



ROBERT R. PETERSON
STATE AUDITOR

Nelson County

Lakota, North Dakota

Audit Report

For the Years Ended
December 31, 2014 and 2013

Office of the State Auditor

NELSON COUNTY
Lakota, North Dakota

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NELSON COUNTY
Lakota, North Dakota

COUNTY OFFICIALS

At December 31, 2014

Odell Flaagan	Commissioner - Chairman
Donald Fougner	Commissioner - Vice Chairman
Bruce Ellertson	Commissioner
Maynard Loibl	Commissioner
Dan Marquart	Commissioner
W.J. Davidson	Auditor
Bernadette Matejcek	Treasurer
Keith Olson	Sheriff
Ruth Stevens	Recorder/Clerk of Court
Jayme Tenneson	State's Attorney

At December 31, 2013

Odell Flaagan	Commissioner - Chairman
Maynard Loibl	Commissioner - Vice Chairman
Bruce Ellertson	Commissioner
Donald Fougner	Commissioner
Dan Marquart	Commissioner
W.J. Davidson	Auditor
Bernadette Matejcek	Treasurer
Kelly Janke	Sheriff
Ruth Stevens	Recorder/Clerk of Court
Jayme Tenneson	State's Attorney

STATE AUDITOR

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Nelson County
Lakota, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nelson County, Lakota, North Dakota, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nelson County, Lakota, North Dakota, as of December 31, 2014 and 2013, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NELSON COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015 on our consideration of Nelson 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 Nelson County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
December 1, 2015

NELSON COUNTY
Lakota, North Dakota

STATEMENT OF NET POSITION
December 31, 2014

	Primary Governmental Activities	Component Unit Water Resource Board
ASSETS:		
Cash and Investments	\$ 3,144,260	\$ 1,839,247
Road Receivable	68,785	-
Taxes Receivable	70,923	2,051
Intergovernmental Receivable	223,296	-
Capital Assets (not being depreciation):		
Land	15,580	-
Construction in Progress	-	2,771,320
Capital Assets (net of accumulated depreciation):		
Buildings	994,925	-
Equipment	101,370	23,898
Vehicles	102,565	-
Total Capital Assets	<u>\$ 1,214,440</u>	<u>\$ 2,795,218</u>
Total Assets	<u>\$ 4,721,704</u>	<u>\$ 4,636,516</u>
LIABILITIES:		
Accounts Payable	\$ 16,357	\$ 346,872
Salaries Payable	20,297	-
Retainage Payable	108,293	-
Interest Payable	-	12,978
Long-Term Liabilities:		
Due Within One Year:		
Bonds Payable	-	1,805,000
Loan Payable	144,458	46,000
Compensated Absences Payable	28,872	-
Due After One Year:		
Bonds Payable	-	1,045,000
Compensated Absences Payable	43,309	-
Total Liabilities	<u>\$ 361,586</u>	<u>\$ 3,255,850</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 1,214,440	\$ 2,795,218
Restricted for:		
Public Safety	82,164	-
Highways	1,615,845	-
Flood Control	55,423	-
Health and Welfare	316,312	-
Culture and Recreation	31,186	-
Conservation of Natural Resources	164,206	-
Emergencies	81,676	-
Economic Development	7,784	-
General Government	130,021	-
Unrestricted	<u>661,061</u>	<u>(1,414,552)</u>
Total Net Position	<u>\$ 4,360,118</u>	<u>\$ 1,380,666</u>

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

NELSON COUNTY
Lakota, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Unit Water Resource Board
Primary Government:					
<u>Governmental Activities:</u>					
General Government	\$ 1,527,658	\$ 50,038	\$ 111,884	\$ (1,365,736)	\$ -
Public Safety	354,953	85,582	74,502	(194,869)	-
Highways	3,621,421	365,631	2,721,432	(534,358)	-
Flood Repair	119,358	-	-	(119,358)	-
Health and Welfare	437,772	2,342	89,291	(346,139)	-
Culture and Recreation	146,681	89,020	21,927	(35,734)	-
Conser. of Natural Resources	166,082	5,909	40,272	(119,901)	-
Economic Development	89,607	-	-	(89,607)	-
Emergencies	-	-	14,261	14,261	-
Interest & Service Charges	8,524	-	-	(8,524)	-
Total Primary Government	\$ 6,472,056	\$ 598,522	\$ 3,073,569	\$ (2,799,965)	\$ -
<u>Component Unit:</u>					
Water Resource Board	\$ 283,809	\$ 760	\$ 1,435,173	\$ -	\$ 1,152,124
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes	\$ 475,555	\$ 159,981			
Property taxes; levied for special purposes	2,026,709	-			
Property taxes; levied for debt service	12,772	-			
Unrestricted State Shared Revenue	518,326	-			
Earnings on investments	6,551	675			
Miscellaneous revenue	101,625	1,098			
Total General Revenues	\$ 3,141,538	\$ 161,754			
Change in Net Position	\$ 341,573	\$ 1,313,878			
Net Position - January 1	\$ 4,018,545	\$ 66,788			
Net Position - December 31	\$ 4,360,118	\$ 1,380,666			

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

NELSON COUNTY
Lakota, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2014

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 660,567	\$ 874,709	\$ 55,423	\$ 676,323	\$ 45,688	\$ 831,550	\$ 3,144,260
Road Receivable	-	-	-	68,785	-	-	68,785
Taxes Receivable	10,134	8,205	-	2,645	-	49,939	70,923
Intergovernmental Receivable	130,927	10,139	-	4,826	55,867	21,537	223,296
Total Assets	\$ 801,628	\$ 893,053	\$ 55,423	\$ 752,579	\$ 101,555	\$ 903,026	\$ 3,507,264
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ -	\$ 5,100	\$ -	\$ 11,257	\$ -	\$ -	\$ 16,357
Salaries Payable	-	-	-	20,297	-	-	20,297
Total Liabilities	\$ -	\$ 5,100	\$ -	\$ 31,554	\$ -	\$ -	\$ 36,654
Deferred Inflows of Resources:							
Road Receivable	\$ -	\$ -	\$ -	\$ 68,785	\$ -	\$ -	\$ 68,785
Taxes Receivable	10,134	8,205	-	2,645	-	49,939	70,923
Total Deferred Inflows of Resources	\$ 10,134	\$ 8,205	\$ -	\$ 71,430	\$ -	\$ 49,939	\$ 139,708
Total Liabilities and Deferred Inflows of Resources	\$ 10,134	\$ 13,305	\$ -	\$ 102,984	\$ -	\$ 49,939	\$ 176,362
Fund Balances:							
Restricted for:							
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,598	\$ 79,598
Highways	-	879,748	-	649,595	101,555	45,390	1,676,288
Flood Control	-	-	55,423	-	-	-	55,423
Health and Welfare	-	-	-	-	-	323,008	323,008
Culture and Recreation	-	-	-	-	-	29,648	29,648
Conservation of Natural Resources	-	-	-	-	-	161,690	161,690
Economic Development	-	-	-	-	-	5,523	5,523
Emergencies	-	-	-	-	-	80,268	80,268
Debt Service	-	-	-	-	-	3,225	3,225
General Government	-	-	-	-	-	124,737	124,737
Unassigned:	791,494	-	-	-	-	-	791,494
Total Fund Balances	\$ 791,494	\$ 879,748	\$ 55,423	\$ 649,595	\$ 101,555	\$ 853,087	\$ 3,330,902
Total Liabilities and Fund Balances	\$ 801,628	\$ 893,053	\$ 55,423	\$ 752,579	\$ 101,555	\$ 903,026	\$ 3,507,264

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

NELSON COUNTY
Lakota, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2014

Total *Fund Balances* for Governmental Funds \$ 3,330,902

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

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

Cost of Capital Assets	\$ 3,281,903	
Less Accumulated Depreciation	<u>(2,067,463)</u>	
Net Capital Assets		1,214,440

Property taxes and road receivables 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.

Property Taxes Receivable	\$ 70,923	
Road Department Accounts Receivable	<u>68,785</u>	139,708

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2014 are:

Loan Payable	\$ (144,458)	
Retainage Payable	(108,293)	
Compensated Absences	<u>(72,181)</u>	
Total Long-Term Liabilities		<u>(324,932)</u>

Total Net Position of Governmental Activities \$ 4,360,118

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

NELSON COUNTY
Lakota, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 475,584	\$ 359,002	\$ -	\$ 110,044	\$ -	\$ 1,553,180	\$ 2,497,810
Intergovernmental	523,178	2,214,732	-	52,787	471,770	329,428	3,591,895
Charges for Services	135,620	-	-	339,876	-	97,271	572,767
Interest Income	4,962	1,589	-	-	-	-	6,551
Miscellaneous	37,832	-	-	29,174	-	34,619	101,625
Total Revenues	\$ 1,177,176	\$ 2,575,323	\$ -	\$ 531,881	\$ 471,770	\$ 2,014,498	\$ 6,770,648
Expenditures:							
Current:							
General Government	\$ 634,421	\$ -	\$ -	\$ -	\$ -	\$ 889,667	\$ 1,524,088
Public Safety	297,058	-	-	-	-	86,652	383,710
Highways	-	2,172,487	-	1,574,974	-	1,350	3,748,811
Flood Repair	-	-	119,358	-	-	-	119,358
Health and Welfare	4,414	-	-	-	-	444,858	449,272
Culture and Recreation	-	-	-	-	-	158,688	158,688
Conserv. of Natural Resources	-	-	-	-	-	140,435	140,435
Economic Development	-	-	-	-	-	89,607	89,607
Debt Service:							
Principal	-	-	-	-	-	30,947	30,947
Interest & Service Charges	-	-	-	-	-	8,524	8,524
Total Expenditures	\$ 935,893	\$ 2,172,487	\$ 119,358	\$ 1,574,974	\$ -	\$ 1,850,728	\$ 6,653,440
Excess (Deficiency) of Revenues Over Expenditures	\$ 241,283	\$ 402,836	\$ (119,358)	\$ (1,043,093)	\$ 471,770	\$ 163,770	\$ 117,208
Other Financing Sources (Uses):							
Transfers In	\$ 9,444	\$ -	\$ -	\$ 750,031	\$ -	\$ 278,478	\$ 1,037,953
Transfers Out	(93,947)	(99,557)	-	(95,780)	(464,811)	(283,858)	(1,037,953)
Total Other Financing Sources and Uses	\$ (84,503)	\$ (99,557)	\$ -	\$ 654,251	\$ (464,811)	\$ (5,380)	\$ -
Net Change in Fund Balances	\$ 156,780	\$ 303,279	\$ (119,358)	\$ (388,842)	\$ 6,959	\$ 158,390	\$ 117,208
Fund Balance - January 1	\$ 634,714	\$ 576,469	\$ 174,781	\$ 1,038,437	\$ 94,596	\$ 694,697	\$ 3,213,694
Fund Balance - December 31	\$ 791,494	\$ 879,748	\$ 55,423	\$ 649,595	\$ 101,555	\$ 853,087	\$ 3,330,902

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

NELSON COUNTY
Lakota, 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, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ 117,208

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

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

Current Year Capital Outlay	\$ 369,535	
Current Year Depreciation Expense	<u>(108,756)</u>	260,779

The net result of miscellaneous transactions involving capital assets was a net decrease to net position.

