

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**RAMSEY COUNTY
DEVILS LAKE, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



RAMSEY COUNTY
Devils Lake, North Dakota

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RAMSEY COUNTY
Devils Lake, North Dakota

COUNTY OFFICIALS

December 31, 2012

| | |
|-------------------|-----------------------------------|
| Scott Diseth | Commissioner -Chairperson |
| Mark E. Olson | Commissioner - Vice Chairman |
| Myrna Heisler | Commissioner |
| Bill Mertens | Commissioner |
| Ed Brown | Commissioner |
| Elizabeth Fischer | County Auditor |
| Lisa Diseth | County Treasurer |
| Lisa Diseth | Superintendent of Schools Desinee |
| Kari Landsem | Clerk of Court |
| Katie Nadeau | County Recorder |
| Steven Nelson | Sheriff |
| Lonnie Olson | State's Attorney |
| Kristen Nelson | Emergency Manager/Risk Manager |
| Tanya Wieler | Human Resource Coordinator |

STATE AUDITOR

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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
Ramsey County
Devils Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ramsey County, Devils Lake, North Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ramsey County, Devils Lake, North Dakota, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flow thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, the financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* and on pages 4 - 10 and 34 – 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013 on our consideration of Ramsey 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 Ramsey County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 13, 2013

RAMSEY COUNTY
Devils Lake, North Dakota

Management's Discussion and Analysis
December 31, 2012

The Management's Discussion and Analysis (MD&A) of Ramsey County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2012; the intent of the MD&A is to look at the County's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2012 are as follows

- The assets of Ramsey County exceeded its liabilities at the close of the most recent fiscal year by \$25,553,771. Of this amount, \$1,078,411 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position of Ramsey County increased \$5,785,823 a result of the current year's operations, or by \$5,914,968 taking into account a prior period adjustment.
- Prior period adjustments totaled \$129,145 increase to beginning net position, and \$76,271 to fund balances.
- Total revenues from all sources were \$18,176,224 on the government-wide statement of activities and \$14,820,992 on the modified accrual basis.
- Total expenses were \$12,390,401 on the government-wide statement of activities and total expenditures were \$14,431,185 on the modified accrual basis.
- The County's general fund had \$1,858,794 in total revenues and \$1,634,847 in total expenditures. There was a total of \$6,382 increased from other financing sources. Overall, the general fund balance increased by \$230,329 (28%) for the year ended December 31, 2012. Unassigned fund balance of the general fund totaled \$1,054,970 or 65% of 2012 general fund expenditures.
- At the close of the report year, Ramsey County's governmental funds reported combined ending fund balances of \$6,581,908. Approximately 15% of this or \$969,158 is available for spending at the government's discretion (unassigned fund balances).
- The County issued \$2,000,000 of bonds in 2011 to finance road projects, no new bonds in 2012.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand Ramsey County as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's major funds in separate columns with all other governmental funds presented in total in one column.

REPORTING ON THE COUNTY AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the Ramsey County to provide programs and activities and attempt to answer the question "How did the County do financially during the year ended December 31, 2012?"

RAMSEY COUNTY
Management's Discussion and Analysis – Continued

The Statement of Net Position presents information on all the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information on how the County's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes).

These two statements report the County's net position and changes in those assets. This change in net position is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the County reports governmental activities. Governmental activities are the activities where most of the County's programs and services are reported including, but not limited to, general government, public safety, health and welfare, highways, culture and recreation, and economic development.

The government-wide financial statements include not only Ramsey County itself (known as the *primary government*), but also a legally separate water resource district for which Ramsey County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 11-12 of this report.

REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

Balance Sheet – Governmental Funds

The County uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the County to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the County's major funds. Using the criteria established by GASB Statement No. 34, the County's general, county road, highway tax, social services, Flood Fund, and 2010 Series B G.O. Bond fund are considered "major funds".

The County's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds". The basic governmental fund financial statements can be found on pages 13-16 of this report.

Internal Service Fund. This fund accounts for medical insurance and workers' compensation insurance and unemployment claims provided to other departments on a cost-reimbursement basis. The internal service fund statements can be found on pages 17-19 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Ramsey County's own programs. The basic fiduciary fund financial statement can be found on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-33 of the report.

RAMSEY COUNTY
Management's Discussion and Analysis – Continued

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table I provides a summary of the County's net position as of December 31, 2012 and 2011.

As indicated in the financial highlights above, the County's net position increased by a total \$5,914,968 (30%) after considering a prior period adjustment to beginning net position for the year ended December 31, 2012.

The largest portion of Ramsey County's net position of \$18,406,784 (72%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. Ramsey County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Ramsey County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Ramsey County's net position of \$6,068,576 (24%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$1,078,411 (4%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Ramsey County is able to report positive balances in all three categories of net position. The government's total net position increased by \$5,914,968 during the most recently completed fiscal year.

