



Stark County
Dickinson, North Dakota

Audit Report

For the Year Ended December 31, 2015

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of Local Government

STARK COUNTY
Dickinson, North Dakota

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For the Year Ended December 31, 2015

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STARK COUNTY

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STARK COUNTY
Dickinson, North Dakota

COUNTY OFFICIALS

At December 31, 2015

Russ Hoff	Commissioner - Chairman
Jay Elkin	Commissioner - Vice Chairman
Duane Wolf	Commissioner
Ken Zander	Commissioner
Pete Kuntz	Commissioner
Kay Haag	Auditor/Treasurer
Terry Oestreich	Sheriff
Kathy Schwab	Recorder
Tom Henning	State's Attorney

STATE AUDITOR

ROBERT R. PETERSON
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MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County, Dickinson, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County, Dickinson, North Dakota, as of December 31, 2015, 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

Emphasis of a Matter

As discussed in Note 23 to the financial statements, Stark County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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, pension schedules, and the notes to the required supplementary information* on pages 31-38 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the financial statements.

The *schedule of fund activity arising from cash transactions and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016 on our consideration of Stark County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stark County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 20, 2016

STARK COUNTY
Dickinson, North Dakota
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Job Development Authority
ASSETS			
Cash, Cash Equivalents and Investments	\$ 37,321,071	\$ 451,624	\$ 11,337
Accounts Receivable	64,216	-	-
Intergovernmental Receivable	1,306,906	-	-
Taxes Receivable	115,175	-	-
Capital Assets (not being depreciated):			
Land	1,871,278	-	-
Construction in Progress	8,684	-	-
Capital Assets (net of accumulated depreciation):			
Vehicles and Machinery	3,871,175	-	-
Furniture and Equipment	534,617	-	-
Buildings	8,525,862	-	-
Infrastructure	28,693,209	-	-
Total Capital Assets	<u>\$ 43,504,825</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u>\$ 82,312,193</u>	<u>\$ 451,624</u>	<u>\$ 11,337</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	<u>\$ 722,998</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Accounts Payable	\$ 192,198	\$ -	\$ -
Salaries and Benefits Payable	27,695	408	-
Contracts Payable	491,106	-	-
Interest Payable	8,490	-	-
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	143,821	-	-
Loan Payable	96,846	-	-
Compensated Absences Payable	202,828	-	-
Due After One Year:			
Capital Leases Payable	379,132	-	-
Loan Payable	756,754	-	-
Compensated Absences Payable	304,241	-	-
Net Pension Liability	3,794,924	-	-
Total Liabilities	<u>\$ 6,398,035</u>	<u>\$ 408</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes Received in Advance	\$ 2,412,220	\$ -	\$ -
Pension	418,220	-	-
Total Deferred Inflows of Resources	<u>\$ 2,830,440</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net Investment in Capital Assets	\$ 42,128,272	\$ -	\$ -
Restricted for:			
Highways & Bridges	8,361,845	-	-
Health & Welfare	2,131,295	-	-
Culture & Recreation	2,121,328	-	-
Conservation of Nat Resources	1,167,509	451,216	-
Emergencies	467,037	-	-
Economic Development	9,610	-	11,337
Capital Projects	5,760,714	-	-
Other Purposes/General Government	2,055,443	-	-
Unrestricted	<u>9,603,663</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 73,806,716</u>	<u>\$ 451,216</u>	<u>\$ 11,337</u>

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

STARK COUNTY
Dickinson, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Job Development Authority
Primary Government:							
General Government	\$ 4,997,327	\$ 594,012	\$ 217,614	\$ -	\$ (4,185,701)	\$ -	\$ -
Public Safety	4,819,745	955,146	264,750	-	(3,599,849)	-	-
Highways & Bridges	17,736,664	522,403	15,969,250	6,937,378	5,692,367	-	-
Health & Welfare	3,674,611	-	1,083,483	-	(2,591,128)	-	-
Economic Development	195,855	-	-	-	(195,855)	-	-
Culture and Recreation	1,662,033	-	-	-	(1,662,033)	-	-
Conserv. of Natural Resources	672,838	54,265	177,799	-	(440,774)	-	-
Emergency	12,393	-	-	-	(12,393)	-	-
Interest on Long-Term Debt	50,645	-	-	-	(50,645)	-	-
Total Governmental Activities	\$33,822,111	\$ 2,125,826	\$17,712,896	\$ 6,937,378	\$ (7,046,011)	\$ -	\$ -
Component Units:							
Water Resource District	\$ 18,236	\$ -	\$ -	\$ -	\$ -	\$ (18,236)	\$ -
Job Development Authority	320,000	-	-	-	-	-	(320,000)
Total Component Units	\$ 338,236	\$ -	\$ -	\$ -	\$ -	\$ (18,236)	\$ (320,000)
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					\$ 3,708,802	\$ 13,906	\$ 323,833
Property taxes; levied for special purposes					10,398,256	-	-
Grants and contributions not restricted to specific programs					2,225,299	-	-
Unrestricted investment earnings					350,556	1,095	40
Miscellaneous revenue					346,844	412	-
Total General Revenues					\$ 17,029,757	\$ 15,413	\$ 323,873
Change in Net Position					\$ 9,983,746	\$ (2,823)	\$ 3,873
Net Position - January 1					\$ 67,797,898	\$ 454,039	\$ -
Prior Period Adjustment					(3,974,928)	-	7,464
Net Position - January 1, as restated					\$ 63,822,970	\$ 454,039	\$ 7,464
Net Position - December 31					\$ 73,806,716	\$ 451,216	\$ 11,337

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

STARK COUNTY
Dickinson, North Dakota
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2015