Loss on Disposals of Capital Assets	(2,092)
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The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayment of debt exceeded debt proceeds.

Repayment of Debt	<u>30,947</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences	\$ 43	
Net Change in Retainage Payable	<u>(108,293)</u>	(108,250)

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 increase in taxes receivable and decrease road receivables.

Net Change in Taxes Receivable	\$ 17,226	
Net Change in Road Department Receivables	<u>25,755</u>	<u>42,981</u>

Change in Net Position of Governmental Activities	<u>\$ 341,573</u>
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The notes to the financial statements are an integral part of this statement.

NELSON COUNTY
Lakota, North Dakota

STATEMENT OF NET POSITION
December 31, 2013

	Primary Governmental Activities	Component Unit Water Resource Board
ASSETS:		
Cash and Investments	\$ 3,066,771	\$ 784,888
Road Receivable	43,030	-
Taxes Receivable	53,697	1,749
Intergovernmental Receivable	188,913	-
Capital Assets (not being depreciation):		
Land	15,580	-
Construction in Progress	-	823,229
Capital Assets (net of accumulated depreciation):		
Buildings	762,734	-
Equipment	79,907	25,303
Vehicles	97,532	-
Total Capital Assets	<u>\$ 955,753</u>	<u>\$ 848,532</u>
Total Assets	<u>\$ 4,308,164</u>	<u>\$ 1,635,169</u>
LIABILITIES:		
Accounts Payable	\$ 22,152	\$ 43,798
Salaries Payable	19,838	-
Interest Payable	-	4,583
Long-Term Liabilities:		
Due Within One Year:		
Bonds Payable	-	1,070,000
Loan Payable	30,947	-
Compensated Absences Payable	28,889	-
Due After One Year:		
Bonds Payable	-	450,000
Loan Payable	144,458	-
Compensated Absences Payable	43,335	-
Total Liabilities	<u>\$ 289,619</u>	<u>\$ 1,568,381</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 955,753	\$ 848,532
Restricted for:		
Debt Service	-	-
Public Safety	63,416	-
Highways	1,748,083	-
Flood Control	174,781	-
Health and Welfare	306,291	-
Culture and Recreation	11,805	-
Conservation of Natural Resources	153,853	-
Emergencies	62,834	-
Economic Development	7,269	-
General Government	63,104	-
Unrestricted	<u>471,356</u>	<u>(781,744)</u>
Total Net Position	<u>\$ 4,018,545</u>	<u>\$ 66,788</u>

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

NELSON COUNTY
Lakota, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants for Contributions	Primary Governmental Activities	Component Unit Water Resource Board
Primary Government:					
<u>Governmental Activities:</u>					
General Government	\$ 1,331,154	\$ 46,593	\$ 80,895	\$ (1,203,666)	\$ -
Public Safety	372,439	87,937	147,608	(136,894)	-
Highways	1,545,713	507,564	486,782	(551,367)	-
Flood Repair	527,203	-	332,003	(195,200)	-
Health and Welfare	362,306	3,905	64,700	(293,701)	-
Culture and Recreation	452,042	81,710	264,782	(105,550)	-
Conser. of Natural Resources	188,305	4,498	31,738	(152,069)	-
Economic Development	79,506	-	-	(79,506)	-
Emergencies	77,247	-	1,439	(75,808)	-
Interest & Service Charges	4,549	-	-	(4,549)	-
Total Primary Government	\$ 4,940,464	\$ 732,207	\$ 1,409,947	\$ (2,798,310)	\$ -
<u>Component Unit:</u>					
Water Resource Board	\$ 197,906	\$ 760	\$ 68,864	\$ -	\$ (128,282)
<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes				\$ 468,186	\$ 141,565
Property taxes; levied for special purposes				1,912,747	-
Property taxes; levied for debt service				56,768	-
Unrestricted State Shared Revenue				410,028	-
Earnings on investments				8,091	690
Miscellaneous revenue				53,426	467
Total General Revenues				\$ 2,909,246	\$ 142,722
Change in Net Position				\$ 110,936	\$ 14,440
Net Position - January 1				\$ 3,907,609	\$ 58,979
Prior Period Adjustments				-	(6,631)
Net Position - Beginning - Restated				\$ 3,907,609	\$ 52,348
Net Position - December 31				\$ 4,018,545	\$ 66,788

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

NELSON COUNTY
Lakota, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Stump Lake Café Project	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Investments	\$ 511,491	\$ 576,469	\$ 174,781	\$ 1,076,575	\$ 44,924	\$ -	\$ 682,531	\$ 3,066,771
Road Receivable	-	-	-	43,030	-	-	-	43,030
Taxes Receivable	10,163	7,054	-	2,474	-	-	34,006	53,697
Intergovernmental Receivable	123,223	-	-	3,852	49,672	-	12,166	188,913
Total Assets	\$ 644,877	\$ 583,523	\$ 174,781	\$ 1,125,931	\$ 94,596	\$ -	\$ 728,703	\$ 3,352,411
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
<u>Liabilities:</u>								
Accounts Payable	\$ -	\$ -	\$ -	\$ 22,152	\$ -	\$ -	\$ -	\$ 22,152
Salaries Payable	-	-	-	19,838	-	-	-	19,838
Total Liabilities	\$ -	\$ -	\$ -	\$ 41,990	\$ -	\$ -	\$ -	\$ 41,990
<u>Deferred Inflows of Resources:</u>								
Road Receivable	\$ -	\$ -	\$ -	\$ 43,030	\$ -	\$ -	\$ -	\$ 43,030
Taxes Receivable	10,163	7,054	-	2,474	-	-	34,006	53,697
Total Deferred Inflows of Resources	\$ 10,163	\$ 7,054	\$ -	\$ 45,504	\$ -	\$ -	\$ 34,006	\$ 96,727
Total Liabilities And Deferred Inflows of Resources	\$ 10,163	\$ 7,054	\$ -	\$ 87,494	\$ -	\$ -	\$ 34,006	\$ 138,717
<u>Fund Balances:</u>								
<u>Restricted for:</u>								
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,043	\$ 81,043
Highways	-	576,469	-	1,038,437	94,596	-	15,943	1,725,445
Flood Control	-	-	174,781	-	-	-	-	174,781
Health and Welfare	-	-	-	-	-	-	305,667	305,667
Culture and Recreation	-	-	-	-	-	-	10,493	10,493
Conservation of Natural Resources	-	-	-	-	-	-	151,393	151,393
Economic Development	-	-	-	-	-	-	5,354	5,354
Emergencies	-	-	-	-	-	-	61,175	61,175
Debt Service	-	-	-	-	-	-	627	627
General Government	-	-	-	-	-	-	63,002	63,002
Unassigned:	634,714	-	-	-	-	-	-	634,714
Total Fund Balances	\$ 634,714	\$ 576,469	\$ 174,781	\$ 1,038,437	\$ 94,596	\$ -	\$ 694,697	\$ 3,213,694
Total Liabilities and Fund Balances	\$ 644,877	\$ 583,523	\$ 174,781	\$ 1,125,931	\$ 94,596	\$ -	\$ 728,703	\$ 3,352,411

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

NELSON COUNTY
Lakota, North Dakota

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

Total *Fund Balances* for Governmental Funds \$ 3,213,694

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 are not reported in the governmental funds.

Cost of Capital Assets	\$ 2,952,795	
Less Accumulated Depreciation	<u>(1,997,042)</u>	
Net Capital Assets		955,753

Property taxes and road receivables 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.

