

OFFICE OF THE STATE AUDITOR

AUDIT REPORT

**STARK COUNTY
DICKINSON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2013



STARK COUNTY
Dickinson, North Dakota

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For the Year Ended December 31, 2013

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STARK COUNTY
Dickinson, North Dakota

COUNTY OFFICIALS

At December 31, 2013

Ken Zander
Russ Hoff
Duane Wolf
Jay Elkin
Pete Kuntz

Commissioner - Chairman
Commissioner - Vice Chairman
Commissioner
Commissioner
Commissioner

Kay Haag
Clarence Tuhy
Kathy Schwab
Tom Henning

Auditor/Treasurer
Sheriff
Recorder
State's Attorney

STATE AUDITOR

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



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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stark County, Dickinson, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Stark County, Dickinson, 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.

STARK COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 28-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stark County's basic financial statements. The *schedule of fund activity arising from cash transactions* and *schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of fund activity arising from cash transactions* and *the schedule of expenditures of federal awards* are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity arising from cash transactions* 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 August 8, 2014 on our consideration of Stark County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stark County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 8, 2014

STARK COUNTY
Dickinson, North Dakota
STATEMENT OF NET POSITION
December 31, 2013

	Primary Government
	Governmental Activities
<u>ASSETS</u>	
Cash, Cash Equivalents and Investments	\$ 29,508,943
Accounts Receivable	62,647
Intergovernmental Receivable	1,481,065
Taxes Receivable	63,204
Capital Assets (not being depreciated):	
Land	73,018
Construction in Progress	7,661,357
Capital Assets (net of accumulated depreciation):	
Buildings	7,764,185
Vehicles and Machinery	3,392,179
Furniture and Equipment	309,656
Infrastructure	12,671,847
Total Capital Assets	\$ 31,872,242
 Total Assets	 \$ 62,988,101
<u>LIABILITIES:</u>	
Accounts Payable	\$ 1,200,708
Contracts Payable	134,278
Retainage Payable	14,302
Salaries and Benefits Payable	32,403
Interest Payable	2,387
Long-Term Liabilities:	
Due Within One Year:	
Capital Leases Payable	24,734
Loan Payable	112,491
Compensated Absences Payable	170,636
Due After One Year:	
Capital Leases Payable	17,768
Loan Payable	970,968
Compensated Absences Payable	255,955
 Total Liabilities	 2,936,630
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Taxes Received in Advance	\$ 2,021,883
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 30,746,281
Restricted for:	
Public Safety	726,418
Highways & Bridges	8,148,653
Health & Welfare	1,470,085
Culture & Recreation	5,220,503
Conservation of Natural Resources	801,168
Emergencies	439,043
Economic Development	5,317
Other Purposes	1,820,054
Unrestricted	8,652,066
 Total Net Position	 \$ 58,029,588

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

STARK COUNTY
Dickinson, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position Primary Governmental Activities
Primary Government:					
General Government	\$ 3,244,403	\$ 355,643	\$ -	\$ -	\$ (2,888,760)
Public Safety	4,847,081	666,640	379,598	-	(3,800,843)
Highways & Bridges	6,218,459	824,288	9,203,530	6,348,599	10,157,958
Health & Welfare	3,119,249	-	1,244,998	-	(1,874,251)
Economic Development	144,142	14,066	-	-	(130,076)
Culture and Recreation	344,594	-	-	-	(344,594)
Conservation of Natural Resources	543,083	190,137	62,834	-	(290,112)
Interest on Long-Term Debt	50,383	-	-	-	(50,383)
Total Governmental Activities	\$ 18,511,394	\$ 2,050,774	\$ 10,890,960	\$ 6,348,599	\$ 778,939
<u>General Revenues:</u>					
Taxes:					
					\$ 2,090,692
					6,341,542
					3,922,051
					120,373
					1,479,398
					7,891
					316,733
					<u>\$ 14,278,680</u>
					<u>\$ 15,057,619</u>
					<u>\$ 42,971,969</u>
					<u>\$ 58,029,588</u>

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

STARK COUNTY
Dickinson, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	Social Services	County Poor
ASSETS:						
Cash and Cash Equivalents	\$ 8,612,447	\$ 2,459,769	\$ 544,119	\$ 5,078,635	\$ 83,304	\$ 1,499,790
Accounts Receivable	-	-	-	-	-	-
Intergovernmental Receivable	453,004	41,699	158,502	356,716	84,665	200,827
Due from Other Fund	144,426	-	-	-	-	-
Taxes Receivable	15,261	6,634	6,258	-	-	12,993
Total Assets and Deferred Outflows of Resources	\$ 9,225,138	\$ 2,508,102	\$ 708,879	\$ 5,435,351	\$ 167,969	\$ 1,713,610
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 19,973	\$ 100,142	\$ 826,258	\$ -	\$ 8,086	\$ 35,084
Salaries and Benefits Payable	12,980	-	9,796	-	9,627	-
Due to Other Fund	-	-	-	-	-	-
Deferred Inflows of Resources:						
Taxes Received in Advance	\$ 540,117	\$ 234,757	\$ 118,332	\$ -	\$ -	\$ 390,871
Taxes Receivable	15,261	6,634	6,258	-	-	12,993
Total Liabilities and Deferred Inflows of Resources	\$ 588,331	\$ 341,533	\$ 960,644	\$ -	\$ 17,713	\$ 438,948
Fund Balances:						
Restricted for:						
Other Purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	-	-	-	-	-	-
Highways & Bridges	-	2,166,569	-	5,435,351	-	-
Health & Welfare	-	-	-	-	150,256	1,274,662
Culture & Recreation	-	-	-	-	-	-
Conservation of Natural Resources	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-
Emergency	-	-	-	-	-	-
Unassigned:						
General Fund	8,636,807	-	-	-	-	-
Negative Funds	-	-	(251,765)	-	-	-
Total Fund Balances	\$ 8,636,807	\$ 2,166,569	\$ (251,765)	\$ 5,435,351	\$ 150,256	\$ 1,274,662
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,225,138	\$ 2,508,102	\$ 708,879	\$ 5,435,351	\$ 167,969	\$ 1,713,610

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

County Park	County Jail	Other Governmental Funds	Total Governmental Funds
\$5,238,677	\$ 338,599	\$ 5,653,603	\$ 29,508,943
-	-	62,647	62,647
4,408	37,253	143,991	1,481,065
-	-	-	144,426
299	6,634	15,125	63,204
<u>\$5,243,384</u>	<u>\$ 382,486</u>	<u>\$ 5,875,366</u>	<u>\$ 31,260,285</u>