TABLE 1
NET POSITION
December 31, 2012 and 2011

| | 12-31-12 | 12-31-11 |
|--|--------------|--------------|
| <u>ASSETS:</u> | | |
| Current Assets | \$ 8,367,250 | \$ 7,855,661 |
| Capital Assets (net of accumulated depreciation) | 19,617,515 | 16,601,397 |
| Total Assets | \$27,984,765 | \$24,457,058 |
| <u>LIABILITIES:</u> | | |
| Current Liabilities | \$ 1,265,542 | \$ 3,383,379 |
| Long-Term Liabilities | 1,165,452 | 1,434,876 |
| Total Liabilities | 2,430,994 | \$ 4,818,255 |
| <u>NET POSITION:</u> | | |
| Invested in Capital Assets, net of Related Debt | \$18,406,784 | \$13,163,938 |
| Restricted | 6,068,576 | 5,577,741 |
| Unrestricted | 1,078,411 | 897,124 |
| Total Net Position | \$25,553,771 | \$19,638,803 |

RAMSEY COUNTY
Management's Discussion and Analysis – Continued

Table II shows the changes in net position for the fiscal year ended December 31, 2012 and 2011.

| TABLE II | | |
|---|---------------------|---------------------|
| CHANGES IN NET POSITION | | |
| As of December 31, 2012 and 2011 | | |
| | 12-31-12 | 12-31-11 |
| Revenues | | |
| <u>Program Revenues:</u> | | |
| Charges for Services | \$ 665,479 | \$ 495,036 |
| Operating Grants & Contributions | 8,676,761 | 9,402,693 |
| Capital Grants & Contributions | 3,399,470 | 6,797,390 |
| <u>General Revenues:</u> | | |
| Property Taxes | 4,042,331 | 3,677,732 |
| Non restricted Grants and Contributions | 1,087,072 | 899,529 |
| Unrestricted Investment Earnings | 27,558 | 37,172 |
| Miscellaneous Revenue | 277,553 | 397,155 |
| Total Revenues | <u>\$18,176,224</u> | <u>\$21,706,707</u> |
| Expenses | | |
| General Government | \$ 1,436,076 | \$ 1,331,571 |
| Public Safety | 1,191,440 | 779,520 |
| Highways and Bridges | 1,975,631 | 2,705,346 |
| Flood repair & mitigation | 5,261,001 | 7,901,728 |
| Health and Welfare | 2,284,166 | 2,134,436 |
| Conservation of Natural Resources | 196,387 | 203,992 |
| Economic Development | - | 93,863 |
| Interest and Service Charges | 45,700 | 97,531 |
| Total Expenses | <u>\$12,390,401</u> | <u>\$15,247,987</u> |
| Net Change in Assets | <u>\$ 5,785,823</u> | <u>\$ 6,458,720</u> |
| Net Position – January 1 | \$19,638,803 | \$12,196,859 |
| Prior Period Adjustment | 129,145 | 983,224 |
| Net Position – December 31 | <u>\$25,553,771</u> | <u>\$19,638,803</u> |

Property taxes constituted 22%, operating grants and contributions 48%, charges for services 4%, non-restricted grants and contributions 6%, capital grants & contributions 19% and miscellaneous revenue and investment earnings made up 2% of the total revenues of governmental activities of the County for year ended December 31, 2012. Overall, revenues decreased by \$3.5 million (16%). Intergovernmental revenue decreased by \$725,932 (8%), this is due to decrease in FEMA road repair funds for 2009, 2010 & 2011 flooding & mitigation. Additionally, capital grants and contributions decreased by \$3.3 million (50%) due to less contributions received from DOT for capitalized road projects.

General government constituted 12%, public safety 10%, highways and bridges 16%, Flood repair & mitigation 42%, health & welfare 18% and the remaining 2% is split among two other categories of total expenses for governmental activities for the year ended December 31, 2012. Overall, expenses decreased by \$2.85 million or 19%. Most of this decrease is attributable to highways and bridge expenses due to spending 2009, 2010 & 2011 flood funds in 2011 and also one Bond or COI paid off.

RAMSEY COUNTY
Management's Discussion and Analysis – Continued

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

TABLE III
TOTAL AND NET COST OF SERVICES
As of December 31, 2012 and 2011

| | Total Cost For Year Ended Dec. 31, 2012 | Net Cost For Year Ended Dec. 31, 2012 | Total Cost For Year Ended Dec. 31, 2011 | Net Cost For Year Ended Dec. 31, 2011 |
|-----------------------------------|---|---|---|---|
| General Government | \$ 1,436,076 | \$ (1,192,765) | \$ 1,331,571 | \$ (287,946) |
| Public Safety | 1,191,440 | (709,487) | 779,520 | (454,948) |
| Highways and Bridges | 1,975,631 | 4,010,300 | 2,705,346 | 6,916,447 |
| Flood repair & mitigation | 5,261,001 | (106,055) | 7,901,728 | (2,879,798) |
| Health and Welfare | 2,284,166 | (1,470,114) | 2,134,436 | (1,502,152) |
| Conservation of Natural Resources | 196,387 | (156,689) | 203,992 | (153,077) |
| Emergency | - | 21,819 | 93,863 | (93,863) |
| Interest and Service Charges | 45,700 | (45,700) | 97,531 | (97,531) |
| Total Expenses | \$12,390,401 | \$ 351,309 | \$15,247,987 | \$1,447,132 |