Property Taxes Receivable	\$ 53,697	
Road Department Accounts Receivable	<u>43,030</u>	96,727

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

Loan Payable	\$ (175,405)	
Compensated Absences	<u>(72,224)</u>	
Total Long-Term Liabilities		<u>(247,629)</u>

Total Net Position of Governmental Activities \$ 4,018,545

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

NELSON COUNTY
Lakota, North Dakota

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

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Stump Lake Café Project	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	\$ 467,612	\$ 320,264	\$ -	\$ 108,913	\$ -	\$ -	\$ 1,536,205	\$ 2,432,994
Intergovernmental	459,470	372	332,003	44,279	456,942	246,000	280,909	1,819,975
Charges for Services	134,530	-	-	504,995	-	-	90,113	729,638
Interest Income	5,199	2,892	-	-	-	-	-	8,091
Miscellaneous	28,059	-	-	5,637	-	4,700	15,030	53,426
Total Revenues	\$ 1,094,870	\$ 323,528	\$ 332,003	\$ 663,824	\$ 456,942	\$ 250,700	\$ 1,922,257	\$ 5,044,124
Expenditures:								
Current:								
General Government	\$ 640,272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 820,917	\$ 1,461,189
Public Safety	301,363	-	-	-	-	-	41,050	342,413
Highways	-	330,379	-	1,248,673	-	-	43,700	1,622,752
Flood Repair	-	-	527,203	-	-	-	-	527,203
Health and Welfare	400	-	-	-	-	-	365,945	366,345
Culture and Recreation	-	-	-	-	-	121,104	327,725	448,829
Conserv. of Natural Resources	-	-	-	-	-	-	162,658	162,658
Economic Development	-	-	-	-	-	-	79,506	79,506
Emergencies	-	-	-	-	-	-	77,247	77,247
Debt Service:								
Principal	10,850	-	-	-	-	-	80,635	91,485
Interest & Service Charges	40	-	-	-	-	-	4,509	4,549
Total Expenditures	\$ 952,925	\$ 330,379	\$ 527,203	\$ 1,248,673	\$ -	\$ 121,104	\$ 2,003,892	\$ 5,184,176
Excess (Deficiency) of Revenues Over Expenditures	\$ 141,945	\$ (6,851)	\$ (195,200)	\$ (584,849)	\$ 456,942	\$ 129,596	\$ (81,635)	\$ (140,052)
Other Financing Sources (Uses):								
Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,000	\$ 190,000
Transfers In	10,635	-	-	1,074,627	-	5,823	220,500	1,311,585
Transfers Out	(90,592)	(89,442)	(9,800)	(50,408)	(804,665)	-	(266,678)	(1,311,585)
Total Other Financing Sources and Uses	\$ (79,957)	\$ (89,442)	\$ (9,800)	\$ 1,024,219	\$ (804,665)	\$ 5,823	\$ 143,822	\$ 190,000
Net Change in Fund Balances	\$ 61,988	\$ (96,293)	\$ (205,000)	\$ 439,370	\$ (347,723)	\$ 135,419	\$ 62,187	\$ 49,948
Fund Balance - January 1	\$ 572,726	\$ 672,762	\$ 379,781	\$ 599,067	\$ 442,319	\$ (135,419)	\$ 632,510	\$ 3,163,746
Fund Balance - December 31	\$ 634,714	\$ 576,469	\$ 174,781	\$ 1,038,437	\$ 94,596	\$ -	\$ 694,697	\$ 3,213,694

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

NELSON COUNTY
Lakota, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ 49,948

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

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

Current Year Capital Outlay	\$ 201,124	
Current Year Depreciation Expense	<u>(94,181)</u>	106,943

The net result of miscellaneous transactions involving capital assets was a net decrease to net position.

Loss on Disposals of Capital Assets	(9,952)
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The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt issuance exceeded debt repayment.

Loan Proceeds	\$ (190,000)	
Repayment of Debt	<u>91,485</u>	(98,515)

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

Net Change in Compensated Absences	\$ 7,365	
Net Change in Retainage Payable	<u>47,871</u>	55,236

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 increase in taxes receivable and decrease road receivables.

Net Change in Taxes Receivable	\$ 4,707	
Net Change in Road Department Receivables	<u>2,569</u>	<u>7,276</u>

Change in Net Position of Governmental Activities	<u>\$ 110,936</u>
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The notes to the financial statements are an integral part of this statement.

NELSON COUNTY
Lakota, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Assets:</u>		
Cash and Investments	<u>\$ 1,413,699</u>	<u>\$ 1,348,020</u>
<u>Liabilities:</u>		
Due to Other Governments	<u>\$ 1,413,699</u>	<u>\$ 1,348,020</u>

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

NELSON COUNTY
Lakota, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements present the activities of Nelson 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 such that exclusion would cause the county's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Nelson 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 Nelson County.

Based on these criteria, there are two discretely presented component units to be included within Nelson County as a reporting entity.

COMPONENT UNITS

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

Discretely Presented Component Units: The component unit columns in the basic financial statements include the financial data of the county's component unit. This component unit is reported in separate column to emphasize that it is legally separate from the county.

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

Component Unit Financial Statements: The financial statements of the discretely presented component unit are presented in the County's basic financial statements. Complete financial statements of the component unit can be obtained from the Nelson County Auditor Nelson County, 210 B Avenue West, Lakota, ND 58344-7410.

NELSON COUNTY

Notes to the Financial Statements - Continued

Related Organizations - The County is accountable for the following legally separate entities because it appoints a voting majority to their governing boards. Although, the County is not financially accountable for these entities, as defined by GASB statement 14, the County did provide operating grants to them as follows:

	2014	2013
Weed Control	\$97,516	\$120,568
Historical Society	6,117	5,458
Senior Citizens	41,480	35,697

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's and the component units 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 taxes, interest and non-restricted grants and contributions, are presented as general revenues.

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

The county reports the following major governmental funds:

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

Farm to Market Roads Fund. This fund accounts for repair and improvement of highways. The primary revenue sources in this fund are restricted grants and tax levy.

FEMA Fund. This fund accounts for state and federal grants related for flood disaster repairs and the related disbursements. The primary revenue sources in this fund are restricted grants.

County Road and Bridge Fund. This fund accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. The primary revenue sources in this fund are restricted grants and tax levy.

Highway Distribution Fund. This fund accounts for the Highway Tax Distribution revenue collected during the year for this specific County. The primary revenue sources in this fund are restricted grants

Stump Lake Café Project (2013 only). This fund accounts for costs of construction of a café and shower house at Stump Lake. The primary revenue sources in this fund are restricted grants.

The County reports the following fund type:

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

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. Nonexchange 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of 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 are 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.

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

E. Capital Assets

PRIMARY GOVERNMENT:

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 or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NELSON COUNTY

Notes to the Financial Statements - Continued

General infrastructure assets acquired prior to January 1, 2004 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, 2004 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	40 – 75
Machinery & Equipment	5 – 15
Infrastructure	40
Vehicles	3 – 7
Office Equipment	3 - 5

F. Compensated Absences

Vacation leave is earned at the rate of 12 to 24 days per year depending on years of service; up to 30 days. Upon termination vacation benefits that have accrued through the last day of work will be paid; maximum of 30 days. Employees accrue sick leave benefits at the rate of 1 day per month, up to 60 days. Sick leave benefits for Social Service employees are allowed to accumulate an unlimited amount. Once an employee has reached their maximum accrued sick leave level, they are eligible to trade any additional sick leave awarded that year, at a rate of one day of vacation for six days of sick leave. Upon termination sick leave benefits that have accrued through the last day of work will be paid out at a rate of 10%.

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.

H. Fund Balances / Net Position

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

Fund Balance Spending Policy:

It is the policy of Nelson 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.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (farm to market roads, FEMA, road & bridge, highway distribution, and Stump Lake Café project) are disclosed in more detail in Note 1B in the discussion of major funds.

Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires that fund balance amounts are 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 (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

Nelson County did not have report non-spendable balances, committed balances, or assigned fund balances in the balance sheet at December 31, 2014 and 2013.

Restricted Fund Balances – consist of the following items at December 31, 2014 and 2013:

Restricted fund balances are shown by primary function on the balance sheet for debt service, public safety, highways & bridges, health & welfare, culture & recreation, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for various tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements and bond indentures).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
 - Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes social welfare/services and highways & bridges, as well as disaster type grants in FEMA funds, and other grant funds.

NELSON COUNTY

Notes to the Financial Statements - Continued

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 any related debt used to finance the purchase or construction of those capital assets. These assets are not available for future spending.

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position in the statement of net position is also shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, 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 (highway fund). The unrestricted net position is available to meet the district's ongoing obligations.

I. Interfund Transactions

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

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board of county commissioners amended the county budget on January 6, 2015, for the year ended December 31, 2014 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
FEMA Funds	\$ 23,213	\$111,900	\$ 135,113
County Road and Bridge	1,368,767	216,733	1,585,500
<u>Special Revenue Funds:</u>			
LLE Block Grant	22,000	7,400	29,400
Human Services	414,187	11,813	422,300
County Park	161,900	24,500	186,400
Job Development	89,300	400	89,700

NELSON COUNTY

Notes to the Financial Statements - Continued

The board of county commissioners amended the county budget on January 9, 2014, for the year ended December 31, 2013 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$ 921,295	\$ 31,705	\$ 953,000
FEMA (total)	70,063	475,437	527,500
County Road and Bridge	1,226,893	37,500	1,264,393
<u>Special Revenue Funds:</u>			
Road & Bridge Cont.	30,000	13,700	43,700
County Emergency	30,000	47,300	77,300
Weed Control	111,450	9,150	120,600
County Park	117,700	47,500	165,200

NOTE 3: DEPOSITS

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

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

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

At year ended December 31, 2014, the county's carrying amount of deposits totaled \$4,556,882 and the bank balances totaled \$4,448,704. Of the bank balances, \$1,779,929 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,668,775 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2014, the Nelson County Water Resource District's carrying amount of deposits totaled \$1,839,051 and the bank balances totaled \$1,859,068. Of the bank balances, \$254,730 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,604,338 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2013, the county's carrying amount of deposits totaled \$4,413,764 and the bank balances totaled \$4,358,179. Of the bank balances, \$1,764,750 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,593,429 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2013, the Nelson County Water Resource District's carrying amount of deposits totaled \$784,888 and the bank balances totaled of \$801,873. Of the bank balances, \$254,727 was covered by Federal Depository Insurance. The remaining bank balances totaling \$547,146 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NELSON COUNTY

Notes to the Financial Statements - Continued

Credit Risk:

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

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

As of December 31, 2014 and 2013, the county had certificates of deposit totaling \$500,882 and \$0, respectively, all of which were considered deposits.

Concentration of Credit Risk:

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

NOTE 4: TAXES RECEIVABLE

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

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

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

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

NOTE 5: ROAD ACCOUNTS RECEIVABLE

Road accounts receivable consist of amounts due for road work for townships, cities and private citizens.