\$ -	\$ -	\$ 211,165	1,200,708
-	-	-	32,403
-	-	144,426	144,426

\$ 22,881	\$ 234,757	\$ 480,168	\$ 2,021,883
299	6,634	15,125	63,204

<u>\$ 23,180</u>	<u>\$ 241,391</u>	<u>\$ 850,884</u>	<u>\$ 3,462,624</u>
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\$ -	\$ -	\$ 1,859,262	\$ 1,859,262
-	141,095	774,491	915,586
-	-	1,054,904	8,656,824
-	-	204,254	1,629,172
5,220,204	-	-	5,220,204
-	-	806,373	806,373
-	-	5,317	5,317
-	-	439,043	439,043
-	-	-	8,636,807
-	-	(119,162)	(370,927)

<u>\$5,220,204</u>	<u>\$ 141,095</u>	<u>\$ 5,024,482</u>	<u>\$ 27,797,661</u>
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<u>\$5,243,384</u>	<u>\$ 382,486</u>	<u>\$ 5,875,366</u>	<u>\$ 31,260,285</u>
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STARK COUNTY
Dickinson, North Dakota

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

Total *Fund Balances* of Governmental Funds \$ 27,797,661

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

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

Cost of Capital Assets	\$ 51,546,234	
Less Accumulated Depreciation	<u>(19,673,992)</u>	
Net Capital Assets		31,872,242

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. 63,204

Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2013 are:

Loans Payable	\$ (1,083,459)	
Contracts Payable	(134,278)	
Retainage Payable	(14,302)	
Leases Payable	(42,502)	
Interest Payable	(2,387)	
Compensated Absences Payable	<u>(426,591)</u>	
Total Long-Term Liabilities		<u>(1,703,519)</u>

Total Net Position of Governmental Activities \$ 58,029,588

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

STARK COUNTY
Dickinson, North Dakota

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

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	Social Services	County Poor
<u>Revenues:</u>						
Taxes	\$ 2,088,375	\$ 907,712	\$ 691,287	\$ -	\$ -	\$ 1,709,082
Intergovernmental	5,612,412	174,949	8,679,471	3,133,099	1,154,590	689,580
Charges for Services	406,505	-	145,178	-	-	-
Licenses, Permits and Fees	29,620	-	679,110	-	-	-
Interest Income	109,167	-	-	-	-	-
Miscellaneous	29,244	-	47,499	-	-	-
Total Revenues	\$ 8,275,323	\$ 1,082,661	\$ 10,242,545	\$ 3,133,099	\$ 1,154,590	\$ 2,398,662
<u>Expenditures:</u>						
Current:						
General Government	\$ 1,820,166	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	2,590,657	-	-	-	-	-
Highways & Bridges	-	531,015	11,676,505	1,542,847	-	-
Health & Welfare	750	-	-	-	2,666,481	453,966
Economic Development	144,142	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-
Conservation of Natural Resources	-	-	-	-	-	-
Debt Service:						
Principal	41,645	-	32,305	-	-	-
Interest on Long-Term Debt	17,960	-	1,900	-	-	-
Total Expenditures	\$ 4,615,320	\$ 531,015	\$ 11,710,710	\$ 1,542,847	\$ 2,666,481	\$ 453,966
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,660,003	\$ 551,646	\$ (1,468,165)	\$ 1,590,252	\$ (1,511,891)	\$ 1,944,696
<u>Other Financing Sources (Uses):</u>						
Transfers In	\$ 6,075	\$ -	\$ 80,000	\$ -	\$ 1,624,000	\$ -
Proceeds from Insurance Recoveries for Impaired Assets	-	-	37,645	-	-	-
Sale of Land	-	-	-	-	-	-
Capital Leases	-	-	-	-	-	-
Transfers Out	(302,931)	-	(20,000)	(80,000)	-	(1,624,000)
Total Other Financing Sources and Uses	\$ (296,856)	\$ -	\$ 97,645	\$ (80,000)	\$ 1,624,000	\$ (1,624,000)
Net Change in Fund Balances	\$ 3,363,147	\$ 551,646	\$ (1,370,520)	\$ 1,510,252	\$ 112,109	\$ 320,696
Fund Balances - January 1	\$ 5,273,660	\$ 1,614,923	\$ 1,118,755	\$ 3,925,099	\$ 38,147	\$ 953,966
Fund Balances - December 31	\$ 8,636,807	\$ 2,166,569	\$ (251,765)	\$ 5,435,351	\$ 150,256	\$ 1,274,662

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

County Park	County Jail	Other Governmental Funds	Total Governmental Funds
\$ 43,729	\$ 907,712	\$ 2,074,888	\$ 8,422,785
18,540	134,853	1,564,115	21,161,609
-	-	600,345	1,152,028
-	-	190,017	898,747
11,206	-	-	120,373
951	-	239,039	316,733
<u>\$ 74,426</u>	<u>\$ 1,042,565</u>	<u>\$ 4,668,404</u>	<u>\$ 32,072,275</u>
\$ -	\$ -	\$ 1,397,608	\$ 3,217,774
-	1,251,550	906,860	4,749,067
-	-	309,784	14,060,151
-	-	-	3,121,197
-	-	-	144,142
361,734	-	-	361,734
-	-	532,317	532,317
-	-	75,892	149,842
-	-	32,467	52,327
<u>\$ 361,734</u>	<u>\$ 1,251,550</u>	<u>\$ 3,254,928</u>	<u>\$ 26,388,551</u>
<u>\$ (287,308)</u>	<u>\$ (208,985)</u>	<u>\$ 1,413,476</u>	<u>\$ 5,683,724</u>
\$ -	\$ 302,931	\$ 20,000	\$ 2,033,006
-	-	-	37,645
1,486,936	-	-	1,486,936
-	-	8,992	8,992
-	-	(6,075)	(2,033,006)
<u>\$ 1,486,936</u>	<u>\$ 302,931</u>	<u>\$ 22,917</u>	<u>\$ 1,533,573</u>
<u>\$ 1,199,628</u>	<u>\$ 93,946</u>	<u>\$ 1,436,393</u>	<u>\$ 7,217,297</u>
<u>\$ 4,020,576</u>	<u>\$ 47,149</u>	<u>\$ 3,588,089</u>	<u>\$ 20,580,364</u>
<u>\$ 5,220,204</u>	<u>\$ 141,095</u>	<u>\$ 5,024,482</u>	<u>\$ 27,797,661</u>

