



Stark County
Dickinson, North Dakota

Audit Report

For the Year Ended December 31, 2016

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

STARK COUNTY
Dickinson, North Dakota

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STARK COUNTY
Dickinson, North Dakota

COUNTY OFFICIALS

At December 31, 2016

Russ Hoff
Jay Elkin
Duane Wolf
Ken Zander
Pete Kuntz

Commissioner - Chairman
Commissioner - Vice Chairman
Commissioner
Commissioner
Commissioner

Kay Haag
Terry Oestreich
Kathy Schwab
Tom Henning

Auditor/Treasurer
Sheriff
Recorder
State's Attorney



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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Stark County
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2016, 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

STARK COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and the notes to the required supplementary information* on pages 32-41 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* is 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* 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* 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 5, 2017 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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
September 5, 2017

STARK COUNTY
Dickinson, North Dakota
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Job Development Authority
ASSETS			
Cash, Cash Equivalents and Investments	\$ 40,935,387	\$ 449,669	\$ 11,299
Accounts Receivable	49,559	-	-
Intergovernmental Receivable	1,280,405	-	-
Taxes Receivable	262,522	-	-
Capital Assets (not being depreciated):			
Land	1,871,278	-	-
Construction in Progress	3,553,201	-	-
Capital Assets (net of accumulated depreciation):			
Vehicles and Machinery	4,027,109	-	-
Furniture and Equipment	441,863	-	-
Buildings	8,464,536	-	-
Infrastructure	37,912,873	-	-
Total Capital Assets	\$ 56,270,860	\$ -	\$ -
Total Assets	\$ 98,798,733	\$ 449,669	\$ 11,299
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	\$ 2,552,964	\$ -	\$ -
LIABILITIES			
Accounts Payable	\$ 240,722	\$ -	\$ -
Salaries and Benefits Payable	63,296	436	-
Contracts Payable	703,829	-	-
Retainage Payable	119,856	-	-
Interest Payable	8,291	-	-
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	159,422	-	-
Loan Payable	87,492	-	-
Compensated Absences Payable	264,583	-	-
Due After One Year:			
Capital Leases Payable	297,863	-	-
Loan Payable	374,281	-	-
Compensated Absences Payable	396,875	-	-
Net Pension Liability	6,274,983	-	-
Total Liabilities	\$ 8,991,493	\$ 436	\$ -
DEFERRED INFLOWS OF RESOURCES:			
Taxes Received in Advance	\$ 2,045,639	\$ -	\$ -
Pension	493,683	-	-
Total Deferred Inflows of Resources	\$ 2,539,322	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 55,351,802	\$ -	\$ -
Restricted for:			
Highways & Bridges	8,828,640	-	-
Health & Welfare	2,902,492	-	-
Culture & Recreation	3,240	-	-
Conservation of Nat Resources	1,552,769	449,233	-
Emergencies	479,730	-	-
Economic Development	10,093	-	11,299
Capital Projects	6,749,845	-	-
Unrestricted	13,942,271	-	-
Total Net Position	\$ 89,820,882	\$ 449,233	\$ 11,299

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, 2016

					Net (Expense) Revenue and Changes in Net Position		
Program Revenues					Primary Government	Component Units	
Functions/Programs	Expenses	Fees, Fines, Forfeits & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	Job Development Authority
Primary Government:							
General Government	\$ 5,432,644	\$ 601,874	\$ 112,911	\$ -	\$ (4,717,859)	\$ -	\$ -
Public Safety	5,670,032	754,322	240,205	-	(4,675,505)	-	-
Highways & Bridges	21,227,036	1,625,176	19,667,678	10,800,308	10,866,126	-	-
Health & Welfare	3,410,926	-	1,031,037	-	(2,379,889)	-	-
Economic Development	128,853	-	-	-	(128,853)	-	-
Culture and Recreation	594,911	-	-	-	(594,911)	-	-
Conserv. of Natural Resources	707,458	37,376	183,440	-	(486,642)	-	-
Interest on Long-Term Debt	53,165	-	-	-	(53,165)	-	-
Total Governmental Activities	\$37,225,025	\$ 3,018,748	\$21,235,271	\$10,800,308	\$ (2,170,698)	\$ -	\$ -
Component Units:							
Water Resource District	\$ 16,440	\$ -	\$ -	\$ -	\$ -	\$ (16,440)	\$ -
Job Development Authority	305,972	-	-	-	-	-	(305,972)
Total Component Units	\$ 322,412	\$ -	\$ -	\$ -	\$ -	\$ (16,440)	\$ (305,972)
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					\$ 7,001,524	\$ 13,167	\$ 305,907
Property taxes; levied for special purposes					9,058,125	-	-
Grants and contributions not restricted to specific programs					2,025,397	-	-
Unrestricted investment earnings					201,735	1,149	27
Miscellaneous revenue					357,610	141	-
Total General Revenues					\$ 18,644,391	\$ 14,457	\$ 305,934
Change in Net Position					\$ 16,473,693	\$ (1,983)	\$ (38)
Net Position - January 1					\$ 73,806,716	\$ 451,216	\$ 11,337
Prior Period Adjustment					(459,527)	-	-
Net Position - January 1, as restated					\$ 73,347,189	\$ 451,216	\$ 11,337
Net Position - December 31					\$ 89,820,882	\$ 449,233	\$ 11,299

