	8,859,425.04	-	-	10,252,787.47	1,884,895.79
84 Total Township	422,859.96	3,056,067.14	-	-	3,099,135.48	379,791.62
85 Water Resource District	123.71	33,636.29	-	-	33,663.04	96.96
86 Garrison Diversion	382.34	103,119.19	-	-	82,816.08	20,685.45
87 Total Rural Fire	81,955.59	228,756.85	-	-	236,486.40	74,226.04
88 State Funds	588.59	96,592.49	-	-	76,416.66	20,764.42
Total Agency Funds	\$ 8,317,861.03	\$ 23,489,964.80	\$ -	\$ -	\$ 25,674,689.64	\$ 6,133,136.19
Total Primary Government	\$ 24,671,284.69	\$ 43,679,007.15	\$ 5,703,849.13	\$ 5,703,849.13	\$ 45,168,551.91	\$ 23,181,739.93
<u>Component Unit:</u>						
85 Water Resource District	\$ 102,621.29	\$ 26,344.72	\$ -	\$ -	\$ 20,419.66	\$ 108,546.35
Total Reporting Entity	\$ 24,773,905.98	\$ 43,705,351.87	\$ 5,703,849.13	\$ 5,703,849.13	\$ 45,188,971.57	\$ 23,290,286.28

STUTSMAN COUNTY
Jamestown, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number		Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
<u>Passed through the State Attorney General's Office:</u>			
Edward Bryne Memorial Justice Assistance Grant Program	16.738		\$ 43,044
<u>Passed through the State Department of Health:</u>			
Violence Against Women Formula Grants	16.558		2,831
<u>Passed through the North Dakota Association of Counties:</u>			
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540		17,112
Total U.S. Department of Justice			<u>\$ 62,987</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed through the State Department of Human Services:</u>			
Promoting Safe and Stable Families	93.556		\$ 10,867
Temporary Assistance for Needy Families	93.558		155,362
Child Support Enforcement	93.563		196
Child Care and Development Block Grant	93.575		260
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		13,312
Children's Justice Grants to States	93.643		472
Stephanie Tubbs Jones Child Welfare Services Program	93.645		4,196
Foster Care - Title IV-E (Recovery)	93.658		95,154
Adoption Assistance (Recovery)	93.659		1,729
Children's Health Insurance Program	93.767		1,918
Medical Assistance Program	93.778		24,506
Maternal and Child Health Services Block Grant to the States	93.994		2,910
Total U.S. Department of Health and Human Services			<u>\$ 310,882</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
<u>Passed through the State Department of Transportation:</u>			
Highway Planning and Construction (Recovery)	20.205	**	\$ 986,981
State and Community Highway Safety	20.600		9,380
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		2,117
Total U.S. Department of Transportation			<u>\$ 998,478</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Passed through the State Department of Emergency Management</u>			
Disaster Assistance - Public Assistance (Presidentially Declared Disasters)	97.036	**	\$ 2,259,783
Emergency Management Performance Grants	97.042		81,534
Homeland Security Grant Programs	97.067		54,619
Total U.S. Department of Homeland Security			<u>\$ 2,395,936</u>

Continued on next page....

STUTSMAN COUNTY
Jamestown, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
CONTINUED....		
<u>U.S. DEPARTMENT OF INTERIOR:</u>		
<u>Passed through State Game and Fish Department:</u>		
Sport Fish Restoration Program	15.605	\$ 1,575
Total Expenditures of Federal Awards		<u>\$ 3,769,858</u>

** - Major program tested

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Stutsman County under programs of the federal government for the year ended December 31, 2013. 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 Stutsman County, it is not intended to and does not present the financial position or changes in net position of Stutsman 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
Stutsman County
Jamestown, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stutsman County, Jamestown, North Dakota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Stutsman County's basic financial statements, and have issued our report thereon dated September 24, 2014. Our report includes a reference to other auditors who audited the financial statements of the James River Valley Library System, as described in our report on Stutsman County's financial statements. This report does not include the results of the other auditors' testing on internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stutsman 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 Stutsman County's internal control. Accordingly, we do not express an opinion on the effectiveness of Stutsman County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding 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. However, as described in the accompanying *schedule of findings and questioned costs*, we identified one deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness [2013-01]

STUTSMAN COUNTY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stutsman County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Stutsman County's Response to Findings

Stutsman County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Stutsman 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 result 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 24, 2014

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 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Stutsman County
Jamestown, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Stutsman County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Stutsman County's major federal programs for the year ended December 31, 2013. Stutsman County's major federal programs are 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 each of Stutsman County's major federal programs 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 programs occurred. An audit includes examining, on a test basis, evidence about Stutsman County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Stutsman County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