STARK COUNTY
Dickinson, North Dakota

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

For the Year Ended December 31, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ 7,217,297

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

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

Current Year Capital Outlay	\$ 9,043,781	
Current Year Depreciation Expense	<u>(1,227,037)</u>	7,816,744

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

(81,900)

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

Repayment of Debt	\$ 149,842	
Issuance of Leases	<u>(8,992)</u>	140,850

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

Net Change in Interest Payable	\$ 1,944	
Net Change in Contract Payable	(134,278)	
Net Change in Retainage Payable	166,073	
Net Change in Compensated Absences	<u>(78,560)</u>	(44,821)

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

Net Change in Taxes Receivable		<u>9,449</u>
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Change in Net Position of Governmental Activities \$ 15,057,619

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

STARK COUNTY
Dickinson, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 3,740,994</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 3,740,994</u>

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

STARK COUNTY
Dickinson, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements present the activities of Stark County. The county has considered all potential component units for which the county is financially accountable and other organizations for which the nature and significance of their relationships with the county are such that exclusion would cause the county's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. The criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Stark County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Stark County.

Based on these criteria, there are no discretely presented or blended component units to be included within Stark County as a reporting entity.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Stark County. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

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

STARK COUNTY

Notes to the Financial Statements – Continued

The County reports the following major governmental funds:

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

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

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

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

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

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

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

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

Additionally, the county reports the following fund type:

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

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

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated

STARK COUNTY

Notes to the Financial Statements – Continued

absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Cash and Investments

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

The investments of the county during the year ended December 31, 2013 consist of certificates of deposit stated at cost with maturities in excess of three months.

E. Capital Assets

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

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

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

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

F. Compensated Absences

Full time nonsocial service employees are granted vacation benefits from 12 to 24 days per year, depending on tenure with the county. Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of 30 days. Sick leave benefits accrue at the rate of one day per month. Upon termination of employment, the employee is entitled to a lump sum payment of 10% of the pay attributed to the employee's unused sick leave accrued. Social service employees are granted vacation benefits from one to two days per month depending on tenure with the County. Social service employees may accrue up to a maximum of 240 hours of vacation. Upon termination of employment, social service employees will be paid for vacation benefits that have accrued to a maximum of 240 hours.

Sick leave benefits for social service employees accrue at the rate of one day per month. Unused sick leave benefits are allowed to accumulate to an unlimited amount. Upon termination of employment or retirement all unused sick leave is forfeited. Vested or accumulated leave is reported in the general long-term debt account group.

G. Long-Term Obligations

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

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

H. Interfund Transactions

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

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

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

I. Fund Balances / Net Position

GASB Statement No. 54 established fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

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

Minimum Fund Balance Policy:

Stark County established a 15% - 20% unassigned general fund carryover balance target to help with financial stability. The 15% - 20% fund balance range is a part of the county's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the county. Unassigned general fund balance of \$8,636,807 at December 31, 2013 represented 187% of annual 2013 general fund expenditures.

Replenishing deficiencies – when fund balance falls below the minimum [15] percent range, the County will replenish shortages/deficiencies using the budget strategies and timeframes described below.

The following budgetary strategies shall be utilized by the County to replenish funding 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.

STARK COUNTY

Notes to the Financial Statements – Continued

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

- 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 (highway tax distribution, social services, county poor, county road unorganized, 10 mill farm to market road, county park, and county jail) are disclosed in more detail in Note 1B.

Fund Balance Reporting and Governmental Fund Type Definitions

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

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

STARK COUNTY

Notes to the Financial Statements – Continued

Stark County did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet 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 public safety, highways & bridges, health & welfare, culture & recreation, conservation of resources, emergencies, economic development, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

Special Revenue Funds – Restricted Fund Balances:

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

Net Position:

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

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

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

Restrictions of net position in the statement of net position is shown by primary function and are restricted for public safety, highways & bridges, health & welfare, culture & recreation, conservation of natural resources, emergencies, economic development, and other 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 (sheriff's grants and state reimbursements). The unrestricted net position is available to meet the district's ongoing obligations.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board of county commissioners approved the following amendments to the county budget for the year ended December 31, 2013:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds</u>			
General	\$4,487,795	\$ 226,487	\$ 4,714,282
Unorganized Road & Bridge	1,909,000	9,015,665	10,924,665
Highway Tax Distribution	1,464,036	78,811	1,542,847
County Poor	396,745	477,726	874,471
County Park	44,827	316,907	361,734
Jail	978,500	273,050	1,251,550

Table Continued on next page.....

STARK COUNTY

Notes to the Financial Statements – Continued

CONTINUED...

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Special Revenue Funds:</u>			
Insurance Reserve	\$ 124,620	\$22,822	\$ 147,442
Information Technology	292,242	394	292,636
Comprehensive Health Care	312,000	33,441	345,441
OASIS/Social Security	400,000	6,121	406,121
Sheriff's Grants	60,000	82,265	142,265
SW Victim Witness Program	65,000	13,687	78,687
Siren Contingency	4,500	16,768	21,268
Weed Control	317,745	14,739	332,484

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

At year ended December 31, 2013, the county's carrying amount of deposits was \$32,162,843 and the bank balances totaled \$32,570,986. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. The remaining bank balances totaling \$31,570,986 were collateralized with securities held by the pledging financial institution's agent in the government's name.

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 had certificates of deposit totaling \$7,450,000.

STARK COUNTY

Notes to the Financial Statements – Continued

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4: TAXES RECEIVABLE

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

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

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

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

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due for fees and services provided. No allowance for doubtful accounts has been established for estimated uncollectible accounts receivable.

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 7: DUE TO / FROM OTHER FUNDS

The due to other funds reported in the other governmental funds represent the amount of negative cash at year-end that was covered by the general fund (\$144,426) in the sheriff's grant fund (\$141,667) and the state reimbursement fund (\$2,759).

NOTE 8: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the taxes paid in advance in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes and taxes received in advance are measurable but not available. Deferred inflows of resources in the statement of net position represent the amount of taxes received in advance.