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

STARK COUNTY
Dickinson, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	County Poor	County Jail	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS:									
Cash and Cash Equivalents	\$15,685,311	\$ 3,291,531	\$ 1,117,412	\$ 4,940,205	\$ 3,899,331	\$ 935,749	\$ 6,505,864	\$ 4,559,984	\$ 40,935,387
Intergovernmental Receivable	145,235	25,198	195,639	290,366	105,432	19,223	395,761	103,551	1,280,405
Accounts Receivable	8,000	-	-	-	-	-	-	41,559	49,559
Due from Other Fund	20,374	-	-	-	-	-	-	-	20,374
Taxes Receivable	103,110	35,264	-	-	48,389	35,264	-	40,495	262,522
Total Assets	\$15,962,030	\$ 3,351,993	\$ 1,313,051	\$ 5,230,571	\$ 4,053,152	\$ 990,236	\$ 6,901,625	\$ 4,745,589	\$ 42,548,247
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts Payable	\$ 29,922	\$ -	\$ 50,165	\$ -	\$ -	\$ -	\$ 151,780	\$ 8,855	\$ 240,722
Salaries and Benefits Payable	34,877	-	-	22,635	-	-	-	5,784	63,296
Due to Other Fund	-	-	-	-	-	-	-	20,374	20,374
Total Liabilities	\$ 64,799	\$ -	\$ 50,165	\$ 22,635	\$ -	\$ -	\$ 151,780	\$ 35,013	\$ 324,392
Deferred Inflows Of Resources:									
Taxes Received in Advance	\$ 963,609	\$ 279,271	\$ -	\$ -	\$ 353,557	\$ 279,271	\$ -	\$ 169,931	\$ 2,045,639
Taxes Receivable	103,110	35,264	-	-	48,389	35,264	-	40,495	262,522
Total Deferred Inflows of Resources	\$ 1,066,719	\$ 314,535	\$ -	\$ -	\$ 401,946	\$ 314,535	\$ -	\$ 210,426	\$ 2,308,161
Fund Balances:									
Restricted for:									
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 675,701	\$ -	\$ 524,728	\$ 1,200,429
Highways & Bridges	-	3,037,458	1,262,886	5,207,936	-	-	-	1,057,761	10,566,041
Health & Welfare	-	-	-	-	3,651,206	-	-	768,377	4,419,583
Conservation of Natural Resources	-	-	-	-	-	-	-	1,679,835	1,679,835
Emergencies	-	-	-	-	-	-	-	479,730	479,730
Economic Development	-	-	-	-	-	-	-	10,093	10,093
Capital Projects	-	-	-	-	-	-	6,749,845	-	6,749,845
Unassigned:									
General Fund	14,830,512	-	-	-	-	-	-	-	14,830,512
Negative Funds	-	-	-	-	-	-	-	(20,374)	(20,374)
Total Fund Balances	\$14,830,512	\$ 3,037,458	\$ 1,262,886	\$ 5,207,936	\$ 3,651,206	\$ 675,701	\$ 6,749,845	\$ 4,500,150	\$ 39,915,694
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$15,962,030	\$ 3,351,993	\$ 1,313,051	\$ 5,230,571	\$ 4,053,152	\$ 990,236	\$ 6,901,625	\$ 4,745,589	\$ 42,548,247

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

STARK COUNTY
Dickinson, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2016

Total *Fund Balances* of Governmental Funds \$ 39,915,694

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	\$ 80,672,148	
Less Accumulated Depreciation	<u>(24,401,288)</u>	56,270,860

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. 262,522

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	\$ 2,552,964	
Deferred Inflows Related to Pensions	<u>(493,683)</u>	2,059,281

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, 2016 are:

Loans Payable	\$ (461,773)	
Contracts Payable	(703,829)	
Leases Payable	(457,285)	
Interest Payable	(8,291)	
Compensated Absences Payable	(661,458)	
Net Pension Liability	<u>(6,274,983)</u>	<u>(8,687,475)</u>

Total Net Position of Governmental Activities		<u><u>\$ 89,820,882</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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General	10 Mill - Farm to Market Road	County Road - Unorganized	Highway Tax Distribution	County Poor	County Jail	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:									
Taxes	\$ 6,935,637	\$ 2,010,305	\$ 1,107,072	\$ -	\$ 2,609,847	\$ 2,010,305	\$ -	\$ 1,239,136	\$ 15,912,302
Intergovernmental	903,785	146,351	14,001,159	2,838,730	556,974	116,128	3,025,416	1,672,125	23,260,668
Charges for Services	301,493	-	134,706	-	-	-	-	689,644	1,125,843
Licenses, Permits and Fees	365,060	-	1,490,469	-	-	-	-	37,376	1,892,905
Interest Income	201,735	-	-	-	-	-	-	-	201,735
Miscellaneous	84,518	-	127,632	-	-	-	-	145,460	357,610
Total Revenues	\$ 8,792,228	\$ 2,156,656	\$ 16,861,038	\$ 2,838,730	\$ 3,166,821	\$ 2,126,433	\$ 3,025,416	\$ 3,783,741	\$ 42,751,063
Expenditures:									
Current:									
General Government	\$ 4,939,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,540	\$ 5,252,158
Public Safety	2,903,683	-	-	-	-	1,822,113	-	762,372	5,488,168
Highways & Bridges	-	382,555	18,546,486	1,994,949	-	-	-	238,980	21,162,970
Health & Welfare	750	-	-	-	-	-	-	3,356,686	3,357,436
Economic Development	128,853	-	-	-	-	-	-	-	128,853
Culture & Recreation	582,101	-	-	-	-	-	-	-	582,101
Conserv. of Natural Resources	-	-	-	-	-	-	-	703,322	703,322
Capital Outlay	-	-	-	-	-	-	1,709,581	-	1,709,581
Debt Service:									
Principal	8,116	-	156,453	-	-	-	307,970	83,857	556,396
Interest on Long-Term Debt	-	-	12,189	-	-	-	18,734	22,441	53,364
Total Expenditures	\$ 8,563,121	\$ 382,555	\$ 18,715,128	\$ 1,994,949	\$ -	\$ 1,822,113	\$ 2,036,285	\$ 5,480,198	\$ 38,994,349
Excess (Deficiency) of Revenues Over Expenditures	\$ 229,107	\$ 1,774,101	\$ (1,854,090)	\$ 843,781	\$ 3,166,821	\$ 304,320	\$ 989,131	\$ (1,696,457)	\$ 3,756,714
Other Financing Sources (Uses):									
Transfers In	\$ 4,966,644	\$ -	\$ 2,455,824	\$ -	\$ -	\$ -	\$ -	\$ 2,352,934	\$ 9,775,402
Capital Lease Financing	-	-	98,900	-	-	-	-	-	98,900
Transfers Out	(31,934)	(346,545)	-	(2,109,279)	(2,321,000)	-	-	(4,966,644)	(9,775,402)
Total Other Financing Sources and Uses	\$ 4,934,710	\$ (346,545)	\$ 2,554,724	\$ (2,109,279)	\$ (2,321,000)	\$ -	\$ -	\$ (2,613,710)	\$ 98,900
Net Change in Fund Balances	\$ 5,163,817	\$ 1,427,556	\$ 700,634	\$ (1,265,498)	\$ 845,821	\$ 304,320	\$ 989,131	\$ (4,310,167)	\$ 3,855,614
Fund Balances - January 1	\$ 9,666,695	\$ 1,609,902	\$ 562,252	\$ 6,473,434	\$ 2,805,385	\$ 371,381	\$ 5,760,714	\$ 8,810,317	\$ 36,060,080
Fund Balances - December 31	\$ 14,830,512	\$ 3,037,458	\$ 1,262,886	\$ 5,207,936	\$ 3,651,206	\$ 675,701	\$ 6,749,845	\$ 4,500,150	\$ 39,915,694