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

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

NELSON COUNTY

Notes to the Financial Statements - Continued

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2014 and 2013 for the primary government:

Governmental Activities (2014):	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,580	\$ -	\$ -	\$ 15,580
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	\$ 15,580	\$ -	\$ -	\$ 15,580
<i>Capital assets, being depreciated:</i>				
Buildings	\$1,386,687	\$279,515	\$ -	\$1,666,202
Furniture and Equipment	1,025,988	44,408	7,319	1,063,077
Vehicles & Machinery	524,539	45,612	33,108	537,043
Total Capital Assets, Being Depreciated	\$2,937,214	\$369,535	\$40,427	\$3,266,322
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 623,953	\$ 47,324	\$ -	\$ 671,277
Furniture and Equipment	946,081	20,854	5,228	961,707
Vehicles & Machinery	427,007	40,579	33,108	434,478
Total Accumulated Depreciation	\$1,997,041	\$108,757	\$38,336	\$2,067,462
Total Capital Assets Being Depreciated, Net	\$ 940,173	\$260,778	\$ 2,091	\$1,198,860
Governmental Activities - Capital Assets, Net	\$ 955,753	\$260,778	\$ 2,091	\$1,214,440

Governmental Activities (2013):	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,580	\$ -	\$ -	\$ 15,580
Construction in Progress	514,808	-	(514,808)	-
Total Capital Assets not being depreciated	\$ 530,388	\$ -	\$(514,808)	\$ 15,580
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 778,630	\$648,047	\$ 40,000	\$1,386,687
Furniture and Equipment	1,016,742	24,175	14,929	1,025,988
Vehicles & Machinery	515,781	43,700	34,942	524,539
Total Capital Assets, Being Depreciated	\$2,311,153	\$715,932	\$ 89,871	\$2,937,214
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 627,809	\$ 36,144	\$ 40,000	\$ 623,953
Furniture and Equipment	929,088	21,969	4,976	946,081
Vehicles & Machinery	425,882	36,067	34,942	427,007
Total Accumulated Depreciation	\$1,982,779	\$ 94,180	\$ 79,918	\$1,997,041
Total Capital Assets Being Depreciated, Net	\$ 328,374	\$621,752	\$ 9,953	\$ 940,173
Governmental Activities - Capital Assets, Net	\$ 858,762	\$621,752	\$(504,855)	\$ 955,753

Depreciation expense was charged to functions/programs of the county as follows for the years ended December 31, 2014 and 2013:

Governmental Activities:	2014	2013
General Government	\$ 6,123	\$ 7,168
Public Safety	18,345	22,957
Highways and Bridges	41,787	30,198
Health and Welfare	4,703	-
Culture and Recreation	35,906	31,965
Conservation of Natural Resources	1,893	1,893
Total Depreciation Expense - Governmental Activities	\$108,757	\$94,180

NELSON COUNTY

Notes to the Financial Statements - Continued

DISCRETELY PRESENTED COMPONENT UNIT:Nelson County Water Resource District:

The following is a summary of changes in capital assets for the Nelson County Water Resource District, a discretely presented component unit of Nelson County for the years ended December 31, 2014 and 2013:

Governmental Activities (2014):	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i> Construction in Progress	\$823,229	\$1,948,091	\$ -	\$2,771,320
<i>Capital assets, being depreciated:</i> Equipment	\$ 28,115	\$ -	\$ -	\$ 28,115
<i>Less accumulated depreciation for:</i> Equipment	\$ 2,812	\$ 1,405	\$ -	\$ 4,217
Total Capital Assets Being Depreciated, Net	\$ 25,303	\$ (1,405)	\$ -	\$ 23,898
Governmental Activities - Capital Assets, Net	\$848,532	\$1,946,686	\$ -	\$2,795,218

Governmental Activities (2013):	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i> Construction in Progress	\$336,910	\$486,319	\$ -	\$823,229
<i>Capital assets, being depreciated:</i> Equipment	\$ 28,115	\$ -	\$ -	\$ 28,115
<i>Less accumulated depreciation for:</i> Equipment	\$ 1,406	\$ 1,406	\$ -	\$ 2,812
Total Capital Assets Being Depreciated, Net	\$ 26,709	\$ (1,406)	\$ -	\$ 25,303
Governmental Activities - Capital Assets, Net	\$363,619	\$484,913	\$ -	\$848,532

Depreciation expense totaling \$1,406 in 2014 and \$1,405 in 2013 was charged to the conservation of natural resources function.

NOTE 8: ACCOUNTS PAYABLE

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

NOTE 9: SALARIES PAYABLE

Salaries 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 10: RETAINAGES PAYABLE

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at December 31, 2014.

NELSON COUNTY

Notes to the Financial Statements - Continued

NOTE 11: OPERATING LEASES

Nelson County highway department leases 5 motor graders under non-cancelable operating leases. Total costs for such leases were \$121,461, and \$121,461 for the years ended December 31, 2014 and 2013, respectively. The future minimum lease payments for these leases are as follows:

Payments	2014 Lease	2011 Lease	Total
2015	\$ 111,096	\$48,005	\$ 159,101
2016	111,096	-	111,096
2017	111,096	-	111,096
2018	111,096	-	111,096
2019	913,477	-	913,477
Total	\$1,357,862	\$48,005	\$1,405,866

NOTE 12: LONG-TERM LIABILITIES

Primary Government:

Changes in Long-Term Liabilities - During the years ended December 31, 2014 and 2013; the following changes occurred in governmental activities long-term liabilities for the primary government:

	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Loans Payable	\$175,405	\$ -	\$30,947	\$144,458	\$144,458
Compensated Absences *	72,224	-	43	72,181	28,872
Total	\$247,629	\$ -	\$30,990	\$216,639	\$173,330

	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Loans Payable	\$ 76,890	\$190,000	\$91,485	\$175,405	\$30,947
Compensated Absences *	79,589	-	7,365	72,224	28,889
Total	\$156,479	\$190,000	\$98,850	\$247,629	\$59,836

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

Outstanding governmental activities debt at December 31, 2014 is comprised of the following individual issues:

Loans Payable (County):

\$190,000 Loan from First United Bank, used to finance projects and equipment out of the County Park Fund, payment remaining is due in 2015 totaling \$144,458; interest at 5.0%. \$144,458

Debt service requirements on County government activity long-term debt at December 31, 2014 is as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Loan Payable	
	Principal	Interest
2015	\$144,458	\$7,223

NELSON COUNTY

Notes to the Financial Statements - Continued

Component Unit – Water Resource District:

Changes in Long-Term Liabilities - During the years ended December 31, 2014 and 2013; the following changes occurred in governmental activities long-term liabilities for the Water Resource District:

	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Loans Payable	\$ -	\$ 46,000	\$ -	\$ 46,000	\$ 46,000
Bonds Payable	1,520,000	2,400,000	1,070,000	2,850,000	1,805,000
Total	\$1,520,000	\$2,446,000	\$1,070,000	\$2,896,000	\$1,851,000

	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Loans Payable	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -
Bonds Payable	1,500,000	1,520,000	1,500,000	1,520,000	1,070,000
Total	\$1,525,000	\$1,520,000	\$1,525,000	\$1,520,000	\$1,070,000

Outstanding governmental activities debt at December 31, 2014 is comprised of the following individual issues:

Loan Payable:

\$46,000 Loan from State Bank of Lakota, used for general fund operating purposes. Payment due by January 30, 2015, interest at 3.00%. \$ 46,000

Bond Payable:

\$1,520,000 Temporary Improvement Bond, due in one annual installment of \$450,000 by September 1, 2015; interest at 0.70%. \$ 450,000

\$1,300,000 Temporary Improvement Bond, due in one annual installment of \$1,300,000 by September 1, 2015; interest at 1.0%. 1,300,000

\$1,100,000 Long-Term Improvement Bond, due in annual installments of \$55,000 through November 2034; interest at 0.50% to 3.75%. 1,100,000

Total Water Resource District Bonds Payable \$2,850,000

Total Water Resource District Debt Payable (Bonds and Loan) \$2,896,000

Debt service requirements on long-term debt for governmental activities of the water resource district at December 31, 2014 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	WRD Loan Payable		WRD Bonds Payable	
	Principal	Interest	Principal	Interest
2015	\$46,000	\$995	\$1,805,000	\$ 43,700
2016	-	-	55,000	30,388
2017	-	-	55,000	29,837
2018	-	-	55,000	29,013
2019	-	-	55,000	28,050
2020-2024	-	-	275,000	99,962
2025-2029	-	-	275,000	87,037
2030-2034	-	-	275,000	37,125
Total	\$46,000	\$995	\$2,850,000	\$385,112

NELSON COUNTY

Notes to the Financial Statements - Continued

Debt Issuances – Nelson County Water Resource District:

On August 27, 2013, the Nelson County Water Resource District issued \$1,520,000 of Temporary Improvement Refunding Bonds of 2013. The 2013 bonds were issued to refund the \$1,500,000 of Temporary Improvement Bonds of 2011 that were due and payable on September 1, 2013. The original bonds were issued for costs related to the Michigan Spillway Project. The 2013 bonds mature on September 1, 2015 and bear interest on March 1 and September 1, commencing March 1, 2014, from the date of issue until paid at the annual rate of 0.70%.

On September 3, 2014, the Nelson County Water Resource District issued \$1,100,000 of Improvement Refunding Bonds of 2014, Series A. The 2014 Series A bonds were issued for costs related to the Michigan Spillway Project. The Bonds are due in annual principal installments of \$55,000 through May 1, 2034. The first principal payment of \$55,000 is due May 1, 2015. Interest is due and payable on May 1 and November 1 of each year. Interest varies from 0.50% to 3.75% throughout the life of the bonds.

On September 3, 2014, the Nelson County Water Resource District issued \$1,300,000 of Temporary Improvement Refunding Bonds of 2014, Series B. The 2014 Series B bonds were issued for costs related to the Michigan Spillway Project. The Bonds mature on September 1, 2015 and bear interest on March 1 and September 1, commencing March 1, 2015, from the date of issue until paid at the annual rate of 1.00%

On July 29, 2014 and December 18, 2014, the Nelson County Water Resource District took out temporary warrants (loan) of \$23,000 each totaling \$46,000 for the year ended December 31, 2014. The warrants were issued for general fund operating purposes. The initial \$46,000 of warrants issued were paid back on January 30, 2015.