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 9: CAPITAL ASSETS

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

Governmental Activities:	Balance January 1	Adjustments	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>						
Land	\$ 80,556	\$ -	\$ -	\$ 7,538	\$ -	\$ 73,018
Construction in Progress	7,643,985	-	7,777,800	-	(7,760,428)	7,661,357
Total Capital Assets, Not Being Depreciated	\$ 7,724,541	\$ -	\$7,777,800	\$ 7,538	\$(7,760,428)	\$ 7,734,375
<i>Capital assets, being depreciated:</i>						
Buildings	\$10,575,717	\$ -	\$ 48,341	\$ -	\$ -	\$10,624,058
Furniture & Equipment	1,838,832	-	23,092	5,430	-	1,856,494
Vehicles & Machinery	5,655,026	(129,127)	1,194,549	278,478	-	6,441,970
Infrastructure	17,128,909	-	-	-	\$ 7,760,428	24,889,337
Total Capital Assets, Being Depreciated	\$35,198,484	\$(129,127)	\$1,265,982	\$283,908	\$ 7,760,428	\$43,811,859
<i>Less accumulated depreciation for:</i>						
Buildings	\$ 2,686,325	\$ -	\$ 173,548	\$ -	\$ -	\$ 2,859,873
Furniture & Equipment	1,449,540	-	102,729	5,430	-	1,546,839
Vehicles & Machinery	2,863,085	(129,127)	519,949	204,116	-	3,049,791
Infrastructure	11,786,677	-	430,812	-	-	12,217,489
Total Accumulated Depreciation	\$18,785,627	\$(129,127)	\$1,227,038	\$209,546	\$ -	\$19,673,992
Total Capital Assets Being Depreciated, Net	\$16,412,857	\$ -	\$ 38,944	\$ 74,362	\$ 7,760,428	\$24,137,867
Governmental Activities-Capital Assets, Net	\$24,137,398	\$ -	\$7,816,744	\$ 81,900	\$ -	\$31,872,242

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

Governmental Activities:	Amounts
General	\$ 73,513
Public Safety	258,243
Highway	859,295
Health & Welfare	13,943
Culture & Rec	12,810
Conservation of Natural Resources	9,234
Total Depreciation Expense - Governmental Activities	\$1,227,038

NOTE 10: ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2013.

NOTE 11: CONTRACTS PAYABLE

Contracts payable consist of amounts owed to various construction contractors for infrastructure improvements at December 31, 2013, but not paid until after year-end.

NOTE 12: RETAINAGE PAYABLE

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at December 31, 2013.

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 13: SALARIES AND BENEFITS PAYABLE

Salaries and benefits payable consists of a liability account reflecting amounts owing to employees for work provided on behalf of the county prior to December 31 of each year-end.

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:

Governmental Activities:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	\$1,191,276	\$ -	\$107,817	\$1,083,459	\$112,491
Leases Payable	75,534	8,993	42,025	42,502	24,734
Compensated Absences *	348,031	78,560	-	426,591	170,636
Total Governmental Activities	\$1,614,841	\$87,553	\$149,842	\$1,552,552	\$307,861

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

Outstanding governmental activities debt at December 31, 2013 is comprised of the following individual issues:

Loans Payable:

\$562,310 Lease from Citi Capital Commercial Corp. for improvements to the Courthouse, due in annual installments of \$25,498 to \$49,788 through 2022 with interest at 4.25%.	\$ 380,424
\$738,455 Lease from Citi Capital Commercial Corp. for improvements to the Law Enforcement Center, due in semi-annual installments of \$15,297 to \$32,960 through 2022 with interest at 4.25%.	499,132
\$361,405 Lease from Citi Capital Commercial Corp. for improvements to the DWCRS, due in semi-annual installments of \$11,628 to \$19,074 through 2019 with interest at 4.35%.	<u>203,903</u>
Total Loans Payable	<u>\$1,083,459</u>

Leases Payable:

\$79,950 Lease from American State Bank and Trust for the purchase of a 2010 Dump Truck, due in annual installments of \$17,289 through 2014 with interest at 3.985%.	\$ 16,618
\$11,566 Lease from Xerox for a printer and tray, due in monthly installments of \$193 through 2017.	8,289
\$8,992 Lease from Xerox for a printer and tray, due in monthly installments of \$187 through 2017.	6,932
\$14,218 Lease from Pitney Bowes for a postage machine, due in quarterly installments of \$889 through 2016.	<u>10,663</u>
Total Leases Payable	<u>\$ 42,502</u>

STARK COUNTY

Notes to the Financial Statements – Continued

Debt service requirements on governmental activity long-term debt at December 31, 2013 are as follows:

Year Ending December 31	GOVERNMENTAL ACTIVITIES			
	Loans Payable		Leases Payable	
	Principal	Interest	Principal	Interest
2014	\$ 112,491	\$ 45,752	\$24,734	\$671
2015	117,368	40,876	8,116	-
2016	122,455	35,788	8,116	-
2017	127,764	30,480	1,536	-
2018	133,302	24,941	-	-
2019-2023	470,079	45,962	-	-
Total	\$1,083,459	\$223,799	\$42,502	\$671

Interest Payable – interest payable consists of the portion of interest accrued on long-term debt (bonds payable and loans payable) outstanding at December 31, 2013.

NOTE 15: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Stark County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability, \$2,000,000 for automobile, and \$4,715,433 for public assets (mobile equipment and portable property).

Stark County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Stark County has workers compensation with the North Dakota Workforce Safety and Insurance. The county provides health insurance benefits for the county employees through Blue Cross/Blue Shield of North Dakota, and pays 75% of the premium for that coverage.

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

NOTE 16: CONDUIT DEBT OBLIGATIONS

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

STARK COUNTY

Notes to the Financial Statements – Continued

As of December 31, 2013, there was one community development block grant loan outstanding (Red Trail Energy), with an aggregate principal amount payable of \$182,204.