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

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, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ 3,855,614

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	\$ 4,125,351	
Capital Contribution	10,800,308	
Current Year Depreciation Expense	<u>(2,159,142)</u>	12,766,517

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.

(46,438)

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	\$ 391,827	
Repayment of Debt - Leases	164,568	
Issuance of Leases	<u>(98,900)</u>	457,495

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	\$ 199	
Net Change in Contract Payable	(212,723)	
Net Change in Retainage Payable	(119,856)	
Net Change in Compensated Absences	<u>(154,389)</u>	(486,769)

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	\$ (2,061,013)	
Net Change in Deferred Outflows of Resources	1,765,330	
Net Change in Deferred Inflows of Resources	<u>75,610</u>	(220,073)

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>147,347</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 16,473,693</u></u>
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The notes to the financial statements are an integral part of this statement.

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<p style="text-align: center;">STARK COUNTY Dickinson, North Dakota</p>	
<p style="text-align: center;">STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS December 31, 2016</p> <hr/>	
	Agency Funds
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 4,104,634</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 4,104,634</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, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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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.

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, 2016 consist of certificates of deposit stated at cost with maturities in excess of three months.

E. Capital Assets

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

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

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

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

F. Compensated Absences

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

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

G. Long-Term Obligations

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

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

H. 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.

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.

STARK COUNTY

Notes to the Financial Statements – Continued

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 \$14,865,389 at December 31, 2016 represented 174% of annual 2016 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.
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.

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STARK COUNTY

Notes to the Financial Statements – Continued

CLASSIFICATION	DEFINITION	EXAMPLES
Unassigned	<p>Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification.</p> <p>(a) The General Fund is the only fund that can report a positive unassigned fund balance;</p> <p>(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;</p>	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, 2016.

Restricted Fund Balances – consist of the following items at December 31, 2016:

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.

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: 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.

STARK COUNTY

Notes to the Financial Statements – Continued

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

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

At year ended December 31, 2016, the county's carrying amount of deposits was \$44,408,575 and the bank balances totaled \$44,627,159. Of the bank balances, \$1,500,100 was covered by Federal Depository Insurance. The remaining bank balances 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 \$449,669, and bank balances totaling \$449,969. The districts entire bank balances were covered by Federal Depository Insurance. The Job Development Authority had deposits with a carrying value of \$11,299, and bank balances totaling \$11,299. 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, 2016, 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 3: 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.

STARK COUNTY

Notes to the Financial Statements – Continued

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

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

NOTE 4: ACCOUNTS RECEIVABLE

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

NOTE 5: 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 6: 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 (\$20,374) in the sheriff's grant fund (\$19,774) and the state reimbursement fund (\$600).

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2016:

Governmental Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,871,278	\$ -	\$ -	\$ -	\$ 1,871,278
Construction in Progress	56,802	13,854,888	-	(10,358,489)	3,553,201
Total Capital Assets, Not Being Depreciated	\$ 1,928,080	\$13,854,888	\$ -	\$ (10,358,489)	\$ 5,424,479
<i>Capital assets, being depreciated:</i>					
Vehicles & Machinery	\$ 7,719,164	\$ 910,329	\$ 237,090	\$ -	\$ 8,392,403
Furniture & Equipment	2,271,691	16,345	-	-	2,288,036
Buildings	11,753,844	144,097	-	-	11,897,941
Infrastructure	42,310,799	-	-	10,358,489	52,669,288
Total Capital Assets, Being Depreciated	\$ 64,055,498	\$ 1,070,771	\$ 237,090	\$ 10,358,489	\$ 75,247,668
<i>Less accumulated depreciation for:</i>					
Vehicles & Machinery	\$ 3,837,911	\$ 718,035	\$ 190,652	\$ -	\$ 4,365,294
Furniture & Equipment	1,737,074	109,099	-	-	1,846,173
Buildings	3,227,983	205,422	-	-	3,433,405
Infrastructure	13,629,829	1,126,586	-	-	14,756,415
Total Accumulated Depreciation	\$ 22,432,797	\$ 2,159,142	\$ 190,652	\$ -	\$ 24,401,287
Total Capital Assets Being Depreciated, Net	\$ 41,622,701	\$ (1,088,371)	\$ 46,438	\$ 10,358,489	\$ 50,846,381
Governmental Activities-Capital Assets, Net	\$ 43,550,781	\$12,766,517	\$ 46,438	\$ -	\$ 56,270,860

STARK COUNTY

Notes to the Financial Statements – Continued

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

Governmental Activities:	Amounts
General	\$ 97,377
Public Safety	314,346
Highways & Bridges	1,695,648
Health & Welfare	21,887
Culture & Recreation	12,810
Conservation of Natural Resources	17,074
Total Depreciation Expense - Governmental Activities	\$ 2,159,142

NOTE 8: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions at December 31, 2016 for differences between expected and actual experience, and for changes in proportion and differences between employer contributions and proportionate share of contributions.

