

Pierce County
Rugby, NORTH DAKOTA

Audit Report

For the Year Ended
December 31, 2014



ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor

PIERCE COUNTY
Rugby, North Dakota

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PIERCE COUNTY
Rugby, North Dakota

COUNTY OFFICIALS

December 31, 2014

Duane Johnson	Chairman
Mike Christenson	Vice-Chairman
Joe Bohl	Commissioner
David Migler	Commissioner
Richard Larson	Commissioner
Karin Fursather	Auditor/Treasurer
Matt Lunde	Sheriff
Lori Miron	County Recorder
Galen J. Mack	State's Attorney
Coleen Stutrud	Clerk of Court

WATER RESOURCE BOARD OFFICIALS

December 31, 2014

Ronald Kremer	Chairman
Marvin Gisi	Vice-Chairman
Duane Hawk	Treasurer

**HEART OF AMERICA CORRECTIONAL
AND TREATMENT CENTER OFFICIALS**

December 31, 2014

Joe Bohl	Commissioner
Mike Christenson	Vice-Chairman
Duane Johnson	Commissioner
David Migler	Chairman
Richard Larson	Commissioner
Mike Graner	Director of Business Operations
Justine Fjallengar	Accounting Specialist

STATE AUDITOR

ROBERT R. PETERSON
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Local Government Division:
FARGO OFFICE
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
Pierce County
Rugby, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, North Dakota, as of and for the year ended December 31, 2014, 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 of 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, North Dakota, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 30-36 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 Pierce County's basic financial statements. The *schedule of fund activity arising from cash transactions* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2015 on our consideration of Pierce 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 Pierce County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
May 8 , 2015

PIERCE COUNTY
Rugby, North Dakota
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water Resource Dist.
ASSETS				
Cash, Cash Equivalents and Investments	\$ 5,273,707	\$ 473,547	\$ 5,747,254	\$ 38,826
Accounts Receivable	-	505,990	505,990	-
Intergovernmental Receivable	293,670	-	293,670	-
Due from County	-	-	-	114
Road Receivables	606	-	606	-
Taxes Receivable	39,140	-	39,140	1,002
Other Assets	255	-	255	-
Capital Assets (not being depreciated):				
Land	11,500	-	11,500	-
Construction in Progress	525,250	-	525,250	-
Capital Assets (net of accumulated depreciation):				
Buildings	675,865	1,889,340	2,565,205	-
Equipment	900,459	91,859	992,318	-
Infrastructure	1,750,804	72,108	1,822,912	-
Total Capital Assets	<u>\$ 3,863,878</u>	<u>\$ 2,053,307</u>	<u>\$ 5,917,185</u>	<u>\$ -</u>
Total Assets	<u>\$ 9,471,256</u>	<u>\$ 3,032,844</u>	<u>\$ 12,504,100</u>	<u>\$ 39,942</u>
LIABILITIES				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 174,010	\$ 94,450	\$ 268,460	\$ -
Salaries Payable	10,382	81,505	91,887	-
Payroll Liability	-	2,134	2,134	-
Grants Received in Advance	907,263	-	907,263	-
Retainage Payable	10,209	-	10,209	-
Interest Payable	2,349	580	2,929	-
<u>Non-Current Liabilities:</u>				
Due Within One Year:				
Special Assessment Payable	6,417	1,740	8,157	-
Loan Payable	4,020	-	4,020	-
Compensated Absences Payable	11,071	12,089	23,160	-
Due After One Year:				
Special Assessment Payable	57,752	15,661	73,413	-
Loan Payable	68,120	-	68,120	-
Compensated Absences Payable	44,284	48,355	92,639	-
Total Liabilities	<u>\$ 1,295,877</u>	<u>\$ 256,514</u>	<u>\$ 1,552,391</u>	<u>\$ -</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Taxes Received in Advance	<u>\$ 587,564</u>	<u>\$ -</u>	<u>\$ 587,564</u>	<u>\$ -</u>
NET POSITION				
Net Investment in Capital Assets	\$ 3,863,878	\$ 2,053,307	\$ 5,917,185	\$ -
Restricted for:				
Public Safety	40,757	-	40,757	-
Highways	2,264,779	-	2,264,779	-
Flood Repair	29,222	-	29,222	-
Health and Welfare	599,477	-	599,477	-
Culture and Recreation	51,142	-	51,142	-
Conservation of Natural Resources	204,991	-	204,991	39,942
Emergencies	249,038	-	249,038	-
Other Purposes	229,985	-	229,985	-
Unrestricted	<u>54,546</u>	<u>723,023</u>	<u>777,569</u>	<u>-</u>
Total Net Position	<u>\$ 7,587,815</u>	<u>\$ 2,776,330</u>	<u>\$ 10,364,145</u>	<u>\$ 39,942</u>

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Water Resource District
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- Type Activities	Total	
<u>Governmental Activities:</u>								
General Government	\$ 1,110,551	\$ 102,134	\$ 71,761	\$ -	\$ (936,656)	\$ -	\$ (936,656)	\$ -
Public Safety	700,216	66,687	156,796	-	(476,733)	-	(476,733)	-
Highways	1,711,934	184,163	769,359	1,098,760	340,348	-	340,348	-
Flood Repair	484,667	-	509,601	-	24,934	-	24,934	-
Health and Welfare	619,397	-	-	-	(619,397)	-	(619,397)	-
Culture and Recreation	36,644	-	-	-	(36,644)	-	(36,644)	-
Conserv. of Natural Res.	155,514	20,203	-	-	(135,311)	-	(135,311)	-
Other	45,289	-	-	-	(45,289)	-	(45,289)	-
Interest on Long-Term Debt	3,437	-	-	-	(3,437)	-	(3,437)	-
Total Governmental Activities	\$ 4,867,649	\$ 373,187	\$ 1,507,517	\$ 1,098,760	\$ (1,888,185)	\$ -	\$ (1,888,185)	\$ -
<u>Business-Type Activities:</u>								
HACTC	\$ 2,648,653	\$ 2,854,801	\$ -	\$ -	\$ -	\$ 206,148	\$ 206,148	\$ -
Total Primary Government	\$ 7,516,302	\$ 3,227,988	\$ 1,507,517	\$ 1,098,760	\$ (1,888,185)	\$ 206,148	\$ (1,682,037)	\$ -
<u>Component Unit:</u>								
Water Resource District	\$ 31,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (31,876)
<u>General Revenues:</u>								
Taxes:								
Property taxes; levied for general purposes					\$ 307,243	\$ -	\$ 307,243	\$ -
Property taxes; levied for special purposes					1,454,184	-	1,454,184	43,655
State aid & grants not restricted to specific programs:								
State Aid Distribution and Grants					598,597	-	598,597	8,681
Other State Shared Revenues					61,551	-	61,551	2,217
Forgiveness of debt					17,763	1,552	19,315	-
Unrestricted investment earnings					13,676	1,169	14,845	23
Miscellaneous revenues					113,688	-	113,688	155
Total General Revenues					\$ 2,566,702	\$ 2,721	\$ 2,569,423	\$ 54,731
Change in Net Position					\$ 678,517	\$ 208,869	\$ 887,386	\$ 22,855
Net Position - January 1					\$ 6,909,298	\$ 2,567,461	\$ 9,476,759	\$ 17,087
Net Position - December 31					\$ 7,587,815	\$ 2,776,330	\$ 10,364,145	\$ 39,942