NOTE 17: JOINT VENTURES**Southwest Multi-County Correction Center**

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

Summary financial information for 2013 is not available. The following information as of and for the year ended December 31, 2012, the most current information available, is as follows:

GOVERNMENTAL ACTIVITIES

Total Assets	\$7,368,298
Total Liabilities	<u>586,511</u>
Net Position	<u>\$6,781,787</u>
Revenues	\$6,943,770
Expenses	<u>7,069,988</u>
Change in Net Position	<u>\$ (126,218)</u>

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

Dickinson Law Enforcement Center

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

Summary financial information for 2013 is not available. The following information as of and for the year ended December 31, 2012, the most current information available, is as follows:

GOVERNMENTAL ACTIVITIES

Total Assets	\$158,137
Total Liabilities	<u>35,325</u>
Net Position	<u>\$122,812</u>
Revenues	\$447,441
Expenses	<u>411,653</u>
Change in Net Position	<u>\$ 35,788</u>

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

Southwest District Health Unit

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

STARK COUNTY

Notes to the Financial Statements – Continued

Summary financial information for 2013 is not available. The following information as of and for the year ended December 31, 2011, the most current information available, is as follows:

GOVERNMENTAL ACTIVITIES

Total Assets	\$ 998,411
Total Liabilities	<u>175,075</u>
Net Assets	<u>\$ 823,336</u>
Revenues	\$2,212,141
Expenses	<u>2,028,858</u>
Change in Net Assets	<u>\$ 183,283</u>

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

NOTE 18: PENSION PLAN**North Dakota Public Employees' Retirement System**

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

During January 1, 2013 through December 31, 2013, plan members were required to contribute 6% of their annual covered salary. Stark County has elected to contribute the employees required contribution. The county was required to contribute 7.26% of the employee's salary, which consists of 6.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's required contributions to NDPERS for the years ending December 31, 2013, 2012, and 2011 were \$760,934, \$584,491, and \$448,796, respectively.

NOTE 19: CONSTRUCTION COMMITMENTS

Stark County had several open construction commitments as of December 31, 2013 as follows:

Project	Total Contract	Change Orders	Total Contract w/Change Orders	Total Completed	Retainage/ Contract Payable	Remaining Balance w/Retainages	% Complete
BRO-0045 (042) Meyer Contracting	\$ 945,008	\$ 21,605	\$ 966,614	\$ 661,215	\$ 14,302	\$319,701	68.41%
COI-4510 (062) Highway Project	6,321,000	229,813	6,550,813	6,210,916	134,278	474,175	94.81%
Total	<u>\$7,266,008</u>	<u>\$251,418</u>	<u>\$7,517,427</u>	<u>\$6,872,131</u>	<u>\$148,580</u>	<u>\$793,876</u>	<u>91.42%</u>

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 20: DEFICIT BALANCES

The following funds were in a negative fund balance position at December 31, 2013:

County Funds	Balance
Sheriff Grants	\$(141,667)
State Reimbursements	(2,759)

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

NOTE 21: OPERATING LEASES

The county leases postage machines under non-cancelable operating leases. Total costs for such leases were \$2,140 for the year ended December 31, 2013. The future minimum lease payments for these leases are as follows:

GOVERNMENTAL ACTIVITIES			
Year Ending December 31	County Social Services Pitney Bowes-Postage	County Extension Pitney Bowes-Postage	Total
2014	\$1,033	\$1,108	\$2,141
2015	1,032	1,108	2,140
2016	516	1,108	1,624
2017	-	924	924
Totals	\$2,581	\$4,248	\$6,829

NOTE 22: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2013:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General	\$ 6,075	\$ 302,931
Unorganized Road & Bridge	80,000	20,000
Highway Tax Distribution	-	80,000
Social Services	1,624,000	-
County Poor	-	1,624,000
County Jail	302,931	-
<u>Special Revenue Funds:</u>		
Weed Control	20,000	-
Sheriff's Grants	-	6,075
Total Transfers	\$2,033,006	\$2,033,006

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

STARK COUNTYNotes to the Financial Statements – Continued

NOTE 23: PRIOR PERIOD ADJUSTMENTS

Prior period errors were noted in capital assets for cost and accumulated depreciation from the prior period for Stark County. The net result from the capital asset errors was \$0 to beginning net position reported at January 1, 2013.

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$42,971,969
Adjustments to restate the January 1, 2013 Net Position:	
Adjustment to correct capital asset costs	(129,127)
Adjustment to correct accumulated depreciation	129,127
Net Position January 1, 2013 as restated	\$42,971,969

STARK COUNTY
Dickinson, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,161,412	\$ 2,161,412	\$ 2,088,375	\$ (73,037)
Intergovernmental	2,133,781	2,133,781	5,612,412	3,478,631
Charges for Services	377,700	377,700	406,505	28,805
Licenses, Permits and Fees	32,700	32,700	29,620	(3,080)
Interest Income	95,000	95,000	109,167	14,167
Miscellaneous	36,200	36,200	29,244	(6,956)
Total Revenues	\$ 4,836,793	\$ 4,836,793	\$ 8,275,323	\$ 3,438,530
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,649,381	\$ 1,649,381	\$ 1,820,166	\$ (170,785)
Public Safety	2,653,600	2,880,087	2,590,657	289,430
Health & Welfare	750	750	750	-
Economic Development	132,118	132,118	144,142	(12,024)
Debt Service:				
Principal	33,986	33,986	41,645	(7,659)
Interest	17,960	17,960	17,960	-
Total Expenditures	\$ 4,487,795	\$ 4,714,282	\$ 4,615,320	\$ 98,962
Excess (Deficiency) of Revenues Over Expenditures	\$ 348,998	\$ 122,511	\$ 3,660,003	\$ 3,537,492
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 6,075	\$ 6,075
Transfers out	-	-	(302,931)	(302,931)
Net Change in Fund Balances	\$ 348,998	\$ 122,511	\$ 3,363,147	\$ 3,240,636
Fund Balance - January 1	\$ 5,273,660	\$ 5,273,660	\$ 5,273,660	\$ -
Fund Balance - December 31	\$ 5,622,658	\$ 5,396,171	\$ 8,636,807	\$ 3,240,636

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

STARK COUNTY
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE
10 MILL - FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 936,130	\$ 936,130	\$ 907,712	\$ (28,418)
Intergovernmental	1,555,005	1,555,005	174,949	(1,380,056)
Total Revenues	<u>\$ 2,491,135</u>	<u>\$ 2,491,135</u>	<u>\$ 1,082,661</u>	<u>\$ (1,408,474)</u>
<u>Expenditures:</u>				
Current:				
Highways & Bridges	\$ 928,500	\$ 928,500	\$ 531,015	\$ 397,485
Net Change in Fund Balances	<u>\$ 1,562,635</u>	<u>\$ 1,562,635</u>	<u>\$ 551,646</u>	<u>\$ (1,010,989)</u>
Fund Balance - January 1	<u>\$ 1,614,923</u>	<u>\$ 1,614,923</u>	<u>\$ 1,614,923</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 3,177,558</u>	<u>\$ 3,177,558</u>	<u>\$ 2,166,569</u>	<u>\$ (1,010,989)</u>