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	County Poor
ASSETS:					
Cash and Cash Equivalents	\$ 10,439,591	\$ 1,907,179	\$ 387,447	\$ 6,107,253	\$ 3,142,011
Intergovernmental Receivable	186,723	30,828	195,022	387,058	128,988
Accounts Receivable	-	-	-	-	-
Due from Other Fund	52,638	-	-	-	-
Taxes Receivable	37,222	13,222	-	-	25,438
Total Assets	\$ 10,716,174	\$ 1,951,229	\$ 582,469	\$ 6,494,311	\$ 3,296,437
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 38,266	\$ -	\$ 20,217	\$ -	\$ 40,718
Salaries and Benefits Payable	6,082	-	-	20,877	-
Due to Other Fund	-	-	-	-	-
Total Liabilities	\$ 44,348	\$ -	\$ 20,217	\$ 20,877	\$ 40,718
Deferred Inflows Of Resources:					
Taxes Received in Advance	\$ 967,909	\$ 328,105	\$ -	\$ -	\$ 424,896
Taxes Receivable	37,222	13,222	-	-	25,438
Total Deferred Inflows of Resources	\$ 1,005,131	\$ 341,327	\$ -	\$ -	\$ 450,334
Fund Balances:					
Restricted for:					
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -
Highways & Bridges	-	1,609,902	562,252	6,473,434	-
Health & Welfare	-	-	-	-	2,805,385
Culture & Recreation	-	-	-	-	-
Conservation of Natural Resources	-	-	-	-	-
Emergency	-	-	-	-	-
Economic Development	-	-	-	-	-
Capital Projects	-	-	-	-	-
Other Purposes/General Government	-	-	-	-	-
Unassigned:					
General Fund	9,666,695	-	-	-	-
Negative Funds	-	-	-	-	-
Total Fund Balances	\$ 9,666,695	\$ 1,609,902	\$ 562,252	\$ 6,473,434	\$ 2,805,385
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,716,174	\$ 1,951,229	\$ 582,469	\$ 6,494,311	\$ 3,296,437

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

County Jail	Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ 675,968	\$ 5,594,032	\$ 9,067,590	\$ 37,321,071
23,518	238,321	116,448	1,306,906
-	-	64,216	64,216
-	-	-	52,638
13,222	-	26,071	115,175
<u>\$ 712,708</u>	<u>\$ 5,832,353</u>	<u>\$ 9,274,325</u>	<u>\$ 38,860,006</u>

\$ -	\$ 71,639	\$ 21,358	\$ 192,198
-	-	736	27,695
-	-	52,638	52,638
<u>\$ -</u>	<u>\$ 71,639</u>	<u>\$ 74,732</u>	<u>\$ 272,531</u>

\$ 328,105	\$ -	\$ 363,205	\$ 2,412,220
13,222	-	26,071	115,175
<u>\$ 341,327</u>	<u>\$ -</u>	<u>\$ 389,276</u>	<u>\$ 2,527,395</u>

\$ 371,381	\$ -	\$ 577,514	\$ 948,895
-	-	953,844	9,599,432
-	-	637,014	3,442,399
-	-	2,120,237	2,120,237
-	-	1,296,649	1,296,649
-	-	467,037	467,037
-	-	9,610	9,610
-	5,760,714	-	5,760,714
-	-	2,797,760	2,797,760
-	-	-	9,666,695
-	-	(49,348)	(49,348)

<u>\$ 371,381</u>	<u>\$ 5,760,714</u>	<u>\$ 8,810,317</u>	<u>\$ 36,060,080</u>
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<u>\$ 712,708</u>	<u>\$ 5,832,353</u>	<u>\$ 9,274,325</u>	<u>\$ 38,860,006</u>
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STARK COUNTY
Dickinson, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2015

Total *Fund Balances* of Governmental Funds \$ 36,060,080

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	\$ 66,001,066	
Less Accumulated Depreciation	<u>(22,496,241)</u>	43,504,825

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. 115,175

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 722,998	
Deferred Inflows Related to Pensions	<u>(418,220)</u>	304,778

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, 2015 are:

Loans Payable	\$ (853,600)	
Contracts Payable	(491,106)	
Leases Payable	(522,953)	
Interest Payable	(8,490)	
Compensated Absences Payable	(507,069)	
Net Pension Liability	<u>(3,794,924)</u>	<u>(6,178,142)</u>

Total Net Position of Governmental Activities \$ 73,806,716

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, 2015

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	County Poor
<u>Revenues:</u>					
Taxes	\$ 3,693,214	\$ 1,607,767	\$ 984,030	\$ -	\$ 3,162,716
Intergovernmental	2,639,488	159,644	9,739,209	3,587,501	627,390
Charges for Services	328,507	-	126,125	-	-
Licenses, Permits and Fees	317,941	-	396,277	-	-
Interest Income	348,697	-	-	-	-
Miscellaneous	11,450	-	124,260	-	-
Total Revenues	\$ 7,339,297	\$ 1,767,411	\$ 11,369,901	\$ 3,587,501	\$ 3,790,106
<u>Expenditures:</u>					
Current:					
General Government	\$ 3,279,825	\$ -	\$ -	\$ -	\$ -
Public Safety	2,464,815	-	-	-	-
Highways & Bridges	-	214,794	14,163,764	1,850,973	-
Health & Welfare	750	-	-	-	475,530
Economic Development	195,855	-	-	-	-
Culture & Recreation	-	-	-	-	-
Conservation of Natural Resources	-	-	-	-	-
Emergency	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service:					
Principal	5,868	-	142,177	-	-
Interest on Long-Term Debt	-	-	5,480	-	-
Total Expenditures	\$ 5,947,113	\$ 214,794	\$ 14,311,421	\$ 1,850,973	\$ 475,530
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,392,184	\$ 1,552,617	\$ (2,941,520)	\$ 1,736,528	\$ 3,314,576
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ -	\$ -	\$ 2,329,603	\$ -	\$ -
Capital Lease Financing	-	-	470,976	-	-
Transfers Out	-	-	-	(2,329,603)	(2,165,000)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 2,800,579	\$ (2,329,603)	\$ (2,165,000)
Net Change in Fund Balances	\$ 1,392,184	\$ 1,552,617	\$ (140,941)	\$ (593,075)	\$ 1,149,576
Fund Balances - January 1	\$ 8,274,511	\$ 57,285	\$ 703,193	\$ 7,066,509	\$ 1,655,809
Fund Balances - December 31	\$ 9,666,695	\$ 1,609,902	\$ 562,252	\$ 6,473,434	\$ 2,805,385