STUTSMAN 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 Stutsman 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 Stutsman County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Stutsman 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 weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 Stutsman County as of and for the year ended December 31, 2013, and have issued our report thereon dated September 24, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 24, 2014

STUTSMAN COUNTY
Jamestown, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Aggregate discretely presented component units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

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

Federal Awards

Internal Control over major programs:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> None reported
Significant deficiencies identified?	<u> </u> Yes	<u> X </u> None reported
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)?	<u> </u> Yes	<u> X </u> No

Identification of major programs:

CFDA Numbers	Name of Federal Program Or Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and B programs:	<u> \$300,000 </u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

STUTSMAN COUNTY

Schedule of Findings and Questioned Costs - Continued

Section II - Financial Statement Findings

2013-01 – CAPITAL ASSETS RECORDS MAINTENANCE

Condition:

During the testing of capital assets, there were numerous issues encountered including prior period adjustments to depreciation, current year adjustments to depreciation and lack of records for construction costs:

- Prior period adjustments necessary for construction in progress totaled \$178,612, and a total of \$332,395 for prior period adjustments were related to depreciation. The gross prior period adjustments made were \$511,005;
- Current adjustments/corrections necessary to adjust depreciation were an annual depreciation adjustment of \$219,200, and \$11,344,474 to accumulated depreciation;
- Infrastructure records were not prepared or available to us during audit fieldwork. We compiled the infrastructure records through coordination between the county and the engineering firm involved. The total cost of construction costs added was \$5,812,429. Of the total construction projects, \$10,388,289 were completed and transferred to the capital asset listing;

All errors found during the audit were accepted by Stutsman County and corrected. Gross errors totaled \$17,887,110, well over the planning materiality amount.

Effect:

Stutsman County would have reported material errors in the financial statements at the government-wide level related to capital assets if corrections and applicable restatements were not made.

The capital assets for Stutsman County were misstated by a gross amount of \$17,887,110. The errors related to the government-wide statements and exceeded planning materiality. All errors were corrected by the client and did not result in a misstatement of the financial statements

Additional details of the errors are broken down further as follows:

	Gross Errors
Const. in progress PPA	\$ 178,612
Buildings Depreciation PPA	116,807
Equipment Depreciation PPA	210,249
Infrastructure Depreciation PPA	5,340
Accum. Depreciation (Current Year)	11,344,474
Annual Depreciation (Current Year)	219,200
CIP Additions (Current Year)	5,812,429
	\$ 17,887,110

Criteria:

Important guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate control activities. Proper internal control includes maintaining up to date accurate capital asset records for governmental activities and business-type activities/funds including annual additions, deletions, depreciation and year-end balances.

Additionally, important criteria/guidance includes accounting principles generally accepted in the United States of America -- those principles require that accounting records are properly maintained by management, and financial statements are fairly presented in accordance with GAAP.

STUTSMAN COUNTY**Schedule of Findings and Questioned Costs - Continued**

The review of capital asset listing by department heads to ensure that County reports an accurate amount in capital assets is an integral internal control activity over financial statement reporting.

Additionally, proper reporting of capital assets in accordance with accounting principles generally accepted in the United States of America is the responsibility of management.

Recommendation:

The county should pay special attention to ensure that all infrastructure projects are carefully reviewed on at least an annual basis shortly after each fiscal year end to ensure infrastructure projects that need to be capitalized are indeed properly reported and disclosed. Reconciliations between records at the auditor's office and the county engineer's office should be performed on a timely basis to ensure completeness of records. Also, a review of capital asset records by a qualified person other than the preparer is recommended.

We recommend that Stutsman County update capital asset listing on an on-going basis as capital assets are added and deleted during the year. The County should perform reconciliations between the capital asset listing and the department head inventory listing at or near year-end.

Also, new software should be updated to accurately calculate the depreciation of assets. Depreciation of assets should be reviewed to ensure proper calculation.

Overall, capital asset records should be completed shortly after year-end and reviewed by someone other than the preparer for accuracy on at least an annual basis.

Views of Responsible Officials:

I agree with the recommendation. Stutsman County will continue to work with its software vendor to correct the calculation errors that have occurred in the establishment of annual depreciation. We will institute protocols to ensure individual department heads are reviewing the annual capital assets of their department and formally acknowledging that review in writing each year. The county will also develop internal controls to ensure capital asset financials are reviewed by someone other than the preparer on an annual basis.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.