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

STARK COUNTY
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD - UNORGANIZED FUND
For the Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 863,600	\$ 863,600	\$ 691,287	\$ (172,313)
Intergovernmental	597,345	597,345	8,679,471	8,082,126
Charges for Services	-	-	145,178	145,178
Licenses, Permits and Fees	445,000	445,000	679,110	234,110
Miscellaneous	35,900	35,900	47,499	11,599
Total Revenues	\$ 1,941,845	\$ 1,941,845	\$ 10,242,545	\$ 8,300,700
<u>Expenditures:</u>				
Current:				
Highways & Bridges	\$ 1,909,010	\$ 10,924,665	\$ 11,676,505	\$ (751,840)
Debt Service:				
Principal	-	-	32,305	(32,305)
Interest	-	-	1,900	(1,900)
Total Expenditures	\$ 1,909,010	\$ 10,924,665	\$ 11,710,710	\$ (786,045)
Excess (Deficiency) of Revenues Over Expenditures	\$ 32,835	\$ (8,982,820)	\$ (1,468,165)	\$ 7,514,655
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 80,000	\$ 80,000
Proceeds from Insurance Recoveries	-	-	37,645	37,645
Transfers Out	-	-	(20,000)	(20,000)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 97,645	\$ 97,645
Net Change in Fund Balances	\$ 32,835	\$ (8,982,820)	\$ (1,370,520)	\$ 7,612,300
Fund Balance - January 1	\$ 1,118,755	\$ 1,118,755	\$ 1,118,755	\$ -
Fund Balance - December 31	\$ 1,151,590	\$ (7,864,065)	\$ (251,765)	\$ 7,612,300

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

STARK COUNTY
Dickinson, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 2,622,148	\$ 2,622,148	\$ 3,133,099	\$ 510,951
<u>Expenditures:</u>				
Current:				
Highways & Bridges	\$ 1,464,036	\$ 1,542,847	\$ 1,542,847	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,158,112	\$ 1,079,301	\$ 1,590,252	\$ 510,951
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (80,000)	\$ (80,000)	\$ (80,000)	\$ -
Net Change in Fund Balances	\$ 1,078,112	\$ 999,301	\$ 1,510,252	\$ 510,951
Fund Balance - January 1	\$ 3,925,099	\$ 3,925,099	\$ 3,925,099	\$ -
Fund Balance - December 31	\$ 5,003,211	\$ 4,924,400	\$ 5,435,351	\$ 510,951

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

STARK COUNTY
Dickinson, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 1,150,326	\$ 1,150,326	\$ 1,154,590	\$ 4,264
<u>Expenditures:</u>				
Current:				
Health & Welfare	\$ 3,125,215	\$ 3,125,215	\$ 2,666,481	\$ 458,734
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,974,889)	\$ (1,974,889)	\$ (1,511,891)	\$ 462,998
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,168,411	\$ 1,168,411	\$ 1,624,000	\$ 455,589
Net Change in Fund Balances	\$ (806,478)	\$ (806,478)	\$ 112,109	\$ 918,587
Fund Balance - January 1	\$ 38,147	\$ 38,147	\$ 38,147	\$ -
Fund Balance - December 31	\$ (768,331)	\$ (768,331)	\$ 150,256	\$ 918,587

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

STARK COUNTY
Dickinson, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,761,923	\$ 1,761,923	\$ 1,709,082	\$ (52,841)
Intergovernmental	604,880	604,880	689,580	84,700
Total Revenues	<u>\$ 2,366,803</u>	<u>\$ 2,366,803</u>	<u>\$ 2,398,662</u>	<u>\$ 31,859</u>
<u>Expenditures:</u>				
Current:				
Health & Welfare	\$ 396,745	\$ 874,471	\$ 453,966	\$ 420,505
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,970,058</u>	<u>\$ 1,492,332</u>	<u>\$ 1,944,696</u>	<u>\$ 452,364</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (1,168,411)	\$ (1,168,411)	\$ (1,624,000)	\$ (455,589)
Net Change in Fund Balances	<u>\$ 801,647</u>	<u>\$ 323,921</u>	<u>\$ 320,696</u>	<u>\$ (3,225)</u>
Fund Balance - January 1	<u>\$ 953,966</u>	<u>\$ 953,966</u>	<u>\$ 953,966</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 1,755,613</u></u>	<u><u>\$ 1,277,887</u></u>	<u><u>\$ 1,274,662</u></u>	<u><u>\$ (3,225)</u></u>

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

STARK COUNTY
Dickinson, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 45,102	\$ 45,102	\$ 43,729	\$ (1,373)
Intergovernmental	13,500	13,500	18,540	5,040
Interest Income	7,500	7,500	11,206	3,706
Total Revenues	\$ 66,102	\$ 66,102	\$ 74,426	\$ 8,324
<u>Expenditures:</u>				
<u>Current:</u>				
Culture & Recreation	\$ 44,827	\$ 361,734	\$ 361,734	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,275	\$ (295,632)	\$ (287,308)	\$ 8,324
<u>Other Financing Sources (Uses):</u>				
Sale of Lots	\$ 100,000	\$ 100,000	\$ 1,486,936	\$ 1,386,936
Net Change in Fund Balances	\$ 121,275	\$ (195,632)	\$ 1,199,628	\$ 1,395,260
Fund Balance - January 1	\$ 4,020,576	\$ 4,020,576	\$ 4,020,576	\$ -
Fund Balance - December 31	\$ 4,141,851	\$ 3,824,944	\$ 5,220,204	\$ 1,395,260

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

STARK COUNTY
Dickinson, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 936,205	\$ 936,205	\$ 907,712	\$ (28,493)
Intergovernmental	116,695	116,695	134,853	18,158
Total Revenues	<u>\$ 1,052,900</u>	<u>\$ 1,052,900</u>	<u>\$ 1,042,565</u>	<u>\$ (10,335)</u>
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 978,500	\$ 1,251,550	\$ 1,251,550	\$ -
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 74,400</u>	<u>\$ (198,650)</u>	<u>\$ (208,985)</u>	<u>\$ (10,335)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 302,931	\$ 302,931
Net Change in Fund Balances	<u>\$ 74,400</u>	<u>\$ (198,650)</u>	<u>\$ 93,946</u>	<u>\$ 292,596</u>
Fund Balance - January 1	<u>\$ 47,149</u>	<u>\$ 47,149</u>	<u>\$ 47,149</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 121,549</u></u>	<u><u>\$ (151,501)</u></u>	<u><u>\$ 141,095</u></u>	<u><u>\$ 292,596</u></u>