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

County Jail	Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ 1,607,766	\$ -	\$ 2,996,880	\$ 14,052,373
126,014	1,155,395	1,903,554	19,938,195
-	-	902,711	1,357,343
-	-	54,265	768,483
-	-	1,859	350,556
-	-	211,134	346,844
<u>\$ 1,733,780</u>	<u>\$ 1,155,395</u>	<u>\$ 6,070,403</u>	<u>\$ 36,813,794</u>
\$ -	\$ -	\$ 2,397,621	\$ 5,677,446
1,600,289	-	1,038,177	5,103,281
-	-	190,305	16,419,836
-	-	3,185,834	3,662,114
-	-	-	195,855
-	-	1,649,223	1,649,223
-	-	689,153	689,153
-	-	12,393	12,393
-	1,246,992	-	1,246,992
-	36,996	82,620	267,661
-	14,950	25,926	46,356
<u>\$ 1,600,289</u>	<u>\$ 1,298,938</u>	<u>\$ 9,271,252</u>	<u>\$ 34,970,310</u>
<u>\$ 133,491</u>	<u>\$ (143,543)</u>	<u>\$ (3,200,849)</u>	<u>\$ 1,843,484</u>
\$ -	\$ -	\$ 2,165,000	\$ 4,494,603
-	-	-	470,976
-	-	-	(4,494,603)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,165,000</u>	<u>\$ 470,976</u>
<u>\$ 133,491</u>	<u>\$ (143,543)</u>	<u>\$ (1,035,849)</u>	<u>\$ 2,314,460</u>
<u>\$ 237,890</u>	<u>\$ 5,904,257</u>	<u>\$ 9,846,166</u>	<u>\$ 33,745,620</u>
<u>\$ 371,381</u>	<u>\$ 5,760,714</u>	<u>\$ 8,810,317</u>	<u>\$ 36,060,080</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, 2015

Net Change in *Fund Balances* - Total Governmental Funds \$ 2,314,460

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

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

Current Year Capital Outlay	\$ 2,702,320	
Capital Contribution	6,937,378	
Current Year Depreciation Expense	<u>(1,850,603)</u>	7,789,095

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements do not recognize losses on disposals of capital assets. (32,453)

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 issuance exceeded debt repayment.

Repayment of Debt - Loans	\$ 117,368	
Repayment of Debt - Leases	150,293	
Issuance of Leases	<u>(470,976)</u>	(203,315)

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	\$ (4,289)	
Net Change in Contract Payable	(53,223)	
Net Change in Retainage Payable	95,572	
Net Change in Compensated Absences	<u>(23,685)</u>	14,375

The Net Pension Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension Liability	\$ (317,933)	
Net Change in Deferred Outflows of Resources	104,329	
Net Change in Deferred Inflows of Resources	<u>260,503</u>	46,899

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>54,685</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 9,983,746</u></u>
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The notes to the financial statements are an integral part of this statement.

STARK COUNTY
Dickinson, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 5,021,053</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 5,021,053</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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

COMPONENT UNITS

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

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

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

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

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

STARK COUNTY

Notes to the Financial Statements – Continued

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. 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.

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

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

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

Additionally, the county reports the following fund type:

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

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

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

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

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

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, 2014 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.

STARK COUNTY

Notes to the Financial Statements – Continued

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. Pension

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

I. Interfund Transactions

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

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

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

STARK COUNTY

Notes to the Financial Statements – Continued

J. Fund Balances / Net Position

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 \$9,666,695 at December 31, 2015 represented 163% of annual 2015 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.

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 (10 mill farm to market road, county road unorganized, highway tax distribution, county poor, 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.

Table Continued on next page.....

STARK COUNTY

Notes to the Financial Statements – Continued

CONTINUED...

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

Stark County did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2015.

Restricted Fund Balances – consist of the following items at December 31, 2015:

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

Special Revenue Funds – Restricted 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.

STARK COUNTY

Notes to the Financial Statements – Continued

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, capital projects, 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, 2015:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Major Funds:			
General Fund	\$ 5,446,689	\$ 559,528	\$ 6,006,217
Unorganized Road Fund	9,086,000	4,898,939	13,984,939
Non-Major Funds:			
Special Road & Bridge	100,000	90,305	190,305
Information Technology	520,625	311,299	831,924
Insurance Reserve	156,929	4,589	161,518
Asset Forfeiture	1,000	908	1,908
Security Reimb/DJS	2,000	247	2,247
Victim Witness Program	80,000	11,620	91,620
Capital Improvement	180,411	1,046,888	1,227,299
County Park	183,925	1,465,423	1,649,348
Weed Control	422,294	45,388	467,682
Contingencies	216,328	198,457	414,785
911 Equipment	275,000	72,211	347,211

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

STARK COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2015, the county's carrying amount of deposits was \$42,075,662 and the bank balances totaled \$42,887,398. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. The remaining bank balances totaling \$41,887,398 were collateralized with securities held by the pledging financial institution's agent in the government's name. The Water Resource District had deposits with a carrying value of \$451,624, and bank balances totaling \$451,924. The districts entire bank balances were covered by Federal Depository Insurance. The Job Development Authority had deposits with a carrying value of \$11,337, and bank balances totaling \$11,337. The districts entire bank balances were covered by Federal Depository Insurance.

Credit Risk:

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

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

As of December 31, 2015, the County had certificates of deposit totaling \$6,750,000, and the Water Resource District had \$414,000.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 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.

STARK COUNTY

Notes to the Financial Statements – Continued

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 (\$52,638) in the sheriff's grant fund (\$51,540) and the state reimbursement fund (\$1,098).