Current Debt Refunding – Nelson County Water Resource District:

On August 27, 2013, the Nelson County Water Resource District issued \$1,520,000 of Temporary Improvement Refunding Bonds of 2013. The 2013 bonds were issued to refund the \$1,500,000 of principal of the Temporary Improvement Bonds of 2011 that were due and payable on September 1, 2013. The original 2011 bonds were taken out for costs related to the Michigan Spillway project. The 2013 bonds mature on September 1, 2015 and bear interest on March 1 and September 1, commencing March 1, 2014, from the date of issue until paid at the annual rate of 0.70%.

NOTE 13: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements of the governmental funds for the year ended December 31, 2014:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 9,444	\$ 93,947
Farm to Market Roads	-	99,557
Road and Bridge	750,031	95,780
Highway Distribution	-	464,811
<u>Special Revenue Funds:</u>		
Road & Bridge Contingency	30,000	-
Highway Maintenance	-	132,845
County Emergency	-	52,818
Weed Control	-	491
Courthouse Repairs	10,000	-
Veteran's Service Officer	-	3,081
County Agent	-	5,872

TABLE CONTINUED ON NEXT PAGE.....

NELSON COUNTY

Notes to the Financial Statements - Continued

CONTINUED..

	Transfers In	Transfers Out
Special Revenue Funds:		
Health Insurance	\$ 238,000	\$ -
Law Enforcement	7	-
OASIS & Social Security	-	88,280
Emergency Human Services	-	471
Human Services	471	-
Total Transfers	\$1,037,953	\$1,037,953

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

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 10,635	\$ 90,592
FEMA	-	9,801
Road and Bridge	1,074,627	50,408
Highway Distribution	-	804,665
Farm to Market Roads	-	89,442
Stump Lake Café Project	5,823	-
Special Revenue Funds:		
Highway Maintenance	-	130,364
Courthouse Repairs	10,000	-
County Emergency	-	40,355
Weed Control	-	460
County Park	-	5,823
Veteran's Service Officer	-	3,314
County Agent	-	6,861
Health Insurance	210,500	-
OASIS & Social Security	-	79,500
Total Transfers	\$1,311,585	\$1,311,585

NOTE 14: PENSION PLANNorth Dakota Public Employee's Retirement System

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

Plan members are required to contribute 5% of their annual covered salary. The county is required to contribute 7.26% of the employee's salary, which consists of 6.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$190,177, \$154,121, and \$124,684, respectively, equal to the required contributions for the year.

NELSON COUNTY

Notes to the Financial Statements - Continued

NOTE 15: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Nelson County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$2,355,218 for public assets (mobile equipment and portable property).

Nelson County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Nelson 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 two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Nelson 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.

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

NOTE 16: DEFICIT CASH FUND BALANCES

GOVERNMENTAL NEGATIVE CASH FUND BALANCES

At December 31, 2014, the county had one negative fund cash balance in the homeland security grant fund totaling (\$11,250).

Negative Fund Balance	2014
Homeland Security	(\$11,250)

NOTE 17: JOINT VENTURES

Red River Valley Joint Water Resource Board

Under authorization of state statutes, the Traill County Water Resource District joined Maple River Water Resource District, Rush River Water Resource District, Southeast Cass Water Resource District, North Cass Water Resource District, and the water resource districts of Richland County, Pembina County, Nelson County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for water management districts located within the Red River Valley, known as the Red River Valley Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution depends on where the Red River Joint Water Resource Board projects are being undertaken.

NELSON COUNTY

Notes to the Financial Statements - Continued

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2014.

	Red River Joint Water Resource District
Total Assets	\$8,091,476
Total Liabilities	265,559
Total Net Position	<u>\$7,825,917</u>
Revenues	\$2,395,150
Expenses	1,368,330
Change in Net Position	<u>\$1,026,820</u>

Complete financial statements can be obtained by writing: Red River Joint Water Resource Board, PO Box 10, Hillsboro, ND 58045.

Devils Lake Basin Joint Water Resource Board

Under authorization of state statutes, the Ramsey County Water Resource District joined Benson County, Cavalier County, Nelson County, Pierce County, Rolette County, Towner County, and Walsh County to establish and operate a joint exercise of powers agreement for water management districts located within the Devils Lake basin. Known as the Devils Lake Basin Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. One member of the directors for the joint venture is appointed by each government. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined due to lack of provisions being made for this in the joint powers agreement.

The following is summary financial information for the joint venture as of December 31, 2007, which is the most current audited information.

	Devils Lake Basin Joint WRD
Total Assets	\$260,952
Total Liabilities	-
Total Net Position	<u>\$260,952</u>
Revenues	\$312,857
Expenditures	303,030
Change in Net Position	<u>\$ 9,827</u>

Complete financial statements can be obtained by writing: Devils Lake Basin Joint Water Resource Board, 524 4th Avenue NE, #27, Devils Lake, ND 58301.

Nelson – Griggs District Health Unit

Nelson County entered into a joint venture with Griggs County for the operation of the Nelson - Griggs District Health Unit. Each participating county's share of the cost operations and board member appointments is determined by the relative population of each county.

NELSON COUNTY

Notes to the Financial Statements - Continued

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2011, which is the most current audited information available:

	Nelson - Griggs District Health Unit
Total Assets	\$164,994
Total Liabilities	16,041
Total Net Position	\$148,953
Revenues	\$291,814
Expenditures	280,092
Change in Net Position	\$ 11,722

Complete financial statement can be obtained by writing: Nelson – Griggs District Health Unit, PO Box 365, McVile, ND 58254.

NOTE 18: CONSTRUCTION COMMITMENTSCounty:

Nelson County had one open construction contract commitment at December 31, 2014 as follows:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
CNOA 3200 (025)	\$2,325,459	\$2,190,062	\$108,293	\$243,690

This project had \$700,352 of change orders applicable from the time of the original contract.

Water Resource District:

Nelson County Water Resource District had one open project at December 31, 2014 as follows:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Michigan Spillway Project	\$4,041,086	\$2,729,389	\$ -	\$1,311,697

This project had \$1,382,047 of change orders applicable from the time of the original contract.

NOTE 19: PRIOR PERIOD ADJUSTMENTS

There was a prior period adjustment for the period ending December 31, 2012 to restate the January 1, 2013 beginning net position for the Nelson County Water Resource District governmental activities involving an adjustment to cash for an outstanding check related to the Michigan Spillway Project account not reported at December 31, 2012.

Governmental Activities (WRD):	Amounts
Beginning Net Position, as previously reported	\$58,979
Adjustments to restate the January 1, 2013 Net position:	
Cash adjustment – outstanding check	(6,631)
Net Position January 1, as restated	\$52,348

NELSON COUNTY

Notes to the Financial Statements - Continued

NOTE 20: SUBSEQUENT EVENTS

County:

On February 3, 2015, Nelson County finalized an operating lease agreement with Merchants Capital Resources for the leasing of five new 2014 Cat 140 M3 motor graders. The original commitment/agreement was done October 3, 2014. Payments are due in annual installments of \$111,096 on February 3rd of each year beginning in 2015 through February 3, 2019. Additionally, should the county decide to purchase the motor graders at the end of the lease term, a balloon payment of \$802,381 would be made on July 3, 2019.

On May 6, 2015, Nelson County paid back the remaining principal amount of the park loan totaling \$144,458 of principal, and \$7,223 of interest. The original loan totaling \$190,000 from Farmers and Merchants State Bank was taken out on January 2, 2013 to help finance the Stump Lake Café Project.

Water Resource District:

On February 4, 2015, the Nelson County Water Resource District took out temporary warrants (short term loans) totaling \$54,000 for general fund operating purposes.

On August 25, 2015, the Nelson County Water Resource District paid the remaining principal on the 2013 Temporary Improvement Bonds totaling \$450,000, and \$1,575 of interest. The original loan was taken out to help finance costs of the Michigan Spillway Project.

On August 25, 2015, the Nelson County Water Resource District paid the remaining principal remaining on the 2014A Temporary Improvement Bonds totaling \$1,300,000, and \$6,500 of interest. The original loan was taken out to help finance costs of the Michigan Spillway Project.

On September 3, 2015, the Nelson County Water Resource District issued \$930,000 of Temporary Improvement Bonds of 2015. The bonds were issued to help finance costs on the Michigan Spillway Project. The Bonds mature on September 1, 2016 and bear interest on March 1 and September 1, commencing March 1, 2016, from the date of issue until paid at the annual rate of 1.00%.

NOTE 21: CONDUIT DEBT

From time to time, the County has issued Community Development Block Grant Loans to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facilities transfers to the private-sector entity served by the loan issuance. Neither the County, 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, 2014 and 2013, there is one series of Community Development Block Grant Loans outstanding, with an aggregate principal amount payable of \$103,642 and \$76,351 at December 31, 2014, and December 31, 2013, respectively.