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

PIERCE COUNTY
Rugby, North Dakota
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2014

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Road Districts	FEMA
<u>ASSETS</u>						
Cash and Investments	\$ 326,841	\$ 1,222,068	\$ 51,762	\$ 1,379,722	\$ 210,332	\$ 405,575
Intergovernmental Receivable	28,529	75,726	1,490	71,859	22,587	29,222
Road Receivables	-	-	606	-	-	-
Taxes Receivable	7,764	5,408	718	-	3,157	-
Other Assets	-	-	-	-	-	-
Total Assets	\$ 363,134	\$ 1,303,202	\$ 54,576	\$ 1,451,581	\$ 236,076	\$ 434,797
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts Payable	\$ -	\$ -	\$ 56,496	\$ -	\$ 90,989	\$ -
Salaries Payable	-	-	6,390	-	-	-
Grants Received in Advance	-	501,688	-	-	-	405,575
Total Liabilities	\$ -	\$ 501,688	\$ 62,886	\$ -	\$ 90,989	\$ 405,575
<u>Deferred Inflows of Resources:</u>						
Taxes Received in Advance	\$ 152,336	\$ 66,325	\$ 7,960	\$ -	\$ 42,450	\$ -
Road Receivables	-	-	606	-	-	-
Taxes Receivable	7,764	5,408	718	-	3,157	-
Total Deferred Inflows of Resources	\$ 160,100	\$ 71,733	\$ 9,284	\$ -	\$ 45,607	\$ -
Total Liabilities And Deferred Inflows of Resources	\$ 160,100	\$ 573,421	\$ 72,170	\$ -	\$ 136,596	\$ 405,575
<u>Fund Balances:</u>						
<u>Restricted for:</u>						
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and Bridges	-	729,781	-	1,451,581	99,480	-
Flood Repair	-	-	-	-	-	29,222
Health and Welfare	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Conserv. of Natural Resources	-	-	-	-	-	-
Emergencies	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Unassigned:	203,034	-	(17,594)	-	-	-
Total Fund Balances	\$ 203,034	\$ 729,781	\$ (17,594)	\$ 1,451,581	\$ 99,480	\$ 29,222
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 363,134	\$ 1,303,202	\$ 54,576	\$ 1,451,581	\$ 236,076	\$ 434,797

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

County Poor Relief	Other Governmental Funds	Total Governmental Funds
\$ 580,324	\$ 1,097,083	\$ 5,273,707
24,521	39,736	293,670
-	-	606
9,994	12,099	39,140
-	255	255
<u>\$ 614,839</u>	<u>\$ 1,149,173</u>	<u>\$ 5,607,378</u>

\$ 3,986	\$ 22,539	\$ 174,010
-	3,992	10,382
-	-	907,263
<u>\$ 3,986</u>	<u>\$ 26,531</u>	<u>\$ 1,091,655</u>

\$ 130,924	\$ 187,569	\$ 587,564
-	-	606
9,994	12,099	39,140
<u>\$ 140,918</u>	<u>\$ 199,668</u>	<u>\$ 627,310</u>

<u>\$ 144,904</u>	<u>\$ 226,199</u>	<u>\$ 1,718,965</u>
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\$ -	\$ 50,820	\$ 50,820
-	-	2,280,842
-	-	29,222
469,935	129,238	599,173
-	50,981	50,981
-	202,568	202,568
-	248,524	248,524
-	240,843	240,843
-	-	185,440
<u>\$ 469,935</u>	<u>\$ 922,974</u>	<u>\$ 3,888,413</u>

<u>\$ 614,839</u>	<u>\$ 1,149,173</u>	<u>\$ 5,607,378</u>
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PIERCE COUNTY
Rugby, North Dakota

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

Total *Fund Balances* for Governmental Funds \$ 3,888,413

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	\$ 6,386,943	
Less Accumulated Depreciation	<u>(2,523,065)</u>	
Net Capital Assets		3,863,878

Property taxes & road accounts 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	\$ 39,140	
Road Department Accounts Receivable	<u>606</u>	39,746

Retainages payable are not a current fund liability at year-end. Retainages are a government wide liability. (10,209)

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 the following

Special Assessments Payable	\$ (64,169)	
Loan Payable	(72,140)	
Interest Payable	(2,349)	
Compensated Absences	<u>(55,355)</u>	
Total Long-Term Liabilities		<u>(194,013)</u>

Total Net Position of Governmental Activities \$ 7,587,815

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

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PIERCE COUNTY
Rugby, North Dakota