NOTE 9: ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2016.

NOTE 10: CONTRACTS PAYABLE

Contracts payable consists of a liability account reflecting amounts for gravel purchase contracts at December 31, 2016.

NOTE 11: 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 12: INTEREST PAYABLE

Interest payable consists of interest amounts accrued on loans and leases payable at December 31, 2016, but not paid until after year-end.

NOTE 13: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Leases Payable	\$ 522,953	\$ 98,900	\$ 164,568	\$ 457,285	\$ 159,422
Loans Payable	853,600	-	391,827	461,773	87,492
Compensated Absences *	507,069	154,389	-	661,458	264,583
Net Pension Liability	4,213,970	2,061,013	-	6,274,983	-
Total Governmental Activities	\$ 6,097,592	\$ 2,314,302	\$ 556,395	\$ 7,855,499	\$ 511,497

* 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.

STARK COUNTY

Notes to the Financial Statements – Continued

Outstanding governmental activities debt (leases and loans payable) at December 31, 2016 is comprised of the following individual issues:

Loans Payable:

\$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%.	\$353,250
\$361,405 Loan from Citi Capital Commercial Corp. for improvements to the DWCRRC, due in semi-annual installments of \$11,628 to \$19,074 through 2019 with interest at 4.35%.	<u>108,523</u>
Total Loans Payable	<u>\$461,773</u>

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%.	\$ 94,344
\$11,566 Lease from Xerox for a printer and tray, due in monthly installments of \$193 through 2017.	1,349
\$8,992 Lease from Xerox for a printer and tray, due in monthly installments of \$187 through 2017.	187
\$98,900 Lease from American Bank Center for a 2014 John Deere 6140R Tractor, due in annual principal installments ranging from \$18,670 to \$20,747 through 2020.	78,153
\$112,625 Lease from American Bank Center for a backhoe, due in annual installments of \$23,651 through 2019.	67,712
\$245,726 Lease from American Bank Center for two Western Star Trucks, due in annual installments of \$51,550 through 2019.	147,853
\$112,625 Lease from American Bank Center for a backhoe, due in annual installments of \$23,657 through 2019.	<u>67,687</u>
Total Leases Payable	<u>\$457,285</u>

Debt service requirements on governmental activity long-term debt at December 31, 2016 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	Leases Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2017	\$ 159,122	\$ 11,056	\$ 87,492	\$ 18,806
2018	161,358	7,284	91,286	15,012
2019	116,416	3,427	95,243	11,054
2020	20,389	594	59,971	7,349
2021	-	-	62,547	4,773
2022 - 2026	-	-	65,234	2,087
Total	\$ 457,285	\$ 22,361	\$ 461,773	\$ 59,081

STARK COUNTYNotes to the Financial Statements – Continued

NOTE 14: 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.

NOTE 15: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), 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 NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability, \$2,000,000 for automobile, and \$5,735,227 for public assets (mobile equipment and portable property).

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

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

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

NOTE 16: CONDUIT DEBT OBLIGATIONS

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

As of December 31, 2016, there were two community development block grant loans outstanding (Red Trail Energy), with an aggregate principal amount payable of \$1,318,180.

STARK COUNTYNotes to the Financial Statements – Continued

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

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

Summary financial information for 2016 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 2016 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.

STARK COUNTY**Notes to the Financial Statements – Continued**

Summary financial information for 2016 is not available. The following information as of and for the year ended December 31, 2015, 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 18: PENSION PLAN**General Information about the NDPERS Pension Plan (Main & Law Enforcement Systems)*****North Dakota Public Employees Retirement System (Main & Law Enforcement Systems)***

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.

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Fire Fighters. The Law Enforcement System 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. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits**Main System**

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). For members hired after January 1, 2016 the Rule of 85 will be replaced with a rule of 90 with a minimum age of 60. The monthly 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.

Law Enforcement System (with prior main system service)

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement 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 (55). 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 50-55 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 and in the Law Enforcement 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 and Law Enforcement 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 must 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.

Refunds of Member Account Balance

Upon termination, if a member is not vested (is not 65 for the Main System and is not 55 for the Law Enforcement System 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 re-employed, they have the option of repurchasing their previous service.

Member and Employer Contributions**Main System**

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.

STARK COUNTY

Notes to the Financial Statements – Continued

Law Enforcement System (without prior main system service)

Member and employer contributions paid to NDPERS are established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	10.31%
National Guard (effective 8/1/2015)*	6.00%	9.81%
Law Enforcement without previous service	5.50%	7.93%

* Effective 1/1/2016, the member contribution rate for the National Guard will be 5.50%

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 24 months of service	Greater of two percent of monthly salary or \$25
25 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

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

At December 31, 2016, Stark County reported a liability of \$5,687,527 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, 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 December 31, 2016, the Employer's proportion was .583577 percent, which was an increase of .025486 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the Employer recognized pension expense of \$803,466. At December 31, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Main System:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 85,439	\$ 52,662
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	224,609	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	793,491	-
Changes of Assumptions	524,317	282,556
District Contributions Subsequent to the Measurement Date	466,296	-
Total	\$ 2,094,152	\$ 335,218

\$466,296 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, 2017.