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Taxes	\$ 469,400	\$ 469,400	\$ 475,584	\$ 6,184	\$ 458,100	\$ 458,100	\$ 467,612	\$ 9,512
Intergovernmental	516,762	516,762	523,178	6,416	459,986	459,986	459,470	(516)
Charges for Services	132,120	132,120	135,620	3,500	130,990	130,990	134,530	3,540
Interest Income	8,500	8,500	4,962	(3,538)	8,500	8,500	5,199	(3,301)
Miscellaneous	6,800	6,800	37,832	31,032	6,600	6,600	28,059	21,459
Total Revenues	\$ 1,133,582	\$ 1,133,582	\$ 1,177,176	\$ 43,594	\$ 1,064,176	\$ 1,064,176	\$ 1,094,870	\$ 30,694
Expenditures:								
Current:								
General Government	\$ 669,022	\$ 669,022	\$ 634,421	\$ 34,601	\$ 601,907	\$ 633,612	\$ 640,272	\$ (6,660)
Public Safety	331,962	331,962	297,058	34,904	318,788	318,788	301,363	17,425
Health & Welfare	-	-	4,414	(4,414)	600	600	400	200
Debt Service:								
Principal	-	-	-	-	-	-	10,850	(10,850)
Interest & Service Charges	-	-	-	-	-	-	40	(40)
Total Expenditures	\$ 1,000,984	\$ 1,000,984	\$ 935,893	\$ 65,091	\$ 921,295	\$ 953,000	\$ 952,925	\$ 75
Excess (Deficiency) of Revenues Over Expenditures	\$ 132,598	\$ 132,598	\$ 241,283	\$ 108,685	\$ 142,881	\$ 111,176	\$ 141,945	\$ 30,769
Other Financing Sources (Uses):								
Transfers In	\$ 10,650	\$ 10,650	\$ 9,444	\$ (1,206)	\$ 9,000	\$ 9,000	\$ 10,635	\$ 1,635
Transfers Out	(103,200)	(103,200)	(93,947)	9,253	(110,300)	(110,300)	(90,592)	19,708
Total Other Financing Sources and Uses	\$ (92,550)	\$ (92,550)	\$ (84,503)	\$ 8,047	\$ (101,300)	\$ (101,300)	\$ (79,957)	\$ 21,343
Net Change in Fund Balances	\$ 40,048	\$ 40,048	\$ 156,780	\$ 116,732	\$ 41,581	\$ 9,876	\$ 61,988	\$ 52,112
Fund Balance - January 1	\$ 634,714	\$ 634,714	\$ 634,714	\$ -	\$ 572,726	\$ 572,726	\$ 572,726	\$ -
Fund Balance - December 31	\$ 674,762	\$ 674,762	\$ 791,494	\$ 116,732	\$ 614,307	\$ 582,602	\$ 634,714	\$ 52,112

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROADS FUND
For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Taxes	\$ 354,600	\$ 354,600	\$ 359,002	\$ 4,402	\$ 318,900	\$ 318,900	\$ 320,264	\$ 1,364
Intergovernmental	1,966,997	1,966,997	2,214,732	247,735	1,300,400	1,300,400	372	(1,300,028)
Interest Income	2,000	2,000	1,589	(411)	500	500	2,892	2,392
Total Revenues	<u>\$ 2,323,597</u>	<u>\$ 2,323,597</u>	<u>\$ 2,575,323</u>	<u>\$ 251,726</u>	<u>\$ 1,619,800</u>	<u>\$ 1,619,800</u>	<u>\$ 323,528</u>	<u>\$ (1,296,272)</u>
<u>Expenditures:</u>								
Current:								
Highways	<u>\$ 2,391,108</u>	<u>\$ 2,391,108</u>	<u>\$ 2,172,487</u>	<u>\$ 218,621</u>	<u>\$ 1,594,471</u>	<u>\$ 1,594,471</u>	<u>\$ 330,379</u>	<u>\$ 1,264,092</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (67,511)</u>	<u>\$ (67,511)</u>	<u>\$ 402,836</u>	<u>\$ 470,347</u>	<u>\$ 25,329</u>	<u>\$ 25,329</u>	<u>\$ (6,851)</u>	<u>\$ (32,180)</u>
<u>Other Financing Sources (Uses):</u>								
Transfers Out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,557)</u>	<u>\$ (99,557)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (89,442)</u>	<u>\$ (89,442)</u>
Net Change in Fund Balances	<u>\$ (67,511)</u>	<u>\$ (67,511)</u>	<u>\$ 303,279</u>	<u>\$ 370,790</u>	<u>\$ 25,329</u>	<u>\$ 25,329</u>	<u>\$ (96,293)</u>	<u>\$ (121,622)</u>
Fund Balance - January 1	<u>\$ 576,469</u>	<u>\$ 576,469</u>	<u>\$ 576,469</u>	<u>\$ -</u>	<u>\$ 672,762</u>	<u>\$ 672,762</u>	<u>\$ 672,762</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 508,958</u>	<u>\$ 508,958</u>	<u>\$ 879,748</u>	<u>\$ 370,790</u>	<u>\$ 698,091</u>	<u>\$ 698,091</u>	<u>\$ 576,469</u>	<u>\$ (121,622)</u>

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 332,003	\$ 332,003
<u>Expenditures:</u>								
<u>Current:</u>								
Food Repair	\$ 23,213	\$ 135,113	\$ 119,358	\$ 15,755	\$ 70,083	\$ 527,500	\$ 527,203	\$ 297
Excess (Deficiency) of Revenues Over Expenditures	\$ (23,213)	\$ (135,113)	\$ (119,358)	\$ 15,755	\$ (70,083)	\$ (527,500)	\$ (195,200)	\$ 332,300
<u>Other Financing Sources (Uses):</u>								
Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,800)	\$ (9,800)
Net Change in Fund Balance	\$ (23,213)	\$ (135,113)	\$ (119,358)	\$ 15,755	\$ (70,083)	\$ (527,500)	\$ (205,000)	\$ 322,500
Fund Balance - January 1	\$ 174,781	\$ 174,781	\$ 174,781	\$ -	\$ 379,781	\$ 379,781	\$ 379,781	\$ -
Fund Balance - December 31	\$ 151,568	\$ 39,668	\$ 55,423	\$ 15,755	\$ 309,698	\$ (147,719)	\$ 174,781	\$ 322,500

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Taxes	\$ 110,010	\$ 110,010	\$ 110,044	\$ 34	\$ 109,840	\$ 109,840	\$ 108,913	\$ (927)
Intergovernmental	46,310	46,310	52,787	6,477	43,410	43,410	44,279	869
Charges for Services	525,200	525,200	339,876	(185,324)	523,000	523,000	504,995	(18,005)
Miscellaneous	17,000	17,000	29,174	12,174	9,000	9,000	5,637	(3,363)
Total Revenues	\$ 698,520	\$ 698,520	\$ 531,881	\$ (166,639)	\$ 685,250	\$ 685,250	\$ 663,824	\$ (21,426)
Expenditures:								
Current:								
Highways	\$ 1,368,767	\$ 1,585,500	\$ 1,574,974	\$ 10,526	\$ 1,226,893	\$ 1,264,393	\$ 1,248,673	\$ 15,720
Excess (Deficiency) of Revenues Over Expenditures	\$ (670,247)	\$ (886,980)	\$ (1,043,093)	\$ (156,113)	\$ (541,643)	\$ (579,143)	\$ (584,849)	\$ (5,706)
Other Financing Sources (Uses):								
Transfers In	\$ -	\$ -	\$ 750,031	\$ 750,031	\$ 559,000	\$ 559,000	\$ 1,074,627	\$ 515,627
Transfers Out	-	-	(95,780)	(95,780)	(64,000)	(64,000)	(50,408)	13,592
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 654,251	\$ 654,251	\$ 495,000	\$ 495,000	\$ 1,024,219	\$ 529,219
Net Change in Fund Balances	\$ (670,247)	\$ (886,980)	\$ (388,842)	\$ 498,138	\$ (46,643)	\$ (84,143)	\$ 439,370	\$ 523,513
Fund Balance - January 1	\$ 1,038,437	\$ 1,038,437	\$ 1,038,437	\$ -	\$ 599,067	\$ 599,067	\$ 599,067	\$ -
Fund Balance - December 31	\$ 368,190	\$ 151,457	\$ 649,595	\$ 498,138	\$ 552,424	\$ 514,924	\$ 1,038,437	\$ 523,513

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY DISTRIBUTION FUND
For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Intergovernmental	\$ 469,472	\$ 469,472	\$ 471,770	\$ 2,298	\$ 427,850	\$ 427,850	\$ 456,942	\$ 29,092
<u>Expenditures:</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 469,472	\$ 469,472	\$ 471,770	\$ 2,298	\$ 427,850	\$ 427,850	\$ 456,942	\$ 29,092
<u>Other Financing Sources (Uses):</u>								
Transfers Out	\$ (468,000)	\$ (468,000)	\$ (464,811)	\$ 3,189	\$ (428,000)	\$ (428,000)	\$ (804,665)	\$ (376,665)
Net Change in Fund Balances	\$ 1,472	\$ 1,472	\$ 6,959	\$ 5,487	\$ (150)	\$ (150)	\$ (347,723)	\$ (347,573)
Fund Balance - January 1	\$ 94,596	\$ 94,596	\$ 94,596	\$ -	\$ 442,319	\$ 442,319	\$ 442,319	\$ -
Fund Balance - December 31	\$ 96,068	\$ 96,068	\$ 101,555	\$ 5,487	\$ 442,169	\$ 442,169	\$ 94,596	\$ (347,573)

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
STUMP LAKE CAFÉ PROJECT FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 134,000	\$ 134,000	\$ 246,000	\$ 112,000
Miscellaneous	6,000	6,000	4,700	(1,300)
Total Revenues	\$ 140,000	\$ 140,000	\$ 250,700	\$ 110,700
<u>Expenditures:</u>				
Current:				
Culture and Recreation	\$ 200,000	\$ 200,000	\$ 121,104	\$ 78,896
Excess (Deficiency) of Revenues Over Expenditures	\$ (60,000)	\$ (60,000)	\$ 129,596	\$ 189,596
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 5,823	\$ 5,823
Net Change in Fund Balances	\$ (60,000)	\$ (60,000)	\$ 135,419	\$ 195,419
Fund Balance - January 1	\$ (135,419)	\$ (135,419)	\$ (135,419)	\$ -
Fund Balance - December 31	\$ (195,419)	\$ (195,419)	\$ -	\$ 195,419

The notes to the required supplementary information are an integral part of this statement.