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

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Road Districts	FEMA
Revenues:						
Taxes	\$ 308,306	\$ 245,590	\$ 31,498	\$ -	\$ 147,949	\$ -
Intergovernmental	381,002	1,153,899	7,255	609,369	162,608	513,889
Licenses, Permits and Fees	3,450	-	-	-	-	-
Charges for Services	43,327	-	181,933	-	3,658	-
Interest Income	13,676	-	-	-	-	-
Miscellaneous	48,089	-	-	-	2,792	-
Total Revenues	\$ 797,850	\$ 1,399,489	\$ 220,686	\$ 609,369	\$ 317,007	\$ 513,889
Expenditures:						
Current:						
General Government	\$ 769,040	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	161,071	-	-	-	-	-
Highways and Bridges	-	103,385	724,114	152,499	309,592	-
Flood Repair	-	-	-	-	-	484,667
Health and Welfare	10,000	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Conserv. of Natural Resources	1,400	-	-	-	-	-
Capital Outlay	367,559	1,134,316	-	-	304,000	-
Other	45,289	-	-	-	-	-
Debt Service:						
Principal	507	-	1,049	-	-	-
Interest and Fees	223	-	461	-	-	-
Total Expenditures	\$ 1,355,089	\$ 1,237,701	\$ 725,624	\$ 152,499	\$ 613,592	\$ 484,667
Excess (Deficiency) of Revenues Over Expenditures	\$ (557,239)	\$ 161,788	\$ (504,938)	\$ 456,870	\$ (296,585)	\$ 29,222
Other Financing Sources (Uses):						
Transfers In	\$ -	\$ -	\$ 450,000	\$ -	\$ -	\$ -
Transfers Out	(166,000)	-	-	(450,000)	-	-
Total Other Financing Sources and Uses	\$ (166,000)	\$ -	\$ 450,000	\$ (450,000)	\$ -	\$ -
Net Change in Fund Balances	\$ (723,239)	\$ 161,788	\$ (54,938)	\$ 6,870	\$ (296,585)	\$ 29,222
Fund Balances - January 1	\$ 926,273	\$ 567,993	\$ 37,344	\$ 1,444,711	\$ 396,065	\$ -
Fund Balances - December 31	\$ 203,034	\$ 729,781	\$ (17,594)	\$ 1,451,581	\$ 99,480	\$ 29,222

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

County Poor Relief	Other Governmental Funds	Total Governmental Funds
\$ 490,087	\$ 533,334	\$ 1,756,764
109,361	329,042	3,266,425
-	-	3,450
-	142,247	371,165
-	-	13,676
-	62,807	113,688
<u>\$ 599,448</u>	<u>\$ 1,067,430</u>	<u>\$ 5,525,168</u>

\$ -	\$ 332,126	\$ 1,101,166
-	516,716	677,787
-	-	1,289,590
-	-	484,667
60,033	542,312	612,345
-	36,644	36,644
-	151,580	152,980
-	-	1,805,875
-	-	45,289
-	3,994	5,550
-	3,017	3,701
<u>\$ 60,033</u>	<u>\$ 1,586,389</u>	<u>\$ 6,215,594</u>

\$ 539,415 \$ (518,959) \$ (690,426)

\$ - \$ 791,820 \$ 1,241,820
(500,000) (125,820) (1,241,820)

\$ (500,000) \$ 666,000 \$ -

\$ 39,415 \$ 147,041 \$ (690,426)

\$ 430,520 \$ 775,933 \$ 4,578,839

\$ 469,935 \$ 922,974 \$ 3,888,413

PIERCE COUNTY
Rugby, 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 <i>Fund Balances</i> - Total Governmental Funds	\$ (690,426)
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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 depreciation expense exceeded capital outlays in the current year.

Current Year Capital Outlay	\$ 707,115	
Capital Contributions	1,098,760	
Current Year Depreciation Expense	<u>(436,492)</u>	1,369,383

The net result of miscellaneous transactions involving capital assets was a net decrease to capital assets.	(3,529)
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Retainages payable is not an expenditure at the fund level. Retainages are paid or will be paid more than two months after year-end. The net change in retainages payable totaled.	(10,209)
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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.

Repayment of Debt - Special Assessments	\$ 6,417	
Repayment of Debt - Loans	<u>16,896</u>	23,313

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	\$ (13,514)	
Net Change in Interest Payable	<u>264</u>	(13,250)

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.

Net Change in Taxes Receivable	\$ 4,663	
Net Change in Road Department Receivables	<u>(1,428)</u>	3,235

Change in Net Position of Governmental Activities	<u>\$ 678,517</u>
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The notes to the financial statements are an integral part of this statement.

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	<u>Business-Type Activities</u>
	<u>Heart of America Correctional and Treatment Center</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash	\$ 473,547
Accounts Receivable	505,990
Total Current Assets	<u>\$ 979,537</u>
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depreciation):	
Buildings	\$ 1,889,340
Equipment	91,859
Infrastructure	72,108
Total Capital Assets	<u>\$ 2,053,307</u>
Total Noncurrent Assets	<u>\$ 2,053,307</u>
Total Assets	<u>\$ 3,032,844</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 94,450
Salaries Payables	81,505
Payroll Liability	2,134
Interest Payable	580
Special Assessment Payable	1,740
Compensated Absences	12,089
Total Current Liabilities	<u>\$ 192,498</u>
<u>Noncurrent Liabilities:</u>	
Special Assessment Payable	\$ 15,661
Compensated Absences	48,355
Total Noncurrent Liabilities	<u>\$ 64,016</u>
Total Liabilities	<u>\$ 256,514</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 2,053,307
Unrestricted	723,023
Total Net Position	<u>\$ 2,776,330</u>

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	<u>Business-Type Activities</u>
	<u>Heart of America Correctional and Treatment Center</u>
<u>Operating Revenues:</u>	
Housing - Security	\$ 2,644,100
Billable Medical	48,800
Laundry Services	38,544
Transport	54,915
Commission - Turnkey	55,407
Other Operatin Revenues	<u>13,035</u>
Total Operating Revenues	<u>\$ 2,854,801</u>
<u>Operating Expenses:</u>	
Payroll and Employee Benefits	\$ 1,871,014
Utilities	133,096
Medical	73,415
Kitchen & Laundry	197,729
Supplies	119,003
Professional Fees	33,319
Other Operating Expenses	150,649
Depreciation Expense	<u>70,403</u>
Total Operating Expenses	<u>\$ 2,648,628</u>
Operating Income (Loss)	<u>\$ 206,173</u>
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	\$ 1,169
Forgiveness of Debt	1,552
Interest and Service Charges	<u>(25)</u>
Total Non-Operating Revenues (Expenses)	<u>\$ 2,696</u>
Total Net Position - January 1	<u>\$ 2,567,461</u>
Total Net Position - December 31	<u><u>\$ 2,776,330</u></u>