STARK COUNTY

Notes to the Financial Statements – Continued

Law Enforcement System

At December 31, 2016, Stark County reported a liability of \$587,456 for its share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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/contributions in the Law Enforcement pension plan relative to the covered payroll of all participating Law Enforcement System employers. At December 31, 2016, the Employer's proportion was 5.126838 percent, which was a decrease of 1.770455 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the Employer recognized pension expense of \$59,863. At December 31, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Law Enforcement System:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 206,189	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	118,882
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	108,254	-
Changes of Assumptions	20,382	39,583
District Contributions Subsequent to the Measurement Date	123,986	-
Total	\$ 458,811	\$ 158,465

\$123,986 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, 2017.

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

	Main System	Law Enforcement	Total
2017	\$ 192,452	\$ 56,010	\$ 248,462
2018	192,452	58,046	250,498
2019	365,550	77,803	443,353
2020	234,370	66,404	300,774
2021	83,206	36,979	120,185

Actuarial assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

STARK COUNTY

Notes to the Financial Statements – Continued

As a result of the 2015 actuarial experience study, the NDPERS board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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%	1.52%
International Fixed Income	5%	.45%
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, 2016. 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, 2016, 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 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, 2016. 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, 2016.

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%)
Main System:			
County's Proportionate Share of the Net Pension Liability	\$ 8,067,647	\$ 5,687,527	\$ 3,682,152

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Law Enforcement System:			
County's Proportionate Share of the Net Pension Liability	\$ 964,269	\$ 587,456	\$ 276,482

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

STARK COUNTY

Notes to the Financial Statements – Continued

NOTE 19: CONSTRUCTION COMMITMENTS

Stark County had two open construction commitments as of December 31, 2016 as follows:

County Project:	Amended Contract	Total Completed	Liquidated Damages	Retainage	Remaining Balance	% Complete
CBP-0045(15)01 Project	\$ 331,744	\$ 317,434	\$ 46,800	\$ 6,615	\$ 67,725	95.69%
LEC Remodel	728,565	490,285	-	49,029	287,309	67.29%
Courthouse Addition	6,139,944	1,731,008	-	64,212	4,473,148	28.19%
Total	\$ 7,200,253	\$ 2,538,727	\$ 46,800	\$ 119,856	\$ 4,828,182	35.26%

NOTE 20: OPERATING LEASES

The county leases postage machines under non-cancelable operating leases. Total costs for such leases were \$1,624 for the year ended December 31, 2016 for postage machines. As of December 31, 2016, the remaining lease payments in 2017 total \$923 for the extension service postage machine lease.

NOTE 21: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2016:

Funds	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 4,966,644	\$ 31,934
Farm to Market Road - 10 Mill	-	346,545
County Roads - Unorganized	2,455,824	-
Highway Tax Distribution	-	2,109,279
County Poor	-	2,321,000
<u>Non-Major Funds:</u>		
Social Services	2,321,000	-
Information Technology	-	527,356
County Park	31,934	2,150,157
Insurance Reserve	-	365,854
Comprehensive Health Care	-	736,111
Social Security	-	1,069,640
Advertising	-	117,526
Total Transfers	\$ 9,775,402	\$ 9,775,402

Transfers are used to move unrestricted general revenue to close out projects as they are completed, to close out funds, and to subsidize other programs in accordance with County Commission Authority.

NOTE 22: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2016, has been restated to include prior balances that were missed for net pension liability, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions to include the Law Enforcement System.

Additionally, adjustments to capital assets were necessary for corrections to construction in progress, and infrastructure.

STARK COUNTY

Notes to the Financial Statements – Continued

Adjustments to beginning net position are outlined as follows:

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$ 73,806,716
Adjustments to restate the January 1, 2016 Net Position:	
Capital assets cost - CIP	48,118
Capital assets - net - infrastructure	(12,240)
Capital assets - net - equipment and vehicles	10,078
Net Pension Liability	(419,046)
Deferred Outflows of Resources Related to Pensions	64,636
Deferred Inflows of Resources Related to Pensions	(151,073)
Net Position January 1, as restated	\$ 73,347,189

NOTE 23: DEFICIT BALANCES

The following funds were in a negative fund balance position at December 31, 2016:

County Funds	Balance
Sheriff Grants	\$(19,774)
State Reimbursements	(600)

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

NOTE 24: TAX ABATEMENTS

Stark County and political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Stark County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2016.

Stark County will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business:

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the County Governing Body will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collection
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

Exemption Criteria:

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, Year 5 — 25%.

STARK COUNTY

Notes to the Financial Statements – Continued

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$20,296

Public Charity Exemption:

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Exemption Criteria:

Property exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

2016 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$500,776

Single Family Residence:

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all of the following conditions are met:

- a. The governing body of the city/county, for property within city/county limits, or the governing body of the county, for property outside city/county limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

2016 Reduction in Taxes:

Total Program Reduction in County Only Taxes – \$2,108

Childhood Services Exemption:

Childhood Services (also adult daycare) are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(36)) and the guidelines stated below. The following criteria are only guidelines.

The governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under chapter 50-11.1 or used primarily as an adult day care center. However, this exemption is not available for property used as a residence.

STARK COUNTYNotes to the Financial Statements – Continued

2016 Reduction in Taxes – Other Entities:
Total Program Reduction in taxes – \$1,738

Commercial and Residential:

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-02.2-03) and the guidelines stated below. The following criteria are only guidelines.