NOTE 8: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2015:

Governmental Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,805,563	\$ 65,715	\$ -	\$ -	\$ 1,871,278
Construction in Progress	2,192,316	7,115,080	-	(9,298,712)	8,684
Total Capital Assets, Not Being Depreciated	\$ 3,997,879	\$ 7,180,795	\$ -	\$ (9,298,712)	\$ 1,879,962
<i>Capital assets, being depreciated:</i>					
Vehicles & Machinery	\$ 6,877,306	\$ 1,013,963	\$ 211,900	\$ -	\$ 7,679,369
Furniture & Equipment	1,864,380	416,206	8,895	-	2,271,691
Buildings	10,725,110	1,028,734	-	-	11,753,844
Infrastructure	33,117,488	-	-	9,298,712	42,416,200
Total Capital Assets, Being Depreciated	\$ 52,584,284	\$ 2,458,903	\$ 220,795	\$ 9,298,712	\$ 64,121,104
<i>Less accumulated depreciation for:</i>					
Vehicles & Machinery	\$ 3,337,509	\$ 650,132	\$ 179,447	\$ -	\$ 3,808,194
Furniture & Equipment	1,617,023	128,946	8,895	-	1,737,074
Buildings	3,025,442	202,540	-	-	3,227,982
Infrastructure	12,854,006	868,985	-	-	13,722,991
Total Accumulated Depreciation	\$ 20,833,980	\$ 1,850,603	\$ 188,342	\$ -	\$ 22,496,241
Total Capital Assets Being Depreciated, Net	\$ 31,750,304	\$ 608,300	\$ 32,453	\$ 9,298,712	\$ 41,624,863
Governmental Activities-Capital Assets, Net	\$ 35,748,183	\$ 7,789,095	\$ 32,453	\$ -	\$ 43,504,825

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

Governmental Activities:	Amounts
General	\$ 98,878
Public Safety	305,267
Highways & Bridges	1,404,629
Health & Welfare	16,965
Culture & Recreation	12,810
Conservation of Natural Resources	12,054
Total Depreciation Expense - Governmental Activities	\$ 1,850,603

NOTE 9: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions at December 31, 2015 for differences between expected and actual experience, and for changes in proportion and differences between employer contributions and proportionate share of contributions.

STARK COUNTY

Notes to the Financial Statements – Continued

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, 2015.

NOTE 11: CONTRACTS PAYABLE

Contracts payable consists of a liability account reflecting amounts for gravel purchase contracts at December 31, 2015.

NOTE 12: 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 13: INTEREST PAYABLE

Interest payable consists of interest amounts accrued on loans and leases payable at December 31, 2015, but not paid until after year-end.

NOTE 14: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the year ended December 31, 2015, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:

Governmental Activities:	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Leases Payable	\$ 202,270	\$ 470,976	\$ 150,293	\$ 522,953	\$ 143,821
Loans Payable	970,968	-	117,368	853,600	96,846
Compensated Absences *	483,384	23,685	-	507,069	202,828
Net Pension Liability *	3,476,991	317,933	-	3,794,924	-
Total Governmental Activities	\$ 5,133,613	\$ 812,594	\$ 267,661	\$ 5,678,546	\$ 443,495

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

Outstanding governmental activities debt (leases and loans payable) at December 31, 2015 is comprised of the following individual issues:

Loans Payable:

\$562,310 Loan 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%.	\$307,970
\$738,455 Loan 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%.	403,936
\$361,405 Loan from Citi Capital Commercial Corp. for improvements to the DWCRC, due in semi-annual installments of \$11,628 to \$19,074 through 2019 with interest at 4.35%.	<u>141,694</u>
Total Loans Payable	<u>\$853,600</u>

STARK COUNTY

Notes to the Financial Statements – Continued

Leases Payable:

\$233,096 Lease from American Bank Center for the purchase of two semi-trucks, due in annual installments of \$48,879 through 2018 with interest at 2.259%.	\$139,929
\$11,566 Lease from Xerox for a printer and tray, due in monthly installments of \$193 through 2017.	3,663
\$8,992 Lease from Xerox for a printer and tray, due in monthly installments of \$187 through 2017.	2,435
\$14,218 Lease from Pitney Bowes for a postage machine, due in quarterly installments of \$889 through 2016.	3,554
\$112,625 Lease from American Bank Center for a backhoe, due in annual installments of \$23,651 through 2019.	89,238
\$245,726 Lease from American Bank Center for two Western Star Trucks, due in annual installments of \$51,550 through 2019.	194,944
\$112,625 Lease from American Bank Center for a backhoe, due in annual installments of \$23,657 through 2019.	<u>89,190</u>
Total Leases Payable	<u>\$522,953</u>

Debt service requirements on governmental activity long-term debt at December 31, 2015 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	Leases Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2016	\$ 143,821	\$ 11,952	\$ 122,455	\$ 35,788
2017	140,422	8,772	127,764	30,480
2018	142,107	5,550	133,302	24,941
2019	96,603	2,255	139,081	19,162
2020	-	-	105,709	13,557
2021 - 2025	-	-	225,289	13,243
Total	\$ 522,953	\$ 28,529	\$ 853,600	\$ 137,171

NOTE 15: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, this includes amounts related to pension items for the net difference between projected and actual investment earnings on pension plan investments, and changes of assumptions. Additionally, at the government wide level, deferred inflows of resources in the statement of net position represent the amount of taxes received in advance.

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.

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 16: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Stark County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability, \$2,000,000 for automobile, and \$5,426,849 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 17: CONDUIT DEBT OBLIGATIONS

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

As of December 31, 2015, there were two community development block grant loans outstanding (Red Trail Energy), with an aggregate principal amount payable of \$1,318,180.

NOTE 18: 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.