Total costs decreased by 19%, or \$2.8 million as noted above and net costs of services decreased by 76%, or (\$1.1 million) from year end 2011 to year end 2012. The net costs decreased in highways and bridges (\$2.64 million) due less spending on 2009, 2010 & 2011 flood related projects.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the County's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally can be used as a measure of the County's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The County's governmental funds had total revenue of \$14,820,992 and expenditures of \$14,431,185 for the year ended December 31, 2012. The totals represent an overall \$120,912 or 1% decrease in revenues and a \$2,541,507 or 15% decrease in expenditures over the prior fiscal year-end. Intergovernmental revenue decreased overall by \$538,390 million (5%) primarily because of funding from FEMA for 2009, 2010, and 2011 flood related funds. Also, taxes decreased by \$339,353 (9%) and charges for services increased by \$206,185 (44%). As of December 31, 2012 the County's general fund balance was \$1,054,970 and total unassigned fund balance for the entire County's governmental funds was \$1,054,970. The general fund balance increased by \$230,329 (28%). The increase in general fund balance was due to revenues exceeding expenditures by \$223,947. Revenue decreased by \$120,912 in the general fund from 2011 and expenditures decreased by \$2,541,507.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year ended December 31, 2012, the County Board did not amend the general fund revenues or expenditures in total.

Actual general fund revenue for the year ended December 31, 2012 was \$214,203 more than budgeted (a total 13% positive variance). The most significant variance was \$280,235 more in and intergovernmental income than originally budgeted.

Actual general fund expenditures were \$103,471 less than budgeted, or a 6% positive variance. The positive variance was primarily due to \$177,227 less spent in general government than budgeted

RAMSEY COUNTY
Management's Discussion and Analysis – Continued

See Note 2 for further information on budget amendments and other county governmental funds on page 27 of this report. See also, budgetary comparison schedules for the major funds on pages 34-38 of this report.

CAPITAL ASSETS ADMINISTRATION

As of December 31, 2012, the Ramsey County had \$19,617,515 invested in capital assets (net of related debt). Table IV shows the balances at December 31, 2012 and 2011.

TABLE IV
CAPITAL ASSETS
 (Net of Accumulated Depreciation)
 December 31, 2012 and 2011

| | 12-31-12 | 12-31-11 |
|---|---------------------|---------------------|
| Land | \$ 22,216 | \$ 22,216 |
| Buildings | 1,669,797 | 1,737,058 |
| Equipment and Vehicles | 970,710 | 1,136,751 |
| Infrastructure | 5,109,043 | 5,311,966 |
| Construction in progress | 11,845,749 | 8,393,406 |
| Total Capital Assets (net of accumulated depreciation) | \$19,617,515 | \$16,601,397 |

This total represents a net increase of \$3,016,118 (18%) in capital assets from January 1, 2012. The capital assets increase is due to the addition of various road infrastructure projects in construction in progress. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 7 to the audited financial statements that follow this analysis on page 29 of this report.

DEBT ADMINISTRATION

At the end of the most recent fiscal year, Ramsey County had total debt outstanding of \$1,210,731. Of this amount, \$221,067 is due within one year.

Ramsey County's debt decreased by \$2,226,728 (66%) during the year ended December 31, 2012 due to payoff of the \$2,000,000 in general obligation bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. Ramsey County's debt is well within the legal debt limit of \$17,602,766.

TABLE V
OUTSTANDING GENERAL OBLIGATION DEBT
 December 31, 2012 and 2011

| | Total Outstanding Dec. 31, 2012 | Due Within One Year | Total Outstanding Dec. 31, 2011 | Due Within One Year |
|--------------------|---------------------------------------|------------------------|---------------------------------------|------------------------|
| Loan Payable | \$ 185,731 | \$176,067 | \$ 367,459 | \$ 181,728 |
| G.O. Bonds Payable | 1,025,000 | 45,000 | 3,070,000 | 2,045,000 |
| Total Debt | \$1,210,731 | \$221,067 | \$3,437,459 | \$2,226,728 |

For a detailed breakdown of the additions and deductions to long-term debt, as well as for information about each individual issue, readers are referred to Note 11 to the audited financial statements on page 30 of this report.

RAMSEY COUNTY
Management's Discussion and Analysis – Continued

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Ramsey County is located in North Central North Dakota in the Devils Lake Basin region. The taxable valuation of the county increased by 4% from 2011 to 2012, while the mills increased by 6.64. The taxable valuation of the county increased by 6% from 2012 to 2013, while the mills decreased by 15.23 due to more revenue in State Aid, decrease in mills in general, County Road and Bridge, County Correction Center & I & P on County Bond & balances in fund.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, residents, and creditors with a general overview of Ramsey County's finances and to show the County's accountability for the money it receives to provide the best possible services to Ramsey County residents. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Elizabeth V Fischer, County Auditor, Ramsey County, 524 4th Avenue Unit 6, Devils Lake, ND 58301, phone 701-662-7009, fax 701-662-7049, or email evfischer@nd.gov.