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city and county, for property within city limits and by the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city and county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city and county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

2016 Reduction in Taxes – Other Entities:
Total program reduction in taxes – \$5,059

STARK COUNTY
Dickinson, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 6,961,800	\$ 6,961,800	\$ 6,935,637	\$ (26,163)
Intergovernmental	3,691,736	3,691,736	903,785	(2,787,951)
Charges for Services	377,000	377,000	301,493	(75,507)
Licenses, Permits and Fees	278,650	278,650	365,060	86,410
Interest Income	120,500	120,500	201,735	81,235
Miscellaneous	108,400	108,400	84,518	(23,882)
Total Revenues	\$ 11,538,086	\$ 11,538,086	\$ 8,792,228	\$ (2,745,858)
<u>Expenditures:</u>				
Current:				
General Government	\$ 5,055,188	5,055,188	\$ 4,939,618	\$ 115,570
Public Safety	3,194,677	3,194,677	2,903,683	290,994
Health & Welfare	750	750	750	-
Culture and Recreation	412,155	412,155	582,101	(169,946)
Economic Development	123,945	123,945	128,853	(4,908)
Debt Service:				
Principal	-	-	8,116	(8,116)
Total Expenditures	\$ 8,786,715	\$ 8,786,715	\$ 8,563,121	\$ 223,594
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,751,371	\$ 2,751,371	\$ 229,107	\$ (2,522,264)
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 4,966,644	\$ 4,966,644
Transfers out	-	-	(31,934)	(31,934)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 4,934,710	\$ 4,934,710
Net Change in Fund Balances	\$ 2,751,371	\$ 2,751,371	\$ 5,163,817	\$ 2,412,446
Fund Balance - January 1	\$ 9,666,695	\$ 9,666,695	\$ 9,666,695	\$ -
Fund Balance - December 31	\$ 12,418,066	\$ 12,418,066	\$ 14,830,512	\$ 2,412,446

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, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,017,500	\$ 2,017,500	\$ 2,010,305	\$ (7,195)
Intergovernmental	191,374	191,374	146,351	(45,023)
Total Revenues	\$ 2,208,874	\$ 2,208,874	\$ 2,156,656	\$ (52,218)
<u>Expenditures:</u>				
Current:				
Highways & Bridges	\$ 2,000,000	\$ 2,000,000	\$ 382,555	\$ 1,617,445
Excess (Deficiency) of Revenues Over Expenditures	\$ 208,874	\$ 208,874	\$ 1,774,101	\$ 1,565,227
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (346,545)	\$ (346,545)
Net Change in Fund Balances	\$ 208,874	\$ 208,874	\$ 1,427,556	\$ 1,218,682
Fund Balance - January 1	\$ 1,609,902	\$ 1,609,902	\$ 1,609,902	\$ -
Fund Balance - December 31	\$ 1,818,776	\$ 1,818,776	\$ 3,037,458	\$ 1,218,682

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, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,038,020	\$ 1,038,020	\$ 1,107,072	\$ 69,052
Intergovernmental	15,867,072	15,867,072	14,001,159	(1,865,913)
Charges for Services	150,000	150,000	134,706	(15,294)
Licenses, Permits and Fees	410,000	410,000	1,490,469	1,080,469
Miscellaneous	150,700	150,700	127,632	(23,068)
Total Revenues	\$ 17,615,792	\$ 17,615,792	\$ 16,861,038	\$ (754,754)
<u>Expenditures:</u>				
Current:				
Highways & Bridges	\$ 17,477,000	\$ 18,586,280	\$ 18,447,586	\$ 138,694
Debt Service:				
Principal	-	-	156,453	(156,453)
Interest	-	-	12,189	(12,189)
Total Expenditures	\$ 17,477,000	\$ 18,586,280	\$ 18,616,228	\$ (29,948)
Excess (Deficiency) of Revenues Over Expenditures	\$ 138,792	\$ (970,488)	\$ (1,755,190)	\$ (784,702)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 2,455,824	\$ 2,455,824
Net Change in Fund Balances	\$ 138,792	\$ (970,488)	\$ 700,634	\$ 1,671,122
Fund Balance - January 1	\$ 562,252	\$ 562,252	\$ 562,252	\$ -
Fund Balance - December 31	\$ 701,044	\$ (408,236)	\$ 1,262,886	\$ 1,671,122

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, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 3,518,778	\$ 3,518,778	\$ 2,838,730	\$ (680,048)
<u>Expenditures:</u>				
Current:				
Highways & Bridges	\$ 1,972,868	\$ 1,993,192	\$ 1,994,949	\$ (1,757)
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,545,910	\$ 1,525,586	\$ 843,781	\$ (681,805)
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (2,109,279)	\$ (2,109,279)
Net Change in Fund Balances	\$ 1,545,910	\$ 1,525,586	\$ (1,265,498)	\$ (2,791,084)
Fund Balance - January 1	\$ 6,473,434	\$ 6,473,434	\$ 6,473,434	\$ -
Fund Balance - December 31	\$ 8,019,344	\$ 7,999,020	\$ 5,207,936	\$ (2,791,084)