STARK COUNTY

Notes to the Financial Statements – Continued

Summary financial information for 2015 is not available. The following information as of and for the year ended December 31, 2014, the most current information available, is as follows:

GOVERNMENTAL ACTIVITIES

Total Assets	\$6,900,550
Total Liabilities	<u>540,666</u>
Net Position	<u>\$6,359,884</u>
Revenues	\$7,815,635
Expenses	<u>7,943,925</u>
Change in Net Position	<u>\$ (128,290)</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 2015 is not available. The following information as of and for the year ended December 31, 2014, the most current information available, is as follows:

GOVERNMENTAL ACTIVITIES

Total Assets	\$132,162
Total Liabilities	<u>93,686</u>
Net Position	<u>\$ 38,476</u>
Revenues	\$513,378
Expenses	<u>536,084</u>
Change in Net Position	<u>\$(22,706)</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.

Summary financial information for 2015 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	\$1,120,281
Total Liabilities	<u>201,155</u>
Net Position	<u>\$ 919,126</u>
Revenues	\$2,060,885
Expenses	<u>1,965,095</u>
Change in Net Position	<u>\$ 95,790</u>

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

NOTE 19: PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

STARK COUNTY

Notes to the Financial Statements – Continued

Refunds of Member Account Balance

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

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

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

Member and Employer Contributions

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

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

At December 31, 2015, Stark County reported a liability of \$3,794,924 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was .5580910 percent, which was an increase of .010293 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Employer recognized pension expense of \$374,834. At December 31, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 110,096	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	65,138	80,110
Changes of Assumptions	-	338,110
District Contributions Subsequent to the Measurement Date	547,764	-
Total	\$ 722,998	\$ 418,220

\$547,764 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

STARK COUNTY

Notes to the Financial Statements – Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

2016	\$ (102,750)
2017	(102,750)
2018	(102,750)
2019	62,788
2020	(62,662)

Actuarial Assumptions

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members

STARK COUNTY

Notes to the Financial Statements – Continued

and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's Proportionate Share of the Net Pension Liability	\$ 5,819,325	\$ 3,794,924	\$ 2,138,597

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued NDPERS financial report.

NOTE 20: CONSTRUCTION COMMITMENTS

Stark County had two open construction commitments as of December 31, 2015 as follows:

County Project:	Amended Contract	Total Completed	Retainage	Remaining Balance	% Complete
38th St. Phase II Paving	\$ 1,139,510	\$ -	\$ -	\$ 1,139,510	0.00%
Courthouse Addition	6,478,745	-	-	6,478,745	0.00%
Total	\$ 7,618,255	\$ -	\$ -	\$ 7,618,255	0.00%

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, 2015. The future minimum lease payments for these leases are as follows:

Year Ending December 31	GOVERNMENTAL ACTIVITIES		
	Operating Leases		
	Social Services Postage Machine	Extension Postage Machine	Total
2016	\$ 516	\$ 1,108	\$ 1,624
2017	-	924	924
Totals	\$ 516	\$ 2,032	\$ 2,548

STARK COUNTY

Notes to the Financial Statements – Continued

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, 2015:

Funds	Transfers In	Transfers Out
Major Funds:		
County Roads - Unorganized	\$ 2,329,603	\$ -
Highway Tax Distribution		2,329,603
County Poor	2,165,000	-
Non-Major Funds:		
Social Services	-	2,165,000
Total Transfers	\$ 4,494,603	\$ 4,494,603

Transfers are used to 1) move funds from the social service levy fund to county poor fund for various social welfare programs, and 2) move highway tax distribution collected to fund projects done in other road funds.

NOTE 23: PRIOR PERIOD ADJUSTMENT

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Additionally, prior period adjustment was necessary to recognize the beginning amount of a contract payable not reported in the prior year.

Adjustments to beginning net position are outlined as follows:

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$ 67,797,898
Adjustments to restate the January 1, 2015 Net Position:	
Contract Payable	(437,883)
Net Pension Liability	(3,476,991)
Deferred Outflows of Resources Related to Pensions	618,669
Deferred Inflows of Resources Related to Pensions	(678,723)
Net Position January 1, as restated	\$ 63,822,970

NOTE 24: DEFICIT BALANCES

The following funds were in a negative fund balance position at December 31, 2015:

County Funds	Balance
Sheriff Grants	\$(51,540)
State Reimbursements	(1,099)

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

NOTE 25: SUBSEQUENT EVENT

The County started construction on the courthouse addition on August 1, 2016. The cost of the addition will be \$6,478,745. The addition was needed due to the lack of space in the courthouse.

STARK COUNTY
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 3,847,800	\$ 3,847,800	\$ 3,693,214	\$ (154,586)
Intergovernmental	3,248,861	3,248,861	2,639,488	(609,373)
Charges for Services	380,000	380,000	328,507	(51,493)
Licenses, Permits and Fees	330,650	330,650	317,941	(12,709)
Interest Income	95,000	95,000	348,697	253,697
Miscellaneous	17,600	17,600	11,450	(6,150)
Total Revenues	\$ 7,919,911	\$ 7,919,911	\$ 7,339,297	\$ (580,614)
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,628,789	3,188,317	\$ 3,279,825	\$ (91,508)
Public Safety	2,693,819	2,693,819	2,464,815	229,004
Health & Welfare	750	750	750	-
Economic Development	123,331	123,331	195,855	(72,524)
Debt Service:				
Principal	-	-	5,868	(5,868)
Interest	-	-	-	-
Total Expenditures	\$ 5,446,689	\$ 6,006,217	\$ 5,947,113	\$ 59,104
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,473,222	\$ 1,913,694	\$ 1,392,184	\$ (521,510)
Fund Balance - January 1	\$ 8,274,511	\$ 8,274,511	\$ 8,274,511	\$ -
Fund Balance - December 31	\$ 10,747,733	\$ 10,188,205	\$ 9,666,695	\$ (521,510)

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, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,670,000	\$ 1,670,000	\$ 1,607,767	\$ (62,233)
Intergovernmental	166,588	166,588	159,644	(6,944)
Total Revenues	\$ 1,836,588	\$ 1,836,588	\$ 1,767,411	\$ (69,177)
<u>Expenditures:</u>				
<u>Current:</u>				
Highways & Bridges	\$ 1,644,000	\$ 1,644,000	\$ 214,794	\$ 1,429,206
Net Change in Fund Balances	\$ 192,588	\$ 192,588	\$ 1,552,617	\$ 1,360,029
Fund Balance - January 1	\$ 57,285	\$ 57,285	\$ 57,285	\$ -
Fund Balance - December 31	\$ 249,873	\$ 249,873	\$ 1,609,902	\$ 1,360,029