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

STARK COUNTY
Dickinson, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2013

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2013, Stark County had the following fund expenditures in excess of budgeted amounts:

	Actual	Budget	Excess
<u>Special Revenue Funds:</u>			
Sheriff Grants	\$495,072	\$142,262	\$(352,808)
State Reimbursement	5,170	1,200	(3,970)

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

STARK COUNTY
Dickinson, North Dakota

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

	Balance 1-1-13	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-13
<u>Primary Government:</u>						
General Fund	\$ 5,484,641.88	\$ 8,151,453.85	\$ 6,075.01	\$ 302,931.44	4,582,366.17	\$ 8,756,873.13
Farm to Market Road - 10 Mill	1,801,612.80	1,089,028.00	-	-	430,872.15	2,459,768.65
County Roads - Unorganized	874,271.84	10,484,502.17	80,000.00	20,000.00	10,874,655.18	544,118.83
Highway Tax Distribution	3,603,147.63	3,098,334.02	-	80,000.00	1,542,846.57	5,078,635.08
Social Services	38,147.23	1,069,925.24	1,624,000.00	-	2,648,767.24	83,305.23
County Jail	241,752.17	1,045,465.87	302,931.44	-	1,251,550.46	338,599.02
County Poor	1,228,054.87	2,314,616.89	-	1,624,000.00	418,881.71	1,499,790.05
County Park	4,031,243.16	1,569,167.87	-	-	361,734.02	5,238,677.01
Total Major Funds	\$ 17,302,871.58	\$ 28,822,493.91	\$ 2,013,006.45	\$ 2,026,931.44	\$ 22,111,673.50	\$ 23,999,767.00
<u>Special Revenue Funds:</u>						
Special Road & Bridge	\$ 512,127.74	\$ 183,547.33	\$ -	\$ -	\$ 17,550.37	\$ 678,124.70
Information Technology	459,570.16	383,666.40	-	-	292,636.09	550,600.47
Oil & Gas Infrastructure	183,750.01	501,734.16	-	-	91,875.00	593,609.17
Insurance Reserve	273,427.22	155,757.37	-	-	147,441.73	281,742.86
Comprehensive Health Care	316,005.16	571,570.54	-	-	345,440.72	542,134.98
Emergency Fund	419,798.71	14,457.81	-	-	-	434,256.52
Veterans Service Officer	161,213.79	162,447.24	-	-	96,386.08	227,274.95
Social Security	458,033.51	619,855.97	-	-	406,120.65	671,768.83
Advertising	61,531.30	54,060.93	-	-	37,569.55	78,022.68
County Agent	304,996.71	251,358.36	-	-	132,814.14	423,540.93
Weed Control	98,354.57	374,693.14	20,000.00	-	328,674.11	164,373.60
Emergency 911	138,225.28	341,680.34	-	-	304,539.38	175,366.24
Adult Education	7,130.33	6,066.28	-	-	7,879.16	5,317.45
Asset Forfeiture	25,333.53	463.00	-	-	-	25,796.53
Fingerprint Station	11,730.48	3,664.00	-	-	610.78	14,783.70
Sheriffs Grants	(25,564.05)	385,044.99	-	6,075.01	495,072.62	(141,666.69)
Security Transfer/DJS Reimburse.	-	433.64	-	-	433.64	-
Southwest Victim Witness Prog.	91,163.66	67,542.71	-	-	78,686.87	80,019.50
Hazardous Chem. Preparedness	19,635.89	6,612.50	-	-	3,155.43	23,092.96
Preservation Fee	149,680.74	190,017.28	-	-	63,897.37	275,800.65
State Reimbursements	(75.00)	2,486.12	-	-	5,170.30	(2,759.18)
Siren Contingency	38,656.16	7,033.42	-	-	21,268.49	24,421.09
ESG Funds	16,923.89	208,643.75	-	-	177,456.13	48,111.51
911 Equipment	279,351.03	60,250.33	-	-	4,157.93	335,443.43
Total Non-Major Special Revenue Funds	\$ 4,001,000.82	\$ 4,553,087.61	\$ 20,000.00	\$ 6,075.01	\$ 3,058,836.54	\$ 5,509,176.88
Total Government Funds	\$ 21,303,872.40	\$ 33,375,581.52	\$ 2,033,006.45	\$ 2,033,006.45	\$ 25,170,510.04	\$ 29,508,943.88
<u>Agency Funds:</u>						
Fair Board	\$ 22,348.46	\$ 81,940.68	\$ -	\$ -	\$ 92,241.52	\$ 12,047.62
Domestic Violence Prevention	105.00	7,945.00	-	-	7,490.00	560.00
Estimate Tax	10,576.24	71,515.15	-	-	78,305.52	3,785.87
Game and Fish	160,078.00	292,778.00	-	-	293,122.00	159,734.00
Protest Fund	-	4,000.48	-	-	-	4,000.48
DVRCC	-	10,886.80	-	-	10,886.80	-
Judgement Execution Fund	-	11,016.69	-	-	11,016.69	-
Vector Control	28,654.17	103,860.32	-	-	99,244.36	33,270.13
Stark County Job Development	22,281.76	95,159.71	-	-	93,581.54	23,859.93
Senior Citizens	32,551.49	166,555.01	-	-	175,246.63	23,859.87
Water Commission	-	14,368.43	-	-	14,368.43	-
Southwest District Health	72,858.01	361,753.94	-	-	362,020.80	72,591.15
State Tax	22,262.70	94,067.85	-	-	92,470.68	23,859.87
SW Water Authority	22,262.70	106,716.86	-	-	105,119.69	23,859.87

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STARK COUNTY
Dickinson, North Dakota