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	<u>Business-Type Activities</u>
	<u>Heart of America Correctional and Treatment Center</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 2,693,290
Cash Payments to Suppliers for Goods and Services	(615,162)
Cash Payments to Employees for Services	<u>(1,835,751)</u>
Net Cash Provided by Operating Activities	<u>\$ 242,377</u>
<u>Cash Flows from Non-capital and Related Financing Activities:</u>	
Interest Received	<u>\$ 1,169</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	\$ (31,375)
Principal on Long-Term Debt	(189)
Interest Paid	<u>(82)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (31,646)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 211,900</u>
Cash and Cash Equivalents, January 1	<u>\$ 261,647</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 473,547</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income (Loss)	<u>\$ 206,173</u>
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>	
Depreciation Expense	\$ 70,403
Change in Assets and Liabilities:	
Change in Accounts Receivable	(161,511)
Change in Salaries Payable	30,678
Loss on Capital Assets	32,589
Change in Accounts Payable	59,461
Change in Payroll Liability	597
Change in Compensated Absence	<u>3,987</u>
Total Adjustments	<u>\$ 36,204</u>
Net Cash Provided by Operating Activities	<u><u>\$ 242,377</u></u>

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2014

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 1,154,885</u>
<u>Liabilities:</u>	
Due to Other Governments/Entities	<u>\$ 1,154,885</u>

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

PIERCE COUNTY
Rugby, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pierce County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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 county's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of Pierce 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 Pierce 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 Pierce County.

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

COMPONENT UNITS

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

Discretely Presented Component Unit: The component unit's column in the financial statements includes the financial data of the county's two component units. This unit is reported in a separate column to emphasize that it is legally separate from the county.

Pierce County Water Resource District: The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Pierce County and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, 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 Road Fund. This fund accounts for the costs of constructing and maintaining federal aid farm to market roads within the county. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

County Road and Bridge Fund. This fund accounts for the maintenance and repair of roads within the county. The major sources of revenue are a restricted tax levy and State/Federal grants/reimbursements.

Highway Tax Distribution Fund. This fund accounts for the Highway Tax Distribution from the State to be used for the maintenance and repair of roads within the county. The major source of revenue is restricted state highway tax funds

Road Districts Fund. This fund accounts for construction costs related to road for unorganized townships. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

FEMA Fund. This fund accounts for state and federal grants for flood disaster repairs and the related disbursements. The major primary source of revenue is restricted Federal and State grants/reimbursements for flood related repairs.

County Poor Relief Fund. This fund accounts for the taxes levied for social welfare programs that are transferred to the social welfare fund to help finance the costs of providing social service benefits and programs to needy residents of the county. The major source of revenue is a restricted tax levy.

The County reports the following major enterprise fund:

HACTC. This fund accounts for the lease payments received from the Heart of America Correctional and Treatment Center and for the Heart of America Correctional and Treatment Center's employee benefits, which are reimbursed by the Heart of America Correctional and Treatment Center. The major source of revenue has been committed by a board motion.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities

Additionally, the County reports the following fund type:

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the year ended December 31, 2014 consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

E. Capital Assets

PRIMARY GOVERNMENT – GOVERNMENTAL ACTIVITIES:

Capital assets of the governmental activities, which include property, plant, and equipment, are reported in the applicable 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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Assets	Years
Buildings	15 – 100
Equipment	5 – 12
Infrastructure	8 – 20

PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES:

Capital Assets – Business-Type Activities:

Capital assets of the Heart of America Correctional and Treatment Center include Vehicles, Equipment, and Infrastructure. Assets are reported in the business-type activities column in the government-wide financial statements, and in the statement of net position – proprietary funds for business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend asset lives are not capitalized.

F. Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the County. Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of thirty days. Sick leave benefits are allowed to accumulate up to 60 days. Once an employee has reached their maximum sick leave level, they are eligible to trade any additional sick leave awarded at a rate of one day of vacation for ten days of sick leave. Vested or accumulated vacation leave is reported in the general long-term debt account group. No liability is recorded for non-vesting accumulating rights for sick leave benefits.

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.

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 Pierce 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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

Minimum Fund Balance Policy:

The Pierce County budget committee established a 15-20% general fund carryover balance target to help with financial stability. The 15-20% fund balance range is a part of the budget recommendation adopted by the county each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$203,034 at December 31, 2014 represented 15% of annual 2014 expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (county road & bridge, farm to market road, highway tax distribution, road districts, FEMA, and county poor relief) are disclosed in more detail in Note 1B in the discussion of major funds.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

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

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

Pierce County reports restricted and unassigned fund balances at December 31, 2014.

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, health & welfare, culture & recreation, conservation of natural resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments).

Special Revenue Funds – Restricted & Committed Fund Balances:

(a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:

- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
- Restricted grants/reimbursements – primarily includes FEMA funds, other grant funds, and highway tax distribution.

Unassigned Fund Balances:

Unassigned fund balances at year-end 2014 consist of an amount in the general fund and amounts reported for negative fund balances in the sheriff's grant fund and library elevator project fund.

Net Position:

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

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

Restrictions of net position shown in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements. Restrictions of net position in the statement of net position are shown by primary function and are restricted for highways and bridges, public safety, health & welfare, culture & recreation, conservation of natural 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. 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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS**BUDGET AMENDMENTS**

The board of county commissioners amended the county budget for 2014 as follows:

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
Major Funds:			
General Fund	\$1,216,019	\$ 144,552	\$1,360,571
Farm to Market	180,000	1,057,701	1,237,701
FEMA	-	484,667	484,667
Nonmajor Special Revenue Funds:			
Health Insurance	217,623	1,055	218,679
Law Enforcement	217,197	231,404	448,601
Library Elevator Project	12,000	22,701	34,701
Insurance Reserve	16,000	2,073	18,073

NOTE 3: DEPOSITS

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

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

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

At December 31, 2014, the county's carrying amount of deposits was \$6,757,414 and the bank balances were \$7,027,509. Of the bank balances, \$1,005,509 was covered by Federal Depository Insurance. The remaining balance of \$6,022,000 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

As of December 31, 2014, the county held certificates of deposit in the amount of \$1,900,000, which are all considered deposits.