RAMSEY COUNTY
Devils Lake, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

| | Primary Government | Component Unit |
|---|----------------------------|-------------------------------|
| | Governmental Activities | Water Resource District |
| ASSETS | | |
| Cash and cash equivalents | \$ 7,248,881 | \$ 170,705 |
| Intergovernmental receivable | 1,010,366 | 3,957 |
| Road accounts receivable | 24,828 | - |
| Taxes receivable | 83,175 | 1,413 |
| Capital Assets (not being depreciated): | | |
| Land | 22,216 | - |
| Construction in progress | 11,845,750 | - |
| Capital assets (being depreciated): | | |
| Buildings | 1,669,796 | - |
| Equipment and vehicles | 970,710 | - |
| Infrastructure | 5,109,043 | - |
| Total Capital Assets | <u>\$ 19,617,515</u> | <u>\$ -</u> |
| Total Assets | <u>\$ 27,984,765</u> | <u>\$ 176,075</u> |
| LIABILITIES | | |
| Accounts payable | \$ 692,343 | \$ - |
| Salaries and benefits payable | 210,609 | - |
| Interest payable | 3,544 | - |
| Incurred, but not reported claims | 43,324 | - |
| Long-Term Liabilities: | | |
| Due Within One Year: | | |
| Loans payable | 176,067 | - |
| Bonds payable | 45,000 | - |
| Compensated absences payable | 94,655 | - |
| Due After One Year: | | |
| Loans payable | 9,664 | - |
| Bonds payable | 980,000 | - |
| Compensated absences payable | 175,788 | - |
| Total Liabilities | <u>\$ 2,430,994</u> | <u>\$ -</u> |
| NET POSITION | | |
| Net investment in capital assets | \$ 18,406,784 | \$ - |
| Restricted for: | | |
| Debt service | 124,525 | - |
| Public safety | 185,449 | - |
| Highways and bridges | 3,120,224 | - |
| Flood repair and mitigation | 1,630,551 | - |
| Health and welfare | 646,558 | - |
| Conservation of natural resources | 171,629 | 176,075 |
| Emergencies | 46,368 | - |
| Other | 143,272 | - |
| Unrestricted | <u>1,078,411</u> | <u>-</u> |
| Total Net Position | <u>\$ 25,553,771</u> | <u>\$ 176,075</u> |

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

RAMSEY COUNTY
Devils Lake, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|--|----------------------|---|--|--|--|--|
| | | Fees, Fines, Forfeits and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities | Component Unit Water Resource District |
| <u>Primary Government:</u> | | | | | | |
| General government | \$ 1,436,076 | \$ 113,483 | \$ 129,828 | \$ - | \$ (1,192,765) | |
| Public safety | 1,191,440 | 322,983 | 158,970 | - | (709,487) | |
| Highways and bridges | 1,975,631 | 189,315 | 2,397,146 | 3,399,470 | 4,010,300 | |
| Flood repair & mitigation | 5,261,001 | - | 5,154,946 | - | (106,055) | |
| Health and welfare | 2,284,166 | - | 814,052 | - | (1,470,114) | |
| Conserv. of natural resources | 196,387 | 39,698 | - | - | (156,689) | |
| Emergency | - | - | 21,819 | - | 21,819 | |
| Interest and fiscal charges | 45,700 | - | - | - | (45,700) | |
| Total Primary Government | \$ 12,390,401 | \$ 665,479 | \$ 8,676,761 | \$ 3,399,470 | \$ 351,309 | |
| <u>Component Unit:</u> | | | | | | |
| Water resource district | \$ 66,473 | \$ - | \$ - | \$ - | | \$ (66,473) |
| <u>General revenues:</u> | | | | | | |
| <u>Taxes:</u> | | | | | | |
| Property taxes; levied for general purposes | | | | \$ 818,918 | \$ 66,817 | |
| Property taxes; levied for special purposes | | | | 3,058,536 | - | |
| Property taxes; levied for debt service | | | | 164,877 | - | |
| Property taxes; levied for drain maintenance | | | | - | 10,824 | |
| Grants & contributions not restricted to specific programs | | | | 1,087,072 | 5,957 | |
| Unrestricted investment earnings | | | | 27,558 | 719 | |
| Miscellaneous revenue | | | | 277,553 | 5,480 | |
| Total General Revenues | | | | \$ 5,434,514 | \$ 89,797 | |
| Change in Net Position | | | | \$ 5,785,823 | \$ 23,324 | |
| Net Position - January 1 | | | | \$ 19,638,803 | \$ 152,751 | |
| Prior Period Adjustments | | | | 129,145 | - | |
| Net Position - January 1, as restated | | | | \$ 19,767,948 | \$ 152,751 | |
| Net Position - December 31 | | | | \$ 25,553,771 | \$ 176,075 | |