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

	Balance 1-1-13	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-13
CONTINUED....						
<u>Agency Funds: (Continued)</u>						
Library	\$ 30,480.52	\$ 172,046.14	\$ -	\$ -	\$ 173,314.21	\$ 29,212.45
Airport	7,620.03	36,913.19	-	-	37,230.14	7,303.08
Total Cities	1,319,781.57	5,697,640.64	-	-	5,898,034.86	1,119,387.35
Total Parks	356,189.28	1,289,127.01	-	-	1,392,087.47	253,228.82
Total School Districts	2,767,687.20	10,605,485.75	-	-	11,566,542.32	1,806,630.63
Richardton-Taylor Ambulance	13,483.01	70,010.86	-	-	71,971.97	11,521.90
Soil Conservation District	22,789.20	109,154.73	-	-	107,570.70	24,373.23
Total Rural Fire Protection Districts	76,235.83	412,707.97	-	-	412,407.08	76,536.72
Payroll Deduction	43,457.94	1,333.99	-	-	13,421.03	31,370.90
Total Agency Funds	<u>\$ 5,031,703.11</u>	<u>\$ 19,816,985.20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,107,694.44</u>	<u>\$ 3,740,993.87</u>
Total Primary Government	<u>\$ 26,335,575.51</u>	<u>\$ 53,192,566.72</u>	<u>\$ 2,033,006.45</u>	<u>\$ 2,033,006.45</u>	<u>\$ 46,278,204.48</u>	<u>\$ 33,249,937.75</u>
Total Reporting Entity	<u>\$ 26,335,575.51</u>	<u>\$ 53,192,566.72</u>	<u>\$ 2,033,006.45</u>	<u>\$ 2,033,006.45</u>	<u>\$ 46,278,204.48</u>	<u>\$ 33,249,937.75</u>

STARK COUNTY
Dickinson, 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 North Dakota State Department of Health:</u>		
Violence Against Women Formula Grants	16.588	\$ 1,771
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed through the North Dakota State Department of Transportation:</u>		
State and Community Highway Safety	20.600	\$ 9,700
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	15,169
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	10,200
Total U.S. Department of Transportation		\$ 35,069
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed through the North Dakota State Department of Human Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 19,023
Temporary Assistance for Needy Families	93.558	** 294,620
Child Support Enforcement	93.563	35,394
Child Care and Development Block Grant	93.575	603
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	16,922
Stephanie Tubbs Jones Child Welfare Services Program	93.645	4,407
Foster Care-Title IV-E	93.658	125,945
Adoption Assistance	93.659	1,854
Children's Health Insurance Program	93.767	2,022
Medical Assistance Program	93.778	1,533
Maternal and Child Health Services Block Grant to the States	93.994	3,625
Total U.S. Department of Health and Human Services		\$ 505,948
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed through the North Dakota State Division of Emergency Services:</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 20,679
Emergency Management Performance Grants	97.042	65,808
Homeland Security Grant Program	97.067	11,414
<u>Passed through the North Dakota State Game and Fish:</u>		
Boating Safety Financial Assistance	97.012	\$ 2,224
Total U.S. Department of Homeland Security		\$ 100,125
Total Expenditures of Federal Awards		\$ 642,913

** - Major program tested

Continued on next page....

STARK COUNTY
Dickinson, 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.....

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Stark County under programs of the federal government for the year ended December 31, 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 Stark County, it is not intended to and does not present the financial position or changes in net position of Stark County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

STATE AUDITOR

ROBERT R. PETERSON
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Local Government Division:
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MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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

Independent Auditor's Report

Board of County Commissioners
Stark County
Dickinson, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stark County, Dickinson, North Dakota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated August 8, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2013-01].

Compliance and Other Matters

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

STARK COUNTY

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

Stark County's Response to Findings

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 8, 2014

STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Stark County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Stark County's major federal program for the year ended December 31, 2013. Stark County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Stark County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stark County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

RAMSEY COUNTY

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

Report on Internal Control Over Compliance

Management of Stark County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Stark County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Stark County's internal control over compliance.

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

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

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

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

We have audited the financial statements of Stark County as of and for the year ended December 31, 2013, and have issued our report thereon dated August 8, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 8, 2014

STARK COUNTY
Dickinson, 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
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes _____ X None noted

Significant deficiencies identified not considered to be material weaknesses? _____ X Yes _____ None noted

Noncompliance material to financial statements noted? _____ Yes _____ X None noted

Federal Awards

Internal control over major programs:

Material weakness identified? _____ Yes _____ X None noted

Significant deficiencies identified not considered to be material weaknesses? _____ Yes _____ X None noted

Type of auditor's report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes _____ X No

Identification of Major Programs:

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

Dollar threshold used to distinguish between Type A and B programs: \$300,000

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

STARK COUNTY

Schedule of Findings and Questioned Costs – Continued

Section II - Financial Statement Findings

2013-01 – Capital Asset & Compensated Absences Adjustments to Net Position

Condition:

Per testing of capital assets, there were various adjustments made to the Stark County's records due to omitted assets especially in infrastructure. The County capital asset records provided by the County excluded \$7,777,799 in construction additions and \$608,000 in machinery additions. Stark County was not in compliance with GASB 34 and accounting principles generally accepted in the United States of America regarding reporting infrastructure. We were able to obtain the proper 2013 infrastructure additions after coordinating between the County's Engineering firm, NDDOT, and the County Auditor's office.

Also, per review of the results of capital asset testing of the County's capital asset listing, changes consisting of a decrease of \$129,127 to vehicle and machinery costs and a decrease of \$129,127 to vehicle and machinery accumulated depreciation were proposed to correct errors in the capital asset listing. These prior period adjustments resulted in a net change to beginning net position of \$0.

Effect:

The County capital asset records provided by the County excluded \$7,777,799 in construction additions and \$608,000 in machinery additions. Stark County was not in compliance with GASB 34 and accounting principles generally accepted in the United States of America regarding reporting infrastructure.

Cause:

Capital asset records are not prepared or updated on a timely basis. There is lack of reconciliation of the capital asset listing especially between the highway department and the capital asset record preparer. Capital asset records are not being reviewed by another individual besides the preparer.

Criteria:

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

Recommendation:

We recommend that Stark County ensure proper amounts of capital assets are reported at each year-end. Detailed capital asset records should include all properly classified assets into proper asset classifications including appropriate descriptions of the asset, year of purchase or construction, useful lives, annual depreciation, proper accumulated depreciation, book values or balance to depreciate, and the correct function of the asset. The county should also prepare a detailed addition and deletion summary of assets for each year.

Additionally, the county should pay special attention to ensure that all infrastructure projects are carefully reviewed on at least an annual basis to ensure infrastructure projects that need to be capitalized are indeed properly reported and disclosed. Reconciliations between records at the Auditor's Office, Engineering firm and grantee entity should be performed on a timely basis. Also, a review of capital asset records by a qualified person other than the preparer is recommended.

Views of Responsible Officials:

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

Section III - Federal Award Findings and Questioned Costs

No matters were reported.