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, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,306,325	\$ 1,306,325	\$ 984,030	\$ (322,295)
Intergovernmental	8,082,594	8,082,594	9,739,209	1,656,615
Charges for Services	150,000	150,000	126,125	(23,875)
Licenses, Permits and Fees	770,000	770,000	396,277	(373,723)
Miscellaneous	40,900	40,900	124,260	83,360
Total Revenues	\$ 10,349,819	\$ 10,349,819	\$ 11,369,901	\$ 1,020,082
<u>Expenditures:</u>				
Current:				
Highways & Bridges	\$ 9,086,000	\$ 13,984,939	\$ 13,692,788	\$ 292,151
Debt Service:				
Principal	-	-	142,177	(142,177)
Interest	-	-	5,480	(5,480)
Total Expenditures	\$ 9,086,000	\$ 13,984,939	\$ 13,840,445	\$ 144,494
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,263,819	\$ (3,635,120)	\$ (2,470,544)	\$ 1,164,576
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 2,329,603	\$ 2,329,603
Net Change in Fund Balances	\$ 1,263,819	\$ (3,635,120)	\$ (140,941)	\$ 3,494,179
Fund Balance - January 1	\$ 703,193	\$ 703,193	\$ 703,193	\$ -
Fund Balance - December 31	\$ 1,967,012	\$ (2,931,927)	\$ 562,252	\$ 3,494,179

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, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 3,518,778	\$ 3,518,778	\$ 3,587,501	\$ 68,723
<u>Expenditures:</u>				
<u>Current:</u>				
Highways & Bridges	\$ 1,970,625	\$ 1,970,625	\$ 1,850,973	\$ 119,652
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,548,153	\$ 1,548,153	\$ 1,736,528	\$ 188,375
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (2,329,603)	\$ (2,329,603)
Net Change in Fund Balances	\$ 1,548,153	\$ 1,548,153	\$ (593,075)	\$ (2,141,228)
Fund Balance - January 1	\$ 7,066,509	\$ 7,066,509	\$ 7,066,509	\$ -
Fund Balance - December 31	\$ 8,614,662	\$ 8,614,662	\$ 6,473,434	\$ (2,141,228)

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, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 3,281,264	\$ 3,281,264	\$ 3,162,716	\$ (118,548)
Intergovernmental	1,426,955	1,426,955	627,390	(799,565)
Total Revenues	<u>\$ 4,708,219</u>	<u>\$ 4,708,219</u>	<u>\$ 3,790,106</u>	<u>\$ (918,113)</u>
<u>Expenditures:</u>				
Current:				
Health & Welfare	\$ 522,000	\$ 522,000	\$ 475,530	\$ 46,470
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,186,219</u>	<u>\$ 4,186,219</u>	<u>\$ 3,314,576</u>	<u>\$ (871,643)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	<u>\$ (2,900,000)</u>	<u>\$ (2,900,000)</u>	<u>\$ (2,165,000)</u>	<u>\$ 735,000</u>
Net Change in Fund Balances	<u>\$ 1,286,219</u>	<u>\$ 1,286,219</u>	<u>\$ 1,149,576</u>	<u>\$ (136,643)</u>
Fund Balance - January 1	<u>\$ 1,655,809</u>	<u>\$ 1,655,809</u>	<u>\$ 1,655,809</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 2,942,028</u></u>	<u><u>\$ 2,942,028</u></u>	<u><u>\$ 2,805,385</u></u>	<u><u>\$ (136,643)</u></u>

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, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,671,000	\$ 1,671,000	\$ 1,607,766	\$ (63,234)
Intergovernmental	130,308	130,308	126,014	(4,294)
Total Revenues	<u>\$ 1,801,308</u>	<u>\$ 1,801,308</u>	<u>\$ 1,733,780</u>	<u>\$ (67,528)</u>
<u>Expenditures:</u>				
Current:				
Public Safety	<u>\$ 1,644,000</u>	<u>\$ 1,644,000</u>	<u>\$ 1,600,289</u>	<u>\$ 43,711</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 157,308</u>	<u>\$ 157,308</u>	<u>\$ 133,491</u>	<u>\$ (23,817)</u>
Fund Balance - January 1	<u>\$ 237,890</u>	<u>\$ 237,890</u>	<u>\$ 237,890</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 395,198</u>	<u>\$ 395,198</u>	<u>\$ 371,381</u>	<u>\$ (23,817)</u>

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

STARK COUNTY
Dickinson, North Dakota

PENSION SCHEDULES
For the Year Ended December 31, 2015

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

	2014	2015
District's proportion of the net pension liability (asset)	0.547798%	0.558091%
District's proportionate share of the net pension liability (asset)	\$ 3,476,991	\$ 3,794,924
District's covered-employee payroll	\$ 4,614,538	\$ 4,971,918
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

*Complete data for this schedule is not available prior to 2014.