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

RAMSEY COUNTY
Devils Lake, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

| | General | County Road | Highway Tax Distribution | Social Services | FEMA Flood | 2010 Series B G.O. Bond | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------------------|--------------------|---------------------|-------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 963,328 | \$ 1,191,284 | \$ 1,342,922 | \$ 258,720 | \$ 1,633,256 | \$ 112,005 | \$ 972,979 | \$ 6,474,494 |
| Intergovernmental receivable | 178,587 | - | 128,716 | 19,228 | 555,060 | - | 128,775 | 1,010,366 |
| Road accounts receivable | - | 24,828 | - | - | - | - | - | 24,828 |
| Taxes receivable | 15,943 | 1,509 | - | 13,301 | - | 3,150 | 49,272 | 83,175 |
| Due from other funds | - | 48,674 | - | - | - | - | - | 48,674 |
| Total Assets | \$ 1,157,858 | \$ 1,266,295 | \$ 1,471,638 | \$ 291,249 | \$ 2,188,316 | \$ 115,155 | \$ 1,151,026 | \$ 7,641,537 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | |
| <u>Liabilities:</u> | | | | | | | | |
| Accounts payable | \$ - | \$ 18,316 | \$ - | \$ - | \$ 557,763 | \$ - | \$ 116,264 | \$ 692,343 |
| Salaries payable | 86,945 | - | 33,463 | 90,201 | - | - | - | 210,609 |
| Due to other funds | - | - | - | - | - | - | 48,674 | 48,674 |
| Total Liabilities | \$ 86,945 | \$ 18,316 | \$ 33,463 | \$ 90,201 | \$ 557,763 | \$ - | \$ 164,938 | \$ 951,626 |
| <u>Deferred Inflows of Resources:</u> | | | | | | | | |
| Road Receivable | \$ - | \$ 24,828 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 24,828 |
| Taxes Receivable | 15,943 | 1,509 | - | 13,301 | - | 3,150 | 49,272 | 83,175 |
| Total Deferred Inflows of Resources | \$ 15,943 | \$ 26,337 | \$ - | \$ 13,301 | \$ - | \$ 3,150 | \$ 49,272 | \$ 108,003 |
| Total Liabilities and Deferred Inflows of Resources | \$ 102,888 | \$ 44,653 | \$ 33,463 | \$ 103,502 | \$ 557,763 | \$ 3,150 | \$ 214,210 | \$ 1,059,629 |
| <u>Fund Balances:</u> | | | | | | | | |
| <u>Restricted:</u> | | | | | | | | |
| Debt Service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 112,005 | \$ 10,919 | \$ 122,924 |
| Highways and bridges | - | 1,221,642 | 1,438,175 | - | - | - | 285,475 | 2,945,292 |
| Social services & health/welfare | - | - | - | 187,747 | - | - | 321,599 | 509,346 |
| Flood repair & mitigation | - | - | - | - | 1,630,553 | - | - | 1,630,553 |
| Public Safety | - | - | - | - | - | - | 74,079 | 74,079 |
| Conservation of natural resources | - | - | - | - | - | - | 152,259 | 152,259 |
| Emergency | - | - | - | - | - | - | 46,368 | 46,368 |
| Other purposes | - | - | - | - | - | - | 131,929 | 131,929 |
| <u>Unassigned:</u> | <u>1,054,970</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(85,812)</u> | <u>969,158</u> |
| Total Fund Balances | \$ 1,054,970 | \$ 1,221,642 | \$ 1,438,175 | \$ 187,747 | \$ 1,630,553 | \$ 112,005 | \$ 936,816 | \$ 6,581,908 |
| Total Liabilities and Fund Balances | \$ 1,157,858 | \$ 1,266,295 | \$ 1,471,638 | \$ 291,249 | \$ 2,188,316 | \$ 115,155 | \$ 1,151,026 | \$ 7,641,537 |

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

RAMSEY COUNTY
Devils Lake, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF net position
December 31, 2012

Total *Fund Balances* of Governmental Funds \$ 6,581,908

Amounts reported for governmental activities in the statement of net position are different because:

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

| | | |
|-------------------------------|--------------------|------------|
| Cost of Capital Assets | \$ 23,472,619 | |
| Less Accumulated Depreciation | <u>(3,855,104)</u> | |
| Net Capital Assets | | 19,617,515 |

An internal service fund is used by the county to charge the cost of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. Internal service fund net position are:

731,063

Property taxes and road receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenues in the funds.

| | | |
|---|---------------|---------|
| Property Taxes Receivable | \$ 83,175 | |
| Road Department Accounts Receivable | <u>24,828</u> | |
| Net Property Taxes and Road Receivables | | 108,003 |

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, 2012 are:

| | | |
|------------------------------|------------------|--------------------|
| Bonds Payable | \$ (1,025,000) | |
| Loans Payable | (185,731) | |
| Interest Payable | (3,544) | |
| Compensated Absences Payable | <u>(270,443)</u> | |
| Total Long-Term Liabilities | | <u>(1,484,718)</u> |