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, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,727,500	\$ 2,727,500	\$ 2,609,847	\$ (117,653)
Intergovernmental	1,490,743	1,490,743	556,974	(933,769)
Total Revenues	<u>\$ 4,218,243</u>	<u>\$ 4,218,243</u>	<u>\$ 3,166,821</u>	<u>\$ (1,051,422)</u>
<u>Expenditures:</u>				
Current:				
Health & Welfare	\$ 322,100	\$ 322,100	\$ -	\$ 322,100
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,896,143</u>	<u>\$ 3,896,143</u>	<u>\$ 3,166,821</u>	<u>\$ (729,322)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	<u>\$ (3,200,000)</u>	<u>\$ (3,200,000)</u>	<u>\$ (2,321,000)</u>	<u>\$ 879,000</u>
Net Change in Fund Balances	<u>\$ 696,143</u>	<u>\$ 696,143</u>	<u>\$ 845,821</u>	<u>\$ 149,678</u>
Fund Balance - January 1	<u>\$ 2,805,385</u>	<u>\$ 2,805,385</u>	<u>\$ 2,805,385</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 3,501,528</u></u>	<u><u>\$ 3,501,528</u></u>	<u><u>\$ 3,651,206</u></u>	<u><u>\$ 149,678</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, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,015,000	\$ 2,015,000	\$ 2,010,305	\$ (4,695)
Intergovernmental	150,215	150,215	116,128	(34,087)
Total Revenues	\$ 2,165,215	\$ 2,165,215	\$ 2,126,433	\$ (38,782)
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 2,000,000	\$ 2,000,000	\$ 1,822,113	\$ 177,887
Excess (Deficiency) of Revenues Over Expenditures	\$ 165,215	\$ 165,215	\$ 304,320	\$ 139,105
Fund Balance - January 1	\$ 371,381	\$ 371,381	\$ 371,381	\$ -
Fund Balance - December 31	\$ 536,596	\$ 536,596	\$ 675,701	\$ 139,105

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, 2016

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

Main System:	2016	2015	2014
District's proportion of the net pension liability (asset)	0.583577%	0.558091%	0.547798%
District's proportionate share of the net pension liability (asset)	\$ 5,687,527	\$ 3,794,924	\$ 3,476,991
District's covered-employee payroll	\$ 5,881,077	\$ 4,971,918	\$ 4,614,538
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

Law Enforcement:	2016	2015	2014
District's proportion of the net pension liability (asset)	5.126838%	6.897293%	8.227919%
District's proportionate share of the net pension liability (asset)	\$ 587,456	\$ 419,046	\$ 509,040
District's covered-employee payroll	\$ 1,447,096	\$ 1,010,899	\$ 1,075,719
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.60%	41.45%	47.32%
Plan fiduciary net position as a percentage of the total pension liability	78.73%	83.61%	77.81%

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

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

Main System:	2016	2015	2014
Statutorily required contribution	\$ 425,781	\$ 377,657	\$ 328,555
Contributions in relation to the statutorily required contribution	\$ (446,487)	\$ (379,909)	\$ (328,555)
Contribution deficiency (excess)	\$ (20,706)	\$ (2,252)	\$ -
District's covered-employee payroll	\$ 5,881,077	\$ 4,971,918	\$ 4,614,538
Contributions as a percentage of covered-employee payroll	7.59%	7.64%	7.12%

STARK COUNTY

Notes to the Required Supplementary Information - Continued

Law Enforcement:	2016	2015	2014
Statutorily required contribution	\$ 122,229	\$ 109,179	\$ 105,528
Contributions in relation to the statutorily required contribution	\$ (154,250)	\$ (130,443)	\$ (105,528)
Contribution deficiency (excess)	\$ (32,021)	\$ (21,264)	\$ -
District's covered-employee payroll	\$ 1,447,096	\$ 99,169	\$ 1,075,719
Contributions as a percentage of covered-employee payroll	10.66%	12.90%	9.81%

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

STARK COUNTY
Dickinson, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

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 – UNORGANIZED ROAD

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	\$ 18,715,128	\$ (98,900)	\$ 18,616,228
Lease Financing	98,900	(98,900)	-

STARK COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 3: LEGAL COMPLIANCE - BUDGETS**BUDGET AMENDMENTS**

The board of county commissioners approved the following amendments to the county budget for the year ended December 31, 2016:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
Highway Tax Distribution	\$ 1,972,868	\$ 20,324	\$ 1,993,192
Capital Improvement	153,114	1,803,029	1,956,143
<u>Non-Major Funds:</u>			
Weed Control	526,105	17,421	543,526
Emergency 911	414,614	7,963	422,577
Asset Forfeiture	2,500	7,500	10,000
Fingerprint Station	2,000	2,691	4,691
Grants	100,000	70,768	170,768
Security Reimbursement	2,000	389	2,389
SW Victim Witness	75,000	20,920	95,920
Hazardous Chemical Prep	6,000	5,484	11,484
Siren Contingency	10,000	6,475	16,475
Other Reimbursement	296,328	11,899	308,227

NOTE 4: PENSIONS - CHANGES OF ASSUMPTIONS

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 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, 2016