NELSON COUNTY
Lakota, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014 and 2013

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NELSON COUNTY
Lakota, North Dakota

SCHEDULE OF FUND ACTIVITY
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-14
Major Funds:							
General Fund	\$ 511,491.31	\$ 1,169,471.98	\$ 9,444.00	\$ -	\$ 93,947.04	\$ 935,893.24	\$ 660,567.01
FEMA	174,780.61	-	-	-	-	119,357.53	55,423.08
Farm to Market Roads	576,469.18	2,565,183.40	-	-	99,557.48	2,167,386.45	874,708.65
Road and Bridge	1,076,575.03	530,906.97	750,030.96	-	95,780.00	1,585,409.80	676,323.16
Highway Distribution	44,924.53	465,574.66	-	-	464,810.74	-	45,688.45
Total Major Funds	\$ 2,384,240.66	\$ 4,731,137.01	\$ 759,474.96	\$ -	\$ 754,095.26	\$ 4,808,047.02	\$ 2,312,710.35
Non-Major Special Revenue Funds:							
Special Revenue Funds:							
Courthouse Repairs	\$ 24,942.27	\$ -	\$ 10,000.00	\$ -	\$ -	\$ -	\$ 34,942.27
Road & Bridge Contingency	11,232.43	-	30,000.00	-	-	1,350.00	39,882.43
Highway Maintenance	654.79	132,616.53	-	-	132,844.99	-	426.33
County Emergency	59,735.85	71,546.45	-	-	52,817.75	-	78,464.55
Weed Control	76,677.96	100,727.60	-	-	491.00	97,516.02	79,398.54
Hazardous Chemicals	3,410.20	1,062.50	-	-	-	290.14	4,182.56
Law Enforcement	73,668.37	50,970.75	7.04	-	-	45,759.99	78,886.17
LLE Block Grants	3,964.78	33,167.61	-	-	-	29,352.32	7,780.07
Emergency Human Services	470.86	-	-	-	470.86	-	-
Human Services	299,137.64	431,728.36	470.86	-	-	422,271.87	309,064.99
Park/Village Coordinator	2,922.82	-	-	-	-	995.10	1,927.72
County Park	5,913.23	206,067.10	-	-	-	186,336.65	25,643.68
Veteran's Service Officer	6,058.30	27,258.23	-	-	3,081.00	22,585.87	7,649.66
County Agent	60,208.88	50,844.42	-	-	5,872.00	42,919.13	62,262.17
Health Insurance	7,047.92	230,704.71	238,000.00	-	-	451,671.62	24,081.01
OASIS & Social Security	8,668.42	479,409.03	-	-	88,280.00	370,592.32	29,205.13
Homeland Security	-	-	-	-	-	11,250.00	(11,250.00)
Job Development	459.41	89,468.77	-	-	-	89,606.88	321.30
Promotion & Advertising	4,894.33	11,307.87	-	-	-	11,000.00	5,202.20
Insurance Reserve	19,479.29	69,644.68	-	-	-	56,202.69	32,921.28
Document Preservation	12,355.29	5,177.25	-	-	-	200.00	17,332.54
Total Non-Major Special Revenue Funds	\$ 681,903.04	\$ 1,991,701.86	\$ 278,477.90	\$ -	\$ 283,857.60	\$ 1,839,900.60	\$ 828,324.60
Debt Service Fund (Non-Major):							
County Loan	\$ 627.60	\$ 13,425.19	\$ -	\$ -	\$ -	\$ 10,827.40	\$ 3,225.39
Total Non-Major Funds	\$ 682,530.64	\$ 2,005,127.05	\$ 278,477.90	\$ -	\$ 283,857.60	\$ 1,850,728.00	\$ 831,549.99
Total Governmental Funds	\$ 3,066,771.30	\$ 6,736,264.06	\$ 1,037,952.86	\$ -	\$ 1,037,952.86	\$ 6,658,775.02	\$ 3,144,260.34
Agency Funds:							
Historical Society	\$ 28.71	\$ 6,109.18	\$ -	\$ -	\$ -	\$ 6,117.12	\$ 20.77
Senior Citizens	114.89	41,447.81	-	-	-	41,479.64	83.06
State Taxes	114.89	22,485.43	-	-	-	22,517.26	83.06
Game & Fish	(437.00)	24,786.00	-	-	-	24,620.00	(271.00)
Game & Fish Passbook Revenue	1,171.76	1.53	-	-	-	-	1,173.29
Estimated Tax	-	4,816.10	-	-	-	4,816.10	-
Protest Tax	-	25,377.66	-	-	-	25,377.66	-
Prepaid Taxes	1,333,161.93	1,385,936.42	-	-	-	1,333,161.93	1,385,936.42
Incident Command Unit	1,240.91	-	-	-	-	-	1,240.91
Teachers Retirement	63.24	857.52	-	-	-	888.85	31.91
Payroll Deductions	2,687.90	274,201.03	-	-	-	273,981.72	2,907.21
Employee Insurance	354.14	4,190.16	-	-	-	4,147.55	396.75
Flex Plan	(123.13)	30,551.09	-	-	-	29,110.29	1,317.67
Domestic Violence	35.00	560.00	-	-	-	525.00	70.00
County Library	114.89	26,752.03	-	-	-	26,783.86	83.06

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NELSON COUNTY
Lakota, North Dakota

SCHEDULE OF FUND ACTIVITY
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-14
CONTINUED.....							
<u>Agency Funds (Continued):</u>							
Health District	\$ 300.88	\$ 53,413.89	\$ -	\$ -	\$ -	\$ 53,514.39	\$ 200.38
Soil Conservation District	(14,974.50)	46,926.01	-	-	-	31,786.16	165.35
Michigan Ambulance	134.37	41,264.39	-	-	-	41,361.85	36.91
Lakota Ambulance	16.59	3,563.65	-	-	-	3,558.10	22.14
Water Resource District	459.68	98,967.53	-	-	-	99,095.05	332.16
Garrison Diversion	114.89	25,036.27	-	-	-	25,068.10	83.06
Devils Lake Joint Water District	2,494.73	8,310.93	-	-	-	8,000.00	2,805.66
Red River Joint Water District	216.80	19,183.16	-	-	-	19,400.00	(0.04)
Upper Sheyenne Jt Water District	12.50	56.94	-	-	-	68.37	1.07
Total Cities	4,878.71	528,372.11	-	-	-	525,656.02	7,594.80
Total School Districts	12,985.21	1,670,266.78	-	-	-	1,676,674.04	6,577.95
Total Townships	1,913.55	567,502.81	-	-	-	568,122.22	1,294.14
Total Drains	65.91	58,538.64	-	-	-	57,651.59	952.96
Total Fire Districts	872.60	135,356.46	-	-	-	135,669.85	559.21
Total Agency Funds	\$ 1,348,020.05	\$ 5,104,831.53	\$ -	\$ -	\$ -	\$ 5,039,152.72	\$ 1,413,698.86
Total Primary Government	\$ 4,414,791.35	\$ 11,841,095.59	\$ 1,037,952.86	\$ -	\$ 1,037,952.86	\$ 11,697,927.74	\$ 4,557,959.20
<u>Component Unit:</u>							
Water Resource District	\$ 784,888.14	\$ 1,597,385.06	\$ -	\$ 2,427,600.00	\$ -	\$ 2,970,625.81	\$ 1,839,247.39
Total Reporting Entity	\$ 5,199,679.49	\$ 13,438,480.65	\$ 1,037,952.86	\$ 2,427,600.00	\$ 1,037,952.86	\$ 14,668,553.55	\$ 6,397,206.59

NELSON COUNTY
Lakota, North Dakota

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

	Balance 1-1-13	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-13
Major Funds:							
General Fund	\$ 451,643.87	\$ 1,092,729.17	\$ 10,635.00	\$ -	\$ 90,592.00	\$ 952,924.73	\$ 511,491.31
FEMA	379,780.74	332,003.17	-	-	9,800.60	527,202.70	174,780.61
Farm to Market Roads	672,761.63	323,528.07	-	-	89,442.42	330,378.10	576,469.18
Road and Bridge	641,896.38	659,971.40	1,074,627.25	-	50,408.00	1,249,512.00	1,076,575.03
Highway Distribution	43,610.32	805,979.32	-	-	804,665.11	-	44,924.53
Stump Lake Café Project	(97,169.05)	250,700.00	5,823.32	-	-	159,354.27	-
Total Major Funds	\$2,092,523.89	\$ 3,464,911.13	\$1,091,085.57	\$ -	\$1,044,908.13	\$ 3,219,371.80	\$2,384,240.66
Non-Major Special Revenue Funds:							
Special Revenue Funds:							
Courthouse Repairs	\$ 14,942.27	\$ -	\$ 10,000.00	\$ -	\$ -	\$ -	\$ 24,942.27
Road & Bridge Contingency	54,932.43	-	-	-	-	43,700.00	11,232.43
Highway Maintenance	445.05	130,574.02	-	-	130,364.28	-	654.79
County Emergency	50,758.54	126,578.71	-	-	40,354.84	77,246.56	59,735.85
Weed Control	111,273.16	86,432.41	-	-	460.00	120,567.61	76,677.96
Hazardous Chemicals	4,245.35	825.00	-	-	-	1,660.15	3,410.20
Law Enforcement	54,512.67	50,149.08	-	-	-	30,993.38	73,668.37
LLE Block Grants	(3,487.33)	30,106.81	-	-	-	22,654.70	3,964.78
Emergency Human Services	470.86	-	-	-	-	-	470.86
Human Services	195,848.35	451,637.19	-	-	-	348,347.90	299,137.64
Park/Village Coordinator	4,141.92	-	-	-	-	1,219.10	2,922.82
County Park	(1,286.50)	178,173.14	-	-	5,823.32	165,150.09	5,913.23
Veteran's Service Officer	4,624.90	25,581.44	-	-	3,314.00	20,834.04	6,058.30
County Agent	59,008.95	50,151.52	-	-	6,861.00	42,090.59	60,208.88
Health Insurance	2,640.71	202,524.49	210,500.00	-	-	408,617.28	7,047.92
OASIS & Social Security	27,830.23	394,301.96	-	-	79,500.00	333,963.77	8,668.42
Homeland Security Grant	-	15,412.61	-	-	-	15,412.61	-
Job Development	277.67	79,687.43	-	-	-	79,505.69	459.41
Promotion & Advertising	5,324.34	10,069.99	-	-	-	10,500.00	4,894.33
Insurance Reserve	16,985.18	68,170.11	-	-	-	65,676.00	19,479.29
Document Preservation	10,528.92	3,986.37	-	-	-	2,160.00	12,355.29
Total Non-Major Special Revenue Funds	\$ 614,017.67	\$ 1,904,362.28	\$ 220,500.00	\$ -	\$ 266,677.44	\$ 1,790,299.47	\$ 681,903.04
Debt Service Fund (Non-Major):							
County Loan	\$ 413.35	\$ 56,714.25	\$ -	\$ -	\$ -	\$ 56,500.00	\$ 627.60
Total Non-Major Funds	\$ 614,431.02	\$ 1,961,076.53	\$ 220,500.00	\$ -	\$ 266,677.44	\$ 1,846,799.47	\$ 682,530.64
Total Governmental Funds	\$2,706,954.91	\$ 5,425,987.66	\$1,311,585.57	\$ -	\$1,311,585.57	\$ 5,066,171.27	\$3,066,771.30
Agency Funds:							
Historical Society	\$ 18.05	\$ 5,468.63	\$ -	\$ -	\$ -	\$ 5,457.97	\$ 28.71
Senior Citizens	72.00	35,740.09	-	-	-	35,697.20	114.89
State Taxes	72.00	20,056.64	-	-	-	20,013.75	114.89
Game & Fish	20.00	25,459.00	-	-	-	25,916.00	(437.00)
Game & Fish Passbook Revenue	1,170.28	1.48	-	-	-	-	1,171.76
Estimated Tax	-	7,181.63	-	-	-	7,181.63	-
Protest Tax	-	21,039.12	-	-	-	21,039.12	-
Prepaid Taxes	1,545,681.92	1,333,161.93	-	-	-	1,545,681.92	1,333,161.93
Incident Command Unit	1,674.65	-	-	-	-	433.74	1,240.91
Teachers Retirement	58.80	795.24	-	-	-	790.80	63.24
Payroll Deductions	3,129.41	243,801.27	-	-	-	244,242.78	2,687.90
Employee Insurance	440.22	4,101.73	-	-	-	4,187.81	354.14
Flex Plan	574.84	25,166.19	-	-	-	25,864.16	(123.13)
Domestic Violence	-	525.00	-	-	-	490.00	35.00
County Library	72.00	22,847.93	-	-	-	22,805.04	114.89