Net Position of Governmental Activities \$ 25,553,771

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

RAMSEY COUNTY
Deville Lake, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

| | General | County Road | Highway Tax Distribution | Social Services | FEMA Flood | 2010 Series B G.O. Bond | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|--------------------------|-----------------------|-----------------------|-------------------------|--------------------------|--------------------------|
| Revenues: | | | | | | | | |
| Taxes | \$ 833,834 | \$ 70,407 | \$ - | \$ - | \$ - | \$ 197,321 | \$ 2,964,979 | \$ 4,066,541 |
| Intergovernmental | 710,646 | 823,008 | 1,593,552 | 624,682 | 3,154,070 | 2,000,876 | 856,999 | 9,763,833 |
| Charges for services | 132,816 | 209,343 | - | - | - | - | 330,710 | 672,869 |
| Licenses, permits and fees | 12,638 | - | - | - | - | - | - | 12,638 |
| Interest income | 27,552 | - | - | - | - | - | 6 | 27,558 |
| Miscellaneous | 141,308 | 136,245 | - | - | - | - | - | 277,553 |
| Total Revenues | \$ 1,858,794 | \$ 1,239,003 | \$ 1,593,552 | \$ 624,682 | \$ 3,154,070 | \$ 2,198,197 | \$ 4,152,694 | \$ 14,820,992 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | \$ 1,154,103 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 219,053 | \$ 1,373,156 |
| Public safety | 382,985 | - | - | - | - | - | 818,479 | 1,201,464 |
| Highways and bridges | - | 291,579 | 572,905 | - | - | - | 886,502 | 1,750,986 |
| Flood repair & mitigation | - | - | - | - | 5,261,001 | - | - | 5,261,001 |
| Health and welfare | 5,739 | - | - | 1,645,428 | - | - | 692,551 | 2,343,718 |
| Conserv. of natural resources | - | - | - | - | - | - | 200,811 | 200,811 |
| Debt Service: | | | | | | | | |
| Principal | 92,020 | - | - | - | - | 2,045,000 | 89,708 | 2,226,728 |
| Interest and fiscal charges | - | - | - | - | - | 58,642 | 14,679 | 73,321 |
| Total Expenditures | \$ 1,634,847 | \$ 291,579 | \$ 572,905 | \$ 1,645,428 | \$ 5,261,001 | \$ 2,103,642 | \$ 2,921,783 | \$ 14,431,185 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 223,947 | \$ 947,424 | \$ 1,020,647 | \$ (1,020,746) | \$ (2,106,931) | \$ 94,555 | \$ 1,230,911 | \$ 389,807 |
| Other Financing Sources (Uses): | | | | | | | | |
| Transfers in | \$ 41,764 | \$ - | \$ - | \$ 1,064,040 | \$ - | \$ - | \$ 115,382 | \$ 1,221,186 |
| Transfers out | (35,382) | - | - | - | - | - | (1,185,804) | (1,221,186) |
| Total Other Financing Sources and Uses | \$ 6,382 | \$ - | \$ - | \$ 1,064,040 | \$ - | \$ - | \$ (1,070,422) | \$ - |
| Net Change in Fund Balances | \$ 230,329 | \$ 947,424 | \$ 1,020,647 | \$ 43,294 | \$ (2,106,931) | \$ 94,555 | \$ 160,489 | \$ 389,807 |
| Fund Balances - January 1 | \$ 824,641 | \$ 274,218 | \$ 417,528 | \$ 144,453 | \$ 3,737,484 | \$ 17,450 | \$ 700,056 | \$ 6,115,830 |
| Prior Period Adjustment | - | - | - | - | - | - | 76,271 | 76,271 |
| Fund Balance - Jan. 1, as restated | \$ 824,641 | \$ 274,218 | \$ 417,528 | \$ 144,453 | \$ 3,737,484 | \$ 17,450 | \$ 776,327 | \$ 6,192,101 |
| Fund Balances - December 31 | \$ 1,054,970 | \$ 1,221,642 | \$ 1,438,175 | \$ 187,747 | \$ 1,630,553 | \$ 112,005 | \$ 936,816 | \$ 6,581,908 |

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

RAMSEY COUNTY
Devils Lake, 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, 2012

| | |
|---|------------|
| Net Change in <i>Fund Balances</i> - Total Governmental Funds | \$ 389,807 |
|---|------------|

Amounts reported for governmental activities in the statement of activities are different because:

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

| | | |
|-----------------------------------|------------------|-----------|
| Current Year Capital Outlay | \$ 3,479,217 | |
| Current Year Depreciation Expense | <u>(492,008)</u> | 2,987,209 |

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

| | |
|-------------------------------------|----------|
| Loss on Disposals of Capital Assets | (23,965) |
|-------------------------------------|----------|

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 of debt repayment.

| | |
|---------------------------|-----------|
| Repayment of Debt - Loans | 2,226,728 |
|---------------------------|-----------|

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 | \$ (21,393) | |
| Net Change in Retainage Payable | 85,876 | |
| Net Change in Interest Payable | <u>27,621</u> | 92,104 |

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

| | | |
|------------------------------------|-----------------|----------|
| Change in Taxes Receivable | \$ (24,210) | |
| Change in Road Accounts Receivable | <u>(20,028)</u> | (44,238) |

An internal service fund is used by the county's management to charge the cost of health insurance to individual functions. The net loss of certain activities of internal service funds is reported with governmental activities.

| | |
|--|----------------|
| | <u>158,178</u> |
|--|----------------|

| | |
|---|---------------------|
| Change in Net Position of Governmental Activities | <u>\$ 5,785,823</u> |
|---|---------------------|

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

RAMSEY COUNTY
Devils Lake, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUND - HEALTH INSURANCE
December 31, 2012

| | <u>Governmental Activities Internal Service Fund</u> |
|----------------------------------|--|
| <u>Assets:</u> | |
| Cash and cash equivalents | <u>\$ 774,387</u> |
| <u>Liabilities:</u> | |
| Current Liabilities: | |
| Incurred but not reported claims | <u>\$ 43,324</u> |
| <u>Net Position:</u> | |
| Restricted | <u>\$ 731,063</u> |