Concentration of Credit Risk:

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

Discretely Presented Component Units:

At December 31, 2014, Pierce County Water Resource District's carrying amount of deposits was \$38,826 and the bank balance was \$39,630, all of which was covered by Federal Depository Insurance. The Water Resource District does not have any investments.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consist of billings for costs related to prisoners at the Heart of America Correctional and Treatment Center.

NOTE 5: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due for expenses in the operation various welfare, road, and emergency management programs. These amounts consist of a mix of state and federal dollars.

NOTE 6: ROAD RECEIVABLES

Road department receivables of the primary government consist of amounts due for road work for townships and individuals.

NOTE 7: TAXES RECEIVABLE

Taxes receivable included in the deferred inflows of resources on the balance sheet represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

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

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 8: CAPITAL ASSETS

The following is a summary of changes in capital assets for Pierce County for the year ended December 31, 2014

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,500	\$ -	\$ -	\$ 11,500
Construction in Progress	-	525,250	-	525,250
Total Capital Assets, Not Being Depreciated	\$ 11,500	\$ 525,250	\$ -	\$ 536,750
<i>Capital assets being depreciated:</i>				
Buildings	\$ 583,261	\$ 350,929	\$ -	\$ 934,190
Equipment	1,956,774	320,630	288,896	1,988,508
Infrastructure	2,318,428	609,066	-	2,927,494
Total Capital Assets, Being Depreciated	\$4,858,463	\$1,280,625	\$288,896	\$5,850,192
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 247,638	\$ 10,687	\$ -	\$ 258,325
Equipment	1,077,805	295,611	285,367	1,088,049
Infrastructure	1,046,496	130,194	-	1,176,690
Total Accumulated Depreciation	\$2,371,939	\$ 436,492	\$285,367	\$2,523,064
Total Capital Assets Being Depreciated, Net	\$2,486,524	\$ 844,133	\$ 3,529	\$3,327,128
Governmental Activities Capital Assets, Net	\$2,498,024	\$1,369,383	\$ 3,529	\$3,863,878

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

Governmental Activities:	Amounts
General Government	\$ 8,607
Public Safety	16,789
Highways and Bridges	405,930
Health and Welfare	2,632
Conservation of Natural Resources	2,534
Total Depreciation Expense-Governmental Activities	\$436,492

Heart of America Correctional and Treatment Center

The following is a summary of changes in capital assets for the Heart of America Correctional and Treatment Center, a discretely presented component unit of Pierce County, for the year ended December 31, 2014:

BUSINESS-TYPE: Enterprise Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14
<i>Capital assets being depreciated:</i>				
Buildings	\$2,147,250	\$ -	\$ -	\$2,147,250
Equipment	157,676	31,375	45,264	143,787
Infrastructure	79,531	-	-	79,531
Total Capital Assets, Being Depreciated	\$2,384,457	\$ 31,375	\$45,264	\$2,370,568
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 213,520	\$ 44,390	\$ -	\$ 257,910
Equipment	40,182	24,422	12,676	51,928
Infrastructure	5,832	1,591	-	7,423
Total Accumulated Depreciation	\$ 259,534	\$ 70,403	\$12,676	\$ 317,261
Total Capital Assets Being Depreciated, Net	\$2,124,923	\$(39,028)	\$32,588	\$2,053,307
Governmental Activities Capital Assets, Net	\$2,124,923	\$(39,028)	\$32,588	\$2,053,307

PIERCE COUNTY

Notes to the Financial Statements – Continued

Depreciation expense totaling \$70,403 was charged to the Heart of America Correctional and Treatment Center.

NOTE 9: ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2014.

NOTE 10: 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 11: GRANTS RECEIVED IN ADVANCE

Grants received in advance consist of funds received in the FEMA fund and Farm to Market Road Fund where the eligibility requirements have not been met at December 31, 2014.

NOTE 12: RETAINAGES PAYABLE

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at December 31, 2014 by the Water Resource District (component unit).

NOTE 13: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2014.

NOTE 14: LONG-TERM DEBT**PRIMARY GOVERNMENT:**

Changes in Long-Term Liabilities - During the year ended December 31, 2014, the following changes occurred in long-term liabilities for Pierce County:

Governmental Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Special Assessments	\$ 70,586	\$ -	\$ 6,417	\$ 64,169	\$ 6,417
USDA Loans	89,036	-	16,896	72,140	4,020
Compensated Absences *	41,841	13,514	-	55,355	11,071
Total Governmental Activities	\$201,463	\$13,514	\$23,313	\$191,664	\$21,508

Business-Type Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Special Assessments	\$19,141	\$ -	\$1,740	\$17,401	\$ 1,740
Compensated Absences *	57,306	3,138	-	60,444	12,089
Total Governmental Activities	\$76,447	\$3,138	\$1,740	\$77,845	\$13,829

* 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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

Outstanding debt (excluding compensated absences) at December 31, 2014 consists of the following issues:

Governmental Activities:**Special Assessments on County Property:**

Special assessments on several parcels of property at various locations throughout the County \$ 64,169

Loans Payable:

\$99,463 Loan Payable for library elevator project, due in monthly installments of \$7,000 through December 11, 2032; interest at 3.50%. 72,140

Total Long-Term Debt (excluding compensated absences) \$136,309

Business-Type Activities:**Special Assessments on Heart of America Correctional and Treatment Center Property:**

Special assessments on several parcels of property at various locations throughout the County. \$ 17,401

The annual requirements to amortize the outstanding debt, excluding compensated absences, are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending 12-31-14	Special Assessments		Loan Payable	
	Principal	Interest	Principal	Interest
2014	\$ 6,417	\$ 2,567	\$ 4,475	\$ 2,525
2015	6,417	2,310	4,632	2,368
2016	6,417	2,053	4,794	2,206
2017	6,417	1,797	4,962	2,038
2018	6,417	1,540	5,135	1,864
2019 - 2023	32,084	3,850	28,502	6,498
2024 - 2028	-	-	19,640	1,393
Total	\$64,169	\$14,117	\$72,140	\$18,893

BUSINESS-TYPE ACTIVITIES		
Year Ending 12-31-14	Special Assessments	
	Principal	Interest
2014	\$ 1,740	\$ 696
2015	1,740	626
2016	1,740	557
2017	1,740	487
2018	1,740	418
2019 - 2023	8,700	1,044
Total	\$17,401	\$3,828

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 15: TAXES RECEIVED IN ADVANCE / DEFERRED INFLOWS

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the amount for taxes paid in advance in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes are measurable but not available. Taxes paid in advance in the deferred inflows of resources in the government wide statement of net position consist of prepaid taxes collected prior to December 31, 2014 but not earned until January 2015 when they are properly apportioned.