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

	2014	2015
Statutorily required contribution	\$ 328,555	\$ 354,001
Contributions in relation to the statutorily required contribution	\$ (328,555)	\$ (354,001)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 4,614,538	\$ 4,971,918
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

STARK COUNTY
Dickinson, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

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: BUDGET TO ACTUAL AMOUNTS – ROAD & BRIDGE

The county entered into capital leases for two trucks and two backhoes in 2015. The capital lease financing and corresponding expenditures were reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds, but were not reported on the budgetary comparison schedule in the unorganized road fund. The county didn’t budget for these funds and these transactions were not recorded on the county’s general ledger. The differences are as follows:

Unorganized Road:	Combined Statement	Adjustment	Budget to Actual
Expenditures	\$ 14,311,421	\$ (470,976)	\$ 13,840,445
Lease Financing	470,976	(470,976)	-

NOTE 3: PENSIONS - CHANGES OF ASSUMPTIONS

Amounts reported in 2015 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

STARK COUNTY
Dickinson, North Dakota

SCHEDULE OF FUND ACTIVITY - ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
<u>Primary Government:</u>						
General Fund	\$ 8,700,934.88	\$ 7,758,731.46	\$ -	\$ -	\$ 5,967,437.25	\$ 10,492,229.09
Farm to Market Road - 10 Mill	350,529.03	1,826,053.60	-	-	269,404.62	1,907,178.01
County Roads - Unorganized	247,892.41	11,794,891.78	2,329,602.72	-	13,984,939.42	387,447.49
Highway Tax Distribution	6,437,505.09	3,834,193.83	-	2,329,602.72	1,834,842.21	6,107,253.99
County Jail	483,508.85	1,792,748.02	-	-	1,600,289.24	675,967.63
County Poor	2,060,425.16	3,681,397.29	-	2,165,000.00	434,812.49	3,142,009.96
Capital Improvement	5,830,159.44	991,170.85	-	-	1,227,299.41	5,594,030.88
Total Major Funds	\$ 24,110,954.86	\$ 31,679,186.83	\$ 2,329,602.72	\$ 4,494,602.72	\$ 25,319,024.64	\$ 28,306,117.05
<u>Special Revenue Funds:</u>						
Special Road & Bridge	\$ 889,158.15	\$ 294,944.58	\$ -	\$ -	\$ 190,305.00	\$ 993,797.73
Social Services	101,465.09	1,010,127.75	2,165,000.00	-	3,197,171.98	79,420.86
Information Technology	796,810.99	682,436.76	-	-	819,611.83	659,635.92
County Park	3,615,516.83	182,711.54	-	-	1,649,222.97	2,149,005.40
Insurance Reserve	327,600.63	196,158.60	-	-	161,518.22	362,241.01
Comprehensive Health Care	718,278.11	465,634.76	-	-	452,814.17	731,098.70
Emergency Fund	449,955.10	13,994.94	-	-	-	463,950.04
Veterans Service Officer	342,950.87	277,475.48	-	-	102,754.09	517,672.26
Social Security	1,004,698.08	557,416.93	-	-	502,994.82	1,059,120.19
Advertising	87,806.32	74,924.30	-	-	45,824.49	116,906.13
County Agent	623,563.12	406,203.89	-	-	152,440.08	877,326.93
Weed Control	163,216.52	572,264.78	-	-	467,681.96	267,799.34
Emergency 911	200,877.97	362,347.90	-	-	358,877.33	204,348.54
Adult Education	8,329.90	2,031.66	-	-	751.45	9,610.11
Asset Forfeiture	27,711.60	5,966.80	-	-	1,908.00	31,770.40
Fingerprint Station	16,009.71	1,696.00	-	-	170.74	17,534.97
Sheriffs Grants	(38,457.64)	247,978.44	-	-	261,060.76	(51,539.96)
Security Transfer/DJS Reimburse.	295.26	2,319.16	-	-	2,247.38	367.04
Southwest Victim Witness Prog.	56,646.77	62,131.28	-	-	91,619.70	27,158.35
Hazardous Chem. Preparedness	31,043.70	10,737.50	-	-	4,741.92	37,039.28
Preservation Fee	263,771.96	54,265.00	-	-	69,030.67	249,006.29
State Reimbursements	(650.00)	3,641.50	-	-	4,090.38	(1,098.88)
Siren Contingency	19,619.85	14,097.35	-	-	6,368.92	27,348.28
ESG Funds	51,965.14	435,329.09	-	-	414,754.94	72,539.29
911 Equipment	390,891.13	69,213.96	-	-	347,210.56	112,894.53
Total Non-Major Special Revenue Funds	\$ 10,149,075.16	\$ 6,006,049.95	\$ 2,165,000.00	\$ -	\$ 9,305,172.36	\$ 9,014,952.75
Total Government Funds	\$ 34,260,030.02	\$ 37,685,236.78	\$ 4,494,602.72	\$ 4,494,602.72	\$ 34,624,197.00	\$ 37,321,069.80
<u>Agency Funds:</u>						
Fair Board	\$ 13,699.74	\$ 67,859.02	\$ -	\$ -	\$ 81,286.76	\$ 272.00
Domestic Violence Prevention	700.00	9,100.00	-	-	9,415.00	385.00
Estimate Tax	4,183.70	32,516.11	-	-	30,090.25	6,609.56
Game and Fish	145,149.00	431,058.50	-	-	365,821.50	210,386.00
Protest Fund	-	31,528.48	-	-	31,528.48	-
DVRCC	(455.00)	9,615.04	-	-	9,615.02	(454.98)
Judgement Execution Fund	-	136,826.94	-	-	136,826.94	-
BCI- Tack Force	(125,732.08)	278,926.35	-	-	315,928.62	(162,734.35)
Vector Control	42,919.68	178,761.99	-	-	171,365.38	50,316.29
Stark County Job Development	54,290.92	320,213.94	-	-	323,833.18	50,671.68
Senior Citizens	27,339.58	299,121.58	-	-	292,847.58	33,613.58
Water Commission	-	13,905.00	-	-	13,905.00	-
Southwest District Health	94,984.62	642,234.89	-	-	624,221.64	112,997.87
State Tax	\$ 27,339.58	\$ 167,596.15	\$ -	\$ -	\$ 161,322.15	\$ 33,613.58
SW Water Authority	27,339.58	181,396.52	-	-	175,122.52	33,613.58
Library	34,588.04	271,040.73	-	-	260,362.38	45,266.39
Airport	8,647.05	60,354.90	-	-	57,685.38	11,316.57
Total Cities	1,162,390.76	7,068,877.00	-	-	6,999,521.63	1,231,746.13
Total Parks	253,196.68	1,435,369.91	-	-	1,437,655.39	250,911.20
Total School Districts	2,284,285.21	14,197,212.22	-	-	13,592,048.84	2,889,448.59
Richardton-Taylor Ambulance	13,797.42	97,175.94	-	-	92,311.23	18,662.13
Soil Conservation District	27,670.30	183,390.38	-	-	177,002.74	34,057.94
Total Rural Fire Prot. Districts	85,905.95	645,335.45	-	-	618,470.24	112,771.16
Payroll Deduction	50,777.90	2,717.25	-	-	(4,088.28)	57,583.43
Total Agency Funds	\$ 4,233,018.63	\$ 26,762,134.29	\$ -	\$ -	\$ 25,974,099.57	\$ 5,021,053.35
Total Primary Government	\$ 38,493,048.65	\$ 64,447,371.07	\$ 4,494,602.72	\$ 4,494,602.72	\$ 60,598,296.57	\$ 42,342,123.15
Total Reporting Entity	\$ 38,493,048.65	\$ 64,447,371.07	\$ 4,494,602.72	\$ 4,494,602.72	\$ 60,598,296.57	\$ 42,342,123.15