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

RAMSEY COUNTY
Devils Lake, North Dakota

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND - HEALTH INSURANCE
For the Year Ended December 31, 2012

| | <u>Governmental Activities Internal Service Fund</u> |
|---------------------------------|--|
| <u>Operating Revenues:</u> | |
| Contributions to self-insurance | <u>\$ 920,675</u> |
| <u>Operating Expenses:</u> | |
| Health insurance claims | <u>\$ 762,497</u> |
| Operating Income | <u>\$ 158,178</u> |
| Net Position - January 1 | <u>\$ 572,885</u> |
| Net Position - December 31 | <u><u>\$ 731,063</u></u> |

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

RAMSEY COUNTY
Devils Lake, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUND - HEALTH INSURANCE
For the Year Ended December 31, 2012

| | <u>Governmental Activities Internal Service Fund</u> |
|--|--|
| <u>Cash Flows from Operating Activities:</u> | |
| Receipts from user charges | \$ 920,675 |
| Payments for health insurance claims | <u>(748,797)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 171,878</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>\$ 171,878</u> |
| Cash and Cash Equivalents - January 1 | <u>\$ 602,509</u> |
| Cash and Cash Equivalents - December 31 | <u><u>\$ 774,387</u></u> |
| <u>Reconciliation of operating income to net cash provided by operating activities:</u> | |
| Operating income | \$ 158,178 |
| <u>Adjustments to reconcile operating income to net cash provided by operating activities:</u> | |
| Increase (decrease) in IBNR claims payable | <u>13,700</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 171,878</u></u> |

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

RAMSEY COUNTY
Devils Lake, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| <u>Assets:</u> | |
| Cash and cash equivalents | <u>\$ 4,496,027</u> |
| <u>Liabilities:</u> | |
| Due to other governments | <u>\$ 4,496,027</u> |

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

RAMSEY COUNTY
Devils Lake, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ramsey 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 Ramsey 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 Ramsey 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 Ramsey County.

Based on these criteria, there is one component unit to be included within Ramsey County as a reporting entity.

COMPONENT UNIT

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

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

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

Component Unit Financial Statements: The financial statements of the discretely presented component unit are presented in the County's basic financial statements. Complete financial statements of the individual component unit can be obtained from the Secretary-Treasurer, Ramsey County Water Resource District, 524 4th Avenue, Devils Lake, North Dakota, 58301.

RAMSEY COUNTY

Notes to the Financial Statements – Continued

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

| | |
|------------------------|----------|
| Industrial Development | \$32,000 |
| County Fair | 35,650 |
| County Park | 6,000 |
| Historical Society | 8,477 |
| County Airport | 64,565 |
| Senior Citizens | 71,122 |

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Ramsey County and its component unit. 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 nonexchange transactions.

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

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

The county reports the following major governmental funds:

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

County Road Fund. This fund accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. The major primary sources of revenues are a restricted tax levy and restricted Federal and State grants/reimbursements.

Highway Tax Distribution Fund. This fund accounts for repair and improvement of highways that are legally restricted from state sources. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Social Services Fund. This fund accounts for the costs of providing social service benefits and programs to needy residents of the county. The major primary source of revenue is restricted Federal and State grants/reimbursements.

RAMSEY COUNTY

Notes to the Financial Statements – Continued

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

2011 GO Bond, Series B Fund. This fund accounts for debt proceeds from the 2012 general obligation bond issued for road projects. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

The County reports the following fund types:

Internal Service Fund. This fund accounts for medical insurance and workers' compensation insurance and unemployment claims provided to other departments on a cost-reimbursement basis.

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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.

D. Cash, Cash Equivalents and Investments

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

The investments consist of certificates of deposit stated at cost.

E. Capital Assets**PRIMARY GOVERNMENT:**

Capital assets, which include property, plant, infrastructure, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. In January of 2008 the County Commission approved an increase from \$2,000 to \$5,000 for the minimum capitalization value reporting threshold for the year ended December 31, 2008 and thereafter. 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.

General infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

| Assets | Years |
|-----------------------|--------------|
| Land | --- |
| Buildings | 40 |
| Vehicles | 3 – 5 |
| Office Equipment | 3 – 5 |
| Machinery & Equipment | 5 – 15 |
| Infrastructure | 40 |

F. Compensated Absences

Vacation leave is earned by county employees at the rate of one to two days per month depending on years of service. Up to 22 days of vacation leave may be carried over at each year-end. Sick leave benefits are earned by full-time employees at the rate of one day per month regardless of the years of service. Up to 960 hours (120 working days) of sick leave may be accumulated and carried over at each year-end. Employees are paid for 1/6 of their accumulated sick leave upon termination of employment. Each six hours of sick leave over 960 hours at year-end may be converted into one hour of vacation. Vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

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 for the primary government and the discretely presented component unit. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

H. Fund Balances / Net Position

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. 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 Ramsey County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Minimum Fund Balance Policy:

The Ramsey County budget committee established a 10-15% general fund carryover balance target to help with financial stability. The 10-15% 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 \$1,054,970 at December 31, 2012 represented 65% of annual 2012 expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (county road, highway tax distribution, social services, and FEMA flood) are disclosed in more detail in Note 1B.