NOTE 16: TRANSFERS

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

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ -	\$ 166,000
Road and Bridge	450,000	-
Highway Distribution	-	450,000
County Poor Relief	-	500,000
Nonmajor Special Revenue Funds:		
Social Services	500,000	-
Social Security	-	100,820
Health Insurance	100,820	-
Law Enforcement Center	166,000	-
E911 Wireless	-	25,000
E 911 System	25,000	-
Total Transfers	\$1,241,820	\$1,241,820

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

NOTE 17: PENSION PLAN

Pierce 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, P.O. Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 7% of their annual covered salary. The county is required to contribute 8.26% of the employee's salary, which consists of 7.12% 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 \$299,853, \$258,925, and \$210,828, respectively, equal to the required contributions for the year.

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 18: RISK MANAGEMENT

Pierce 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. Pierce County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF for automobile and general liability is limited to losses of two million dollars per occurrence. Public Assets coverage is limited to \$1,972,885.

Pierce County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Pierce County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides Pierce County with blanket fidelity bond coverage in the amount of \$1,211,760 for its employees, and \$1,055,000 for the Heart of America Correctional and Treatment Center employees. The State Bonding Fund does not currently charge any premium for this coverage.

Pierce County has workers compensation with the North Dakota Workforce Safety and Insurance. The county provides health insurance for employees.

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

NOTE 19: JOINT VENTURES

Lake Region District Health Unit

Pierce County entered into a joint venture with Ramsey, Benson and Eddy Counties for the operation of the Lake Region District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the property valuation of each county.

Unaudited summary financial information for the year ended December 31, 2014 is as follows:

	Lake Region District Health Unit
Total Assets	\$ 1,352,095
Revenues	\$ 1,755,457
Expenses	1,469,622
Net Decrease in Net Position	\$ 285,835

Complete financial information can be obtained from Lake Region District Health Unit, Courthouse, Devils Lake, ND 58301.

Heart of America Library

Pierce County entered into a joint venture with the City of Rugby for the operation of the Heart of America Library. Pierce County and the City of Rugby share of the cost of operations is determined by the mill levy allowed for libraries for each entity. Board member appointments consist of four members appointed by the county, four members appointed by the city and one member from each governing board.

PIERCE COUNTY

Notes to the Financial Statements – Continued

Unaudited summary financial information for the year ended December 31, 2014 is as follows:

	Heart of America Library
Cash and Investments	\$ 165,155
Total Liabilities	(7,000)
Total Net Position	\$ 158,155
<hr/>	
Total Revenues	\$ 171,775
Total Expenses	131,797
Net Change in Position	\$ 39,978

Complete financial information can be obtained from Heart of America Library, 201 Third Street SW, Rugby, ND 58368.

Devils Lake Basin Joint Water Resource District

Under authorization of state statutes the Pierce County Water Resource District joined the water resource districts of Rolette County, Benson County, Nelson County, Ramsey County, Cavalier 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. The joint agreement created 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 net position 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	\$664,254
Total Liabilities	(25,968)
Total Net position	\$638,286
Revenues	\$312,857
Expenses	406,925
Net Decrease in Net position	\$ (94,068)

Complete financial information can be obtained from the Devils Lake Basin Joint Water Resource District, 524 4th Avenue NE, #27, Devils Lake, ND 58301.

NOTE 20: CONSTRUCTION COMMITMENTS

Pierce County had the following open construction commitment as of December 31, 2014:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
CNOA-3505(054)	\$1,074,397	\$510,447	\$10,209	\$574,159

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 305,713	\$ 305,713	\$ 308,306	\$ 2,593
Intergovernmental	510,159	510,159	381,002	(129,157)
Licenses, Permits and Fees	3,450	3,450	3,450	-
Charges for Services	45,000	45,000	43,327	(1,673)
Interest Income	30,000	30,000	13,676	(16,324)
Miscellaneous	63,880	63,880	48,089	(15,791)
Total Revenues	\$ 958,202	\$ 958,202	\$ 797,850	\$ (160,352)
<u>Expenditures:</u>				
Current:				
General Government	\$ 973,254	\$ 1,117,806	\$ 769,040	\$ 348,766
Public Safety	180,965	180,965	161,071	19,894
Health and Welfare	10,000	10,000	10,000	-
Conservation of Natural Resources	1,800	1,800	1,400	400
Other	50,000	50,000	45,289	4,711
Capital Outlay	-	-	367,559	(367,559)
Debt Service:				
Principal	-	-	507	(507)
Interest	-	-	223	(223)
Total Expenditures	\$ 1,216,019	\$ 1,360,571	\$ 1,355,089	\$ 5,482
Excess (Deficiency) of Revenues Over Expenditures	\$ (257,817)	\$ (402,369)	\$ (557,239)	\$ (154,870)
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (166,000)	\$ (166,000)
Net Change in Fund Balances	\$ (257,817)	\$ (402,369)	\$ (723,239)	\$ (320,870)
Fund Balances - January 1	\$ 926,273	\$ 926,273	\$ 926,273	\$ -
Fund Balances - December 31	\$ 668,456	\$ 523,904	\$ 203,034	\$ (320,870)

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 270,262	\$ 270,262	\$ 245,590	\$ (24,672)
Intergovernmental	48,935	48,935	1,153,899	1,104,964
Total Revenues	\$ 319,197	\$ 319,197	\$ 1,399,489	\$ 1,080,292
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 50,000	\$ 103,385	\$ 103,385	\$ -
Capital Outlay	130,000	1,134,316	1,134,316	-
Total Expenditures	\$ 180,000	\$ 1,237,701	\$ 1,237,701	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 139,197	\$ (918,504)	\$ 161,788	\$ 1,080,292
Fund Balances - January 1	\$ 567,993	\$ 567,993	\$ 567,993	\$ -
Fund Balances - December 31	<u>\$ 707,190</u>	<u>\$ (350,511)</u>	<u>\$ 729,781</u>	<u>\$ 1,080,292</u>