Continued on next page....

NELSON COUNTY
Lakota, North Dakota

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

	Balance 1-1-13	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-13
CONTINUED.....							
<u>Agency Funds (Continued):</u>							
Health District	\$ 211.72	\$ 52,143.83	\$ -	\$ -	\$ -	\$ 52,054.67	\$ 300.88
Soil Conservation District	(16,430.20)	45,723.51	-	-	-	44,267.81	(14,974.50)
Michigan Ambulance	56.58	25,195.13	-	-	-	25,117.34	134.37
Lakota Ambulance	12.75	3,059.28	-	-	-	3,055.44	16.59
Water Resource District	288.17	88,676.00	-	-	-	88,504.49	459.68
Garrison Diversion	72.00	22,450.95	-	-	-	22,408.06	114.89
Devils Lake Joint Water District	2,411.20	7,583.53	-	-	-	7,500.00	2,494.73
Red River Joint Water District	737.56	19,179.24	-	-	-	19,700.00	216.80
Upper Sheyenne Jt Water District	40.84	90.03	-	-	-	118.37	12.50
Total Cities	2,641.56	484,656.09	-	-	-	482,418.94	4,878.71
Total School Districts	7,653.25	2,223,874.03	-	-	-	2,218,542.07	12,985.21
Total Townships	1,521.48	1,228,131.50	-	-	-	1,227,739.43	1,913.55
Total Drains	-	54,409.55	-	-	-	54,343.64	65.91
Total Fire Districts	583.55	128,465.47	-	-	-	128,176.42	872.60
Total Agency Funds	\$1,552,784.63	\$ 6,128,984.02	\$ -	\$ -	\$ -	\$ 6,333,748.60	\$1,348,020.05
Total Primary Government	\$4,259,739.54	\$11,554,971.68	\$1,311,585.57	\$ -	\$1,311,585.57	\$11,399,919.87	\$4,414,791.35
<u>Component Unit:</u>							
Water Resource District	\$1,231,440.30	\$ 220,054.16	\$ -	\$ -	\$ -	\$ 666,606.32	\$ 784,888.14
Total Reporting Entity	\$5,491,179.84	\$11,775,025.84	\$1,311,585.57	\$ -	\$1,311,585.57	\$12,066,526.19	\$5,199,679.49

NELSON COUNTY
Lakota, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2014 and 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
		2014	2013
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed Through State Department of Human Services:</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 201	\$ -
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Passed Through State Department of Commerce:</u>			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	\$ -	\$ 40,831
<u>U.S. DEPARTMENT OF INTERIOR:</u>			
<u>Passed Through State's Game & Fish:</u>			
Sport Fish Restoration Program	15.605	\$ 2,873	\$ 730
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed Through State Department of Human Services:</u>			
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	\$ 32,459	\$ 254
Temporary Assistance for Needy Families	93.558	6,707	5,864
Child Support Enforcement	93.563	54	101
Low Income Energy Assistance	93.568	67	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	4,056	3,403
Stephanie Tubbs Jones Child Welfare Services Program	93.645	357	1,147
Foster Care-Title IV-E	93.658	17,931	12,598
Adoption Assistance	93.659	353	291
Children's Health Insurance Program	93.767	-	73
Medical Assistance Program	93.778	249	-
Maternal and Child Health Services Block Grant to the States	93.994	550	419
Total U.S. Department of Health and Human Services		\$ 62,783	\$ 24,150
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
<u>Passed Through State Department of Transportation:</u>			
State and Community Highway Safety	20.600	\$ 1,078	\$ 1,641
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	15,407	23,705
Total U.S. Department of Transportation		\$ 16,485	\$ 25,346
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Passed Through State Department of Emergency Services:</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	** \$ 105,315	\$ 465,177
Hazard Mitigation Grant	97.039	-	15,543
Emergency Management Performance Grants	97.042	33,435	4,894
Homeland Security Grant Program	97.067	12,895	15,413
Total U.S. Department of Homeland Security		\$ 151,645	\$ 501,027
Total Expenditures of Federal Awards		\$ 233,987	\$ 592,084

** - Major Program

NELSON COUNTY
Lakota, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2014 and 2013

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Nelson County under programs of the federal government for the years ended December 31, 2014 and 2013. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Nelson County, it is not intended to and does not present the financial position or changes in net position of Nelson County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

STATE AUDITOR

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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
Nelson County
Lakota, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nelson County, Lakota, North Dakota, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Nelson County's basic financial statements, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nelson 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 Nelson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Nelson 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 find any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2014-01].

Compliance and Other Matters

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

NELSON 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

Nelson County's Response to Finding

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
December 1, 2015

STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Nelson County
Lakota, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Nelson County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Nelson County's major federal program for the year ended December 31, 2014. Nelson County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Nelson County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

NELSON COUNTY

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Nelson County as of and for the year ended December 31, 2014, and have issued our report thereon dated December 1, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
December 1, 2015

NELSON COUNTY
Lakota, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended December 31, 2014 and 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

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

Internal control over financial reporting:

Material weaknesses identified? _____ Yes _____ X None noted

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

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

Federal Awards

Internal control over major programs:

Material weakness identified? _____ Yes _____ X None noted

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

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

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

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

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

NELSON COUNTY

Schedule of Findings and Questioned Costs – Continued

Section II - Financial Statement Findings

2014-01 – LACK OF SEGREGATION OF DUTIES

Condition:

Nelson County has two employees in the auditor and treasurer offices responsible for all duties performed by each office. It appears that the county does not have segregation of duties for keeping the assets separate from the posting to the General Ledger.

Criteria:

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the County.

Effect:

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the County's financial condition, whether due to error or fraud.

Recommendation:

Due to the size, complexity and the economic realities of Nelson County, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

Views of Responsible Officials:

Nelson County agrees with the recommendation and will segregate duties in the future if it is feasible.

Section III - Federal Award Findings and Questioned Costs

No matters reported.

STATE AUDITOR

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Board of County Commissioners
Nelson County
Lakota, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Nelson County, Lakota, North Dakota, for the years ended December 31, 2014 and 2013 which collectively comprise the County’s basic financial statements, and have issued our report thereon dated December 1, 2015. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133

As stated in our engagement letter dated October 15, 2015, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Nelson County’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by OMB Circular A-133.

As part of obtaining reasonable assurance about whether Nelson County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Nelson County’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the purpose of expressing an opinion on Nelson County’s compliance with those requirements over each major federal program. While our audit provides a reasonable basis for our opinion over compliance for each major federal program, it does not provide a legal determination on Nelson County’s compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Nelson County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

DISAGREEMENTS WITH MANAGEMENT

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

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated December 1, 2015.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

OTHER AUDIT FINDINGS OR ISSUES

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

The following presents our informal recommendations:

LACK OF SEGREGATION OF DUTIES – WATER RESOURCE DISTRICT

The Nelson County Water Resource District has one Secretary-Treasurer responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations. Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Water Resource District.

Due to the size, complexity and the economic realities of the Water Resource District, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

UNDERPLEDGED SECURITIES – COUNTY

A review of client documentation of securities pledged indicated that Nelson County was under-pledged at McVile State Bank by \$5,009 at 2/28/13, and at Farmers and Merchants State Bank by \$345,290 at 2/28/13. NDCC 21-04-09 states in part "when securities are so pledged to the board of any public corporation, the board shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits." Pledges are to be maintained in the amount of 110% above FDIC coverage.

We recommend that the Nelson County ensure that it maintains adequate pledges of securities at any bank where the bank balances could exceed FDIC Insurance. We recommend that the client pay special attention to high-balance months, ensuring that the bank increases pledges on hand as needed to meet the increasing bank account balances during these periods.

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

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


Robert R. Peterson
State Auditor

Fargo, North Dakota
December 1, 2015

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