Fund Balance Reporting and Governmental Fund Type Definitions

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

| <i>CLASSIFICATION</i> | <i>DEFINITION</i> | <i>EXAMPLES</i> |
|------------------------------|---|---|
| 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. |

Continued on next page.....

RAMSEY COUNTY

Notes to the Financial Statements – Continued

CONTINUED...

| CLASSIFICATION | DEFINITION | EXAMPLES |
|-----------------------|---|---|
| Unassigned | Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance | Available for any remaining general fund expenditure. |

Ramsey County only has restricted and unassigned fund balances at December 31, 2012.

Restricted Fund Balances – consist of the following items at December 31, 2012:

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

Special Revenue Funds – Restricted & 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.

Net Position:

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

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

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Restrictions of net position are also shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for applicable negative funds. 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.

RAMSEY COUNTY

Notes to the Financial Statements – Continued

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

The board of county commissioners amended the county budget for 2012 as follows:

| | EXPENDITURES | | |
|--------------------------------------|------------------------|------------------|-----------------------|
| | Original Budget | Amendment | Amended Budget |
| <u>Major Funds:</u> | | | |
| County Road | \$ 469,534 | \$ (100,000) | \$ 369,534 |
| Social Services | 1,675,393 | (14,300) | 1,661,093 |
| FEMA Flood | 2,534,000 | 2,666,628 | 5,200,628 |
| <u>Special Revenue Funds:</u> | | | |
| DOJ/Homeland Security | 60,000 | 98,682 | 158,682 |
| US Marshalls | - | 925 | 925 |
| Housing Grant | - | 48,114 | 48,114 |
| Bituminous Surfacing | 340,000 | 169,340 | 509,340 |
| County Bridge | 150,000 | (69,340) | 80,660 |
| Human Services | 245,602 | 14,300 | 259,902 |
| County Loan | 100,000 | 1,980 | 101,980 |
| OASIS & Social Security | 200,000 | 5,418 | 205,418 |

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. 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, county district, park district, or other political subdivision of the state of North Dakota. whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2012, the county's carrying amount of deposits was \$10,524,976 and the bank balances were \$11,407,277. Of the county bank balances, \$2,859,544 was covered by Federal Depository Insurance. The remaining bank balances of \$8,547,734 were collateralized with securities held by the pledging financial institution's agent in the government's name. The water resource district's carrying amount of deposits and bank balances were \$170,705 and \$178,221, respectively.

RAMSEY COUNTY

Notes to the Financial Statements – Continued

Credit Risk:

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

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

Concentration of Credit Risk:

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

NOTE 4: TAXES RECEIVABLE

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

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

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

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

NOTE 5: ROAD ACCOUNTS RECEIVABLE

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

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of amounts due from the state for the state and federal share of the 2012 flood fund, state aid and highway tax distribution.

RAMSEY COUNTY

Notes to the Financial Statements – Continued

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2012 for the primary government:

| Governmental Activities: | Balance January 1 | Increases | Decreases | Balance December 31 |
|--|------------------------------|---------------------|------------------|--------------------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 22,216 | \$ - | \$ - | \$ 22,216 |
| Construction in Progress | 8,446,280 | 3,399,469 | - | 11,845,749 |
| Total Capital Assets not being depreciated | \$ 8,468,496 | \$3,399,469 | \$ - | \$11,867,965 |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings | \$ 3,038,027 | \$ - | \$ - | \$ 3,038,027 |
| Equipment | 2,450,762 | 79,747 | 51,584 | 2,478,925 |
| Infrastructure | 6,087,701 | - | - | 6,087,701 |
| Total Capital Assets, Being Depreciated | \$11,576,490 | \$ 79,747 | \$51,584 | \$11,604,653 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings | \$ 1,300,969 | \$ 67,261 | \$ - | \$ 1,368,230 |
| Equipment | 1,314,011 | 221,823 | 27,619 | 1,508,215 |
| Infrastructure | 775,734 | 202,924 | - | 978,658 |
| Total Accumulated Depreciation | \$ 3,390,714 | \$ 492,008 | \$27,619 | \$ 3,855,103 |
| Total Capital Assets Being Depreciated, Net | \$ 8,185,776 | \$ (412,261) | \$23,965 | \$ 7,749,550 |
| Governmental Activities - Capital Assets, Net | \$16,654,272 | \$2,987,208 | \$23,965 | \$19,617,515 |

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

| Governmental Activities: | Amounts |
|---|------------------|
| General Government | \$ 90,679 |
| Public Safety | 26,299 |
| Highways and Bridges | 363,570 |
| Health and Welfare | 11,460 |
| Total Depreciation Expense - Governmental Activities | \$492,008 |

NOTE 8: ACCOUNTS PAYABLE

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

NOTE 9: SALARIES AND BENEFITS PAYABLE

Salaries and benefits payable consist of December salaries that are paid in January of the following year.

NOTE 10: DUE TO/FROM OTHER FUNDS

Due to and due from other funds on the governmental funds modified accrual balance sheet at December 31, 2012 represents the amount of cash borrowed by the Bituminous Surfacing - Blacktop Fund totaling \$48,674 covered by the County Road Fund.

RAMSEY COUNTY

Notes to the Financial Statements – Continued

NOTE 11: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2012; the following changes occurred in governmental activities long-term liabilities for Ramsey County:

| Governmental