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 45,187	\$ 45,187	\$ 31,498	\$ (13,689)
Intergovernmental	8,680	8,680	7,255	(1,425)
Charges for Services	164,000	164,000	181,933	17,933
Total Revenues	\$ 217,867	\$ 217,867	\$ 220,686	\$ 2,819
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 872,034	\$ 872,034	\$ 724,114	\$ 147,920
Debt Service:				
Principal	-	-	1,049	(1,049)
Interest	-	-	461	(461)
Total Expenditures	\$ 872,034	\$ 872,034	\$ 725,624	\$ 146,410
Excess (Deficiency) of Revenues Over Expenditures	\$ (654,167)	\$ (654,167)	\$ (504,938)	\$ 149,229
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 360,000	\$ 360,000	\$ 450,000	\$ 90,000
Net Change in Fund Balances	\$ (294,167)	\$ (294,167)	\$ (54,938)	\$ 239,229
Fund Balances - January 1	\$ 37,344	\$ 37,344	\$ 37,344	\$ -
Fund Balances - December 31	\$ (256,823)	\$ (256,823)	\$ (17,594)	\$ 239,229

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 609,519	\$ 609,519	\$ 609,369	\$ (150)
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 350,000	\$ 350,000	\$ 152,499	\$ 197,501
Excess (Deficiency) of Revenues Over Expenditures	\$ 259,519	\$ 259,519	\$ 456,870	\$ 197,351
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ 360,000	\$ 360,000	\$ (450,000)	\$ (810,000)
Net Change in Fund Balances	\$ 619,519	\$ 619,519	\$ 6,870	\$ (612,649)
Fund Balances - January 1	\$ 1,444,711	\$ 1,444,711	\$ 1,444,711	\$ -
Fund Balances - December 31	\$ 2,064,230	\$ 2,064,230	\$ 1,451,581	\$ (612,649)

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
ROAD DISTRICTS FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 175,200	\$ 175,200	\$ 147,949	\$ (27,251)
Intergovernmental	84,102	84,102	162,608	78,506
Charges for Services	1,432	1,432	3,658	2,226
Miscellaneous	5,400	5,400	2,792	(2,608)
Total Revenues	\$ 266,134	\$ 266,134	\$ 317,007	\$ 50,873
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 317,223	\$ 317,223	\$ 309,592	\$ 7,631
Capital Outlay	304,000	304,000	304,000	-
Total Expenditures	\$ 621,223	\$ 621,223	\$ 613,592	\$ 7,631
Excess (Deficiency) of Revenues Over Expenditures	\$ (355,089)	\$ (355,089)	\$ (296,585)	\$ 58,504
Fund Balances - January 1	\$ 396,065	\$ 396,065	\$ 396,065	\$ -
Fund Balances - December 31	\$ 40,976	\$ 40,976	\$ 99,480	\$ 58,504

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 513,889	\$ 513,889
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ -	\$ 484,667	\$ 484,667	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (484,667)	\$ 29,222	\$ 513,889
Fund Balances - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balances - December 31	\$ -	\$ (484,667)	\$ 29,222	\$ 513,889

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY POOR RELIEF FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 507,776	\$ 507,776	\$ 490,087	\$ (17,689)
Intergovernmental	89,370	89,370	109,361	19,991
Total Revenues	<u>\$ 597,146</u>	<u>\$ 597,146</u>	<u>\$ 599,448</u>	<u>\$ 2,302</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 62,500	\$ 62,500	\$ 60,033	\$ 2,467
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 534,646</u>	<u>\$ 534,646</u>	<u>\$ 539,415</u>	<u>\$ 4,769</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (647,823)	\$ (647,823)	\$ (500,000)	\$ 147,823
Net Change in Fund Balances	<u>\$ (113,177)</u>	<u>\$ (113,177)</u>	<u>\$ 39,415</u>	<u>\$ 152,592</u>
Fund Balances - January 1	<u>\$ 430,520</u>	<u>\$ 430,520</u>	<u>\$ 430,520</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 317,343</u></u>	<u><u>\$ 317,343</u></u>	<u><u>\$ 469,935</u></u>	<u><u>\$ 152,592</u></u>

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

PIERCE COUNTY
Rugby, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

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.

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PIERCE COUNTY
Rugby, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
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	\$ 822,897.05	\$ 880,625.08	\$ -	\$ -	\$ 166,000.00	\$ 1,363,017.40	\$ 174,504.73
Farm to Market	550,340.53	1,843,103.01	-	-	-	1,237,700.60	1,155,742.94
Road and Bridge	57,274.26	221,880.03	450,000.00	-	-	685,351.77	43,802.52
Highway Distribution	1,380,365.50	601,856.08	-	-	450,000.00	152,500.00	1,379,721.58
Road Districts	375,492.82	314,991.40	-	-	-	522,602.78	167,881.44
FEMA	382,483.75	507,758.18	-	-	-	484,666.62	405,575.31
County Poor Relief	396,051.31	609,394.91	-	-	500,000.00	56,046.36	449,399.86
Total Major Funds	\$3,964,905.22	\$ 4,979,608.69	\$ 450,000.00	\$ -	\$ 1,116,000.00	\$ 4,501,885.53	\$3,776,628.38
Nonmajor Funds:							
Special Revenue Funds:							
Social Services	\$ 30,852.45	\$ 114,053.28	\$ 500,000.00	\$ -	\$ -	\$ 523,979.73	\$ 120,926.00
Emergency Poor	26,241.89	-	-	-	-	-	26,241.89
Emergency Fund	247,722.82	800.99	-	-	-	-	248,523.81
Veterans Service Officer	5,496.52	5,452.91	-	-	-	5,429.28	5,520.15
Social Security	177,810.96	208,694.05	-	-	100,820.00	89,945.04	195,739.97
Health Insurance	7,634.77	128,853.47	100,820.00	-	-	218,678.76	18,629.48
County Agent	69,652.32	33,403.90	-	-	-	43,098.68	59,957.54
Weed Control	92,907.32	152,224.99	-	-	-	108,480.86	136,651.45
Law Enforcement Center	12,328.10	274,130.65	166,000.00	-	-	448,601.34	3,857.41
E911 Wireless	10,849.85	32,095.50	-	-	25,000.00	5,953.02	11,992.33
E 911 System	11,043.19	20,196.99	25,000.00	-	-	30,119.66	26,120.52
Community Service	21,299.10	50,556.58	-	-	-	37,451.72	34,403.96
County Park	16,759.27	8,393.19	-	-	-	8,953.65	16,198.81
Sheriff's Grant	3.60	1,313.66	-	-	-	866.22	451.04
Insurance Reserve	15,318.20	7,308.70	-	-	-	18,072.67	4,554.23
State Grant	-	630.00	-	-	-	630.00	-
Library Proj Elevator	0.02	34,701.00	-	-	-	34,701.00	0.02
Total Nonmajor Funds	\$ 745,920.38	\$ 1,072,809.86	\$ 791,820.00	\$ -	\$ 125,820.00	\$ 1,574,961.63	\$ 909,768.61
Total Governmental Funds	\$4,710,825.60	\$ 6,052,418.55	\$1,241,820.00	\$ -	\$ 1,241,820.00	\$ 6,076,847.16	\$ 4,686,396.99
Enterprise Fund:							
HACTC Facility	\$ 569,601.05	\$ 3,349,075.58	\$ -	\$ -	\$ -	\$ 3,035,723.66	\$ 882,952.97
Total Primary Government	\$5,280,426.65	\$ 9,401,494.13	\$1,241,820.00	\$ -	\$ 1,241,820.00	\$ 9,112,570.82	\$5,569,349.96
Agency Funds:							
Payroll Deduction	\$ 2,737.21	\$ 10,731.87	\$ -	\$ -	\$ -	\$ 10,930.79	\$ 2,538.29
Senior Citizens	102.25	49,266.66	-	-	-	49,316.14	52.77
Job Development	0.34	-	-	-	-	-	0.34
State Medical Tax	111.76	25,535.70	-	-	-	25,591.06	56.40
Mobile Homes	2,074.40	10,780.04	-	-	-	12,236.47	617.97
Advance Tax	19,411.76	33,988.63	-	-	-	41,277.98	12,122.41