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
Primary Government:						
General Fund	\$ 10,492,229.09	\$ 8,821,414.45	\$ 4,966,644.49	\$ 31,934.03	\$ 8,542,669.39	\$ 15,705,684.61
Farm to Market Road - 10 Mill	1,907,178.01	2,113,451.88	-	346,544.84	382,554.62	3,291,530.43
County Roads - Unorganized	387,447.49	16,860,420.66	2,455,823.84	-	18,586,279.60	1,117,412.39
Highway Tax Distribution	6,107,253.99	2,935,422.32	-	2,109,279.00	1,993,191.82	4,940,205.49
County Jail	675,967.63	2,081,893.95	-	-	1,822,112.74	935,748.84
County Poor	3,142,009.96	3,119,038.89	-	2,321,000.00	40,717.50	3,899,331.35
Capital Improvement	5,594,030.88	2,867,975.84	-	-	1,956,143.01	6,505,863.71
Total Major Funds	\$ 28,306,117.05	\$ 38,799,617.99	\$ 7,422,468.33	\$ 4,808,757.87	\$ 33,323,668.68	\$ 36,395,776.82
Special Revenue Funds:						
Special Road & Bridge	\$ 993,797.73	\$ 337,262.90	\$ -	\$ -	\$ 238,979.52	\$ 1,092,081.11
Social Services	79,420.86	970,881.31	2,321,000.00	-	3,358,387.90	12,914.27
Information Technology	659,635.92	(132,278.45)	-	527,357.47	-	-
County Park	2,149,005.40	(30,782.88)	31,934.03	2,150,156.55	-	-
Insurance Reserve	362,241.01	3,612.85	-	365,853.86	-	-
Comprehensive Health Care	731,098.70	5,011.95	-	736,110.65	-	-
Emergency Fund	463,950.04	13,256.78	-	-	-	477,206.82
Veterans Service Officer	517,672.26	291,364.47	-	-	97,015.83	712,020.90
Social Security	1,059,120.19	10,519.79	-	1,069,639.98	-	-
Advertising	116,906.13	619.85	-	117,525.98	-	-
County Agent	877,326.93	460,766.24	-	-	143,609.89	1,194,483.28
Weed Control	267,799.34	573,772.32	-	-	543,526.33	298,045.33
Emergency 911	204,348.54	357,786.94	-	-	422,576.81	139,558.67
Adult Education	9,610.11	2,841.35	-	-	2,358.53	10,092.93
Asset Forfeiture	31,770.40	-	-	-	10,000.00	21,770.40
Fingerprint Station	17,534.97	4,679.00	-	-	4,691.22	17,522.75
Sheriffs Grants	(51,539.96)	202,533.65	-	-	170,767.66	(19,773.97)
Security Transfer/DJS Reimburse.	367.04	2,230.36	-	-	2,389.46	207.94
Southwest Victim Witness Prog.	27,158.35	96,113.71	-	-	95,919.77	27,352.29
Hazardous Chem. Preparedness	37,039.28	9,800.00	-	-	11,484.12	35,355.16
Preservation Fee	249,006.29	37,375.50	-	-	16,186.25	270,195.54
State Reimbursements	(1,098.88)	4,135.54	-	-	3,636.66	(600.00)
Siren Contingency	27,348.28	14,000.00	-	-	16,475.36	24,872.92
ESG Funds	72,539.29	321,033.18	-	-	308,226.79	85,345.68
911 Equipment	112,894.53	69,485.38	-	-	41,421.95	140,957.96
Total Non-Major	\$ 9,014,952.75	\$ 3,626,021.74	\$ 2,352,934.03	\$ 4,966,644.49	\$ 5,487,654.05	\$ 4,539,609.98
Special Revenue Funds	\$ 9,014,952.75	\$ 3,626,021.74	\$ 2,352,934.03	\$ 4,966,644.49	\$ 5,487,654.05	\$ 4,539,609.98
Total Government Funds	\$ 37,321,069.80	\$ 42,425,639.73	\$ 9,775,402.36	\$ 9,775,402.36	\$ 38,811,322.73	\$ 40,935,386.80
Agency Funds:						
Fair Board	\$ 272.00	\$ 112.39	\$ -	\$ -	\$ 272.00	\$ 112.39
Domestic Violence Prevention	385.00	6,790.00	-	-	6,755.00	420.00
Estimate Tax	6,609.56	75,125.08	-	-	69,804.70	11,929.94
Game and Fish	210,386.00	30,205.50	-	-	240,591.50	-
Protest Fund	-	160,860.91	-	-	159,006.80	1,854.11
DVRCC	(454.98)	8,203.01	-	-	7,748.03	-
Judgement Execution Fund	-	73,254.22	-	-	73,404.53	(150.31)
BCI- Tack Force	(162,734.35)	305,513.38	-	-	298,540.52	(155,761.49)
Vector Control	50,316.29	179,838.35	-	-	206,717.29	23,437.35
Stark County Job Development	50,671.68	283,754.47	-	-	305,907.35	28,518.80
Senior Citizens	33,613.58	358,226.22	-	-	363,489.73	28,350.07
Water Commission	-	13,167.40	-	-	13,167.40	-
Southwest District Health	112,997.87	720,256.03	-	-	740,518.55	92,735.35
State Tax	33,613.58	197,412.53	-	-	202,676.04	28,350.07
SW Water Authority	33,613.58	210,411.84	-	-	215,675.35	28,350.07
Library	45,266.39	309,708.91	-	-	317,173.85	37,801.45
Airport	11,316.57	69,809.04	-	-	71,675.23	9,450.38
Total Cities	1,231,746.13	7,104,230.13	-	-	7,326,197.77	1,009,778.49
Total Parks	250,911.20	1,477,055.21	-	-	1,504,823.80	223,142.61
Total School Districts	2,889,448.59	16,656,634.46	-	-	16,994,044.49	2,552,038.56
Richardton-Taylor Ambulance	18,662.13	98,659.90	-	-	103,832.47	13,489.56
New England Ambulance	-	5,175.65	-	-	-	5,175.65
Soil Conservation District	34,057.94	212,094.68	-	-	217,799.05	28,353.57
Total Rural Fire Prot. Districts	112,771.16	752,676.09	-	-	771,247.03	94,200.22
Payroll Deduction	57,583.43	4,590.49	-	-	19,116.34	43,057.58
Total Agency Funds	\$ 5,021,053.35	\$ 29,313,765.89	\$ -	\$ -	\$ 30,230,184.82	\$ 4,104,634.42
Total Primary Government	\$ 42,342,123.15	\$ 71,739,405.62	\$ 9,775,402.36	\$ 9,775,402.36	\$ 69,041,507.55	\$ 45,040,021.22
Total Reporting Entity	\$ 42,342,123.15	\$ 71,739,405.62	\$ 9,775,402.36	\$ 9,775,402.36	\$ 69,041,507.55	\$ 45,040,021.22

STATE AUDITOR

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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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, 2016, 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 5, 2017.

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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
September 5, 2017

STARK COUNTY
Dickinson, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

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	<u> X </u> None noted
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Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None noted
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Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> None noted
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Section II - Financial Statement Findings

No matters were reported.

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Division of Local Government Audit

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