STARK COUNTY
Dickinson, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF JUSTICE:</u>		
<u>Passed Through State's Association of Counties:</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 27,300
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed Through State Department of Human Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 18,986
Temporary Assistance for Needy Families	93.558	** 352,213
Child Support Enforcement	93.563	6,930
Child Care and Development Block Grant	93.575	366
Child Care Mandatory and Matching Funds of the Child Care and Development Func	93.596	19,987
Children's Justice Grants to States	93.643	695
Stephanie Tubbs Jones Child Welfare Services Program	93.645	6,134
Foster Care-Title IV-E	93.658	** 189,689
Adoption Assistance	93.659	2,059
Medical Assistance Program	93.778	37,086
Maternal and Child Health Services Block Grant to the States	93.994	2,462
Total U.S. Department of Health and Human Services		\$ 636,607
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed Through State Department of Emergency Services:</u>		
Boating Safety Financial Assistance	97.012	\$ 2,500
Emergency Management Performance Grants	97.042	70,879
Homeland Security Grant Program	97.067	917
Total U.S. Department of Homeland Security		\$ 74,296
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through State Highway Department:</u>		
Highway Planning & Construction	20.205	\$ 23
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	4,304
National Priority Safety Programs	20.616	17,343
Total U.S. Department of Transportation		\$ 21,670
Total Expenditures of Federal Awards		\$ 759,873

** - Major program

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, 2015. The information in the schedule is presented in accordance with the requirements of the Uniform Guidance. 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 Subpart E of the Uniform Guidance wherein certain types of expenditures are allowable or are limited as to reimbursement.

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

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, 2015, and the related notes to the financial statements, which collectively comprise Stark County's basic financial statements, and have issued our report thereon dated September 20, 2016.

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.

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 20, 2016

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Stark County's compliance with the types of compliance requirements described in the *OMB Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of Stark County's major federal programs for the year ended December 31, 2015. Stark County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Stark County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

STARK 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 the Uniform Guidance - Continued

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of Stark County as of and for the year ended December 31, 2015, and have issued our report thereon dated September 20, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 20, 2016

STARK COUNTY
Dickinson, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

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

Internal control over financial reporting:

Material weaknesses identified? Yes None noted

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

Noncompliance material to financial statements noted? Yes None noted

Federal Awards

Internal control over major programs:

Material weakness identified? Yes None noted

Significant deficiencies identified not considered to be material weaknesses? Yes 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 ? Yes No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
93.558	Temporary Assistance for Needy Families
93.658	Foster Care Title IV-E

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

STATE AUDITOR

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Board of County Commissioners
Stark County
Dickinson, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stark County, Dickinson, North Dakota, for the year ended December 31, 2015 which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 20, 2016. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS AND BY THE UNIFORM GUIDANCE

As stated in our engagement letter dated August 3, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Stark County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether Stark County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about Stark County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the purpose of expressing an opinion on Stark County's compliance with those requirements over the major federal program. While our audit provides a reasonable basis for our opinion over compliance for the major federal program, it does not provide a legal determination on Stark County's compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Stark County are described in Note 1 to the financial statements. The requirements of GASB 65 regarding items previously reported as assets and liabilities were early implemented in the prior audit. Application of existing policies was not changed during the year ended December 31, 2015. Application of existing policies was not changed during the year ended December 31, 2015. GASB Statement 68 (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27), and GASB Statement 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68) were adopted during the year ended December 31, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated September 20, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

OTHER AUDIT FINDINGS OR ISSUES

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

The following presents our informal recommendation:

BIDDING - COUNTY

Stark County did not bid five pieces of highway equipment (one cat dozer, two cat backhoes, and two international trucks), each with individual costs of more than \$50,000, in accordance with state law as outlined in North Dakota Century Code (NDCC) Section 24-05-04 (1).

North Dakota Century Code Section 24-05-04 (1) states 'a purchase of county road machinery and any rental contract or agreement for the use of road machinery and other articles, except necessary repairs for road machinery, which exceeds the sum of fifty thousand dollars must be advertised as provided by law for the purchase of county supplies.

We recommend that Stark County properly bid any county road machinery that costs in excess of \$50,000 in accordance with state law as outlined in NDCC Section 24-05-04 (1).

**PAYROLL RECORDS -
COUNTY**

During testing it was found that personnel records did not contain all necessary and expected documents in the file kept in the Auditor's Office. If Personnel records are not complete, it can cause errors in various payroll areas, a lack of noted issues or confrontations that may have to be reviewed at a later time, a lack of ethics policy acceptance documentation, absent information for background checks if they were needed, and a lack of employee evaluation information.

Fully documented personnel files are required for any employer to provide the documentation for payroll, employee work-related problems, ethics policy acceptance, background check information if necessary, and employee evaluations.

We recommend that Stark County evaluate each employee's personnel file to ensure that all necessary documentation is obtained for adequate record retention. We further recommend to have the adequate files kept in one secure location safe from tampering or unauthorized review.

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

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


Robert R. Peterson
State Auditor

Fargo, North Dakota
September 20, 2016

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