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PIERCE COUNTY
Rugby, North Dakota

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

	Balance 1-1-14	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-14
<u>Agency Funds (Continued):</u>							
Abused Persons	\$ 105.00	\$ 315.00	\$ -	\$ -	\$ -	\$ 420.00	\$ -
Game & Fish	4,712.00	22,903.00	-	-	-	21,522.00	6,093.00
NDSU Extension Activity	2,011.47	1,029.65	-	-	-	1,835.18	1,205.94
NDSU Pesticide	2,132.97	2,100.00	-	-	-	3,615.92	617.05
Preservation Fund	9,413.59	7,806.25	-	-	-	3,689.22	13,530.62
Ambulance	204.54	59,997.71	-	-	-	60,098.27	103.98
County/City Library	409.06	124,474.26	-	-	-	124,690.25	193.07
Garrison Diversion	111.76	29,231.39	-	-	-	29,286.75	56.40
Health District Fund	316.23	111,177.06	-	-	-	111,304.84	188.45
Historical Society	32.52	11,350.85	-	-	-	11,368.41	14.96
Soil Conservation	111.76	28,250.08	-	-	-	28,305.44	56.40
Total Cities	2,630.97	853,662.55	-	-	-	854,994.09	1,299.43
Total City Park Districts	227.29	114,423.54	-	-	-	114,430.56	220.27
Total School Districts	14,855.63	2,736,136.33	-	-	-	2,745,154.61	5,837.35
Total Townships	984.21	710,455.68	-	-	-	710,818.66	621.23
Total Water District	195.49	54,486.65	-	-	-	54,590.75	91.39
Total Fire Districts	410.24	92,007.38	-	-	-	92,300.73	116.89
Total Agency Funds	\$ 63,302.45	\$ 5,090,110.28	\$ -	\$ -	\$ -	\$ 5,107,778.12	\$ 45,634.61
Total Primary Government	\$5,343,729.10	\$ 14,491,604.41	\$ 1,241,820.00	\$ -	\$ 1,241,820.00	\$ 14,220,348.94	\$ 5,614,984.57

STATE AUDITOR

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

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

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

Independent Auditor's Report

Board of County Commissioners
Pierce County
Rugby, 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Pierce County's basic financial statements, and have issued our report thereon dated May 8, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pierce 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 Pierce County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pierce 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2014-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pierce 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*.

PIERCE 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

Pierce County's Response to Findings

Pierce County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Pierce 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
May 8, 2015

PIERCE COUNTY
Rugby, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes X No

Significant deficiencies identified not considered to be material weaknesses? X Yes

Noncompliance material to financial statements noted? Yes X No

Section II – Financial Statement Findings

2014-01 – LACK OF SEGREGATION OF DUTIES – COUNTY

Condition:

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.

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.

Cause:

Due to the client's size, complexity, organizational structure and the economic realities the County faces, it is presently not economically feasible to have additional staff for the offices at Pierce County.

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.

PIERCE COUNTY

Schedule of Findings and Questioned Costs – Continued

Recommendation:

Due to the size, complexity and the economic realities of Pierce 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 / Planned Corrective Actions:

While we agree with the recommendation, due to the size and nature of the county, it is not feasible for us to obtain proper segregation of duties.

Section III - Federal Award Findings and Questioned Costs

No matters reported.

STATE AUDITOR

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Board of County Commissioners
Pierce County
Rugby, North Dakota

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, North Dakota, for the year ended December 31, 2014 which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 8, 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**

As stated in our engagement letter dated April 1, 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 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 Pierce County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting.

As part of obtaining reasonable assurance about whether Pierce County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management has the responsibility for 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 Pierce 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 May 8, 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:

* * * * *

SEGREGATION OF DUTIES – WATER RESOURCE DISTRICT

The Pierce County Water Resource District has one employee 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 the check register, maintain the general ledger, and perform bank reconciliations for each entity.

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

* * * * *

PIERCE COUNTY
Management Letter - Continued

This information is intended solely for the use of the Board of County Commissioners and management of Pierce 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 Pierce 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 Pierce County.

A handwritten signature in black ink, appearing to read "Bob Peterson". The signature is fluid and cursive, with a large initial "B" and "P".

Robert R. Peterson
State Auditor

Fargo, North Dakota
May 8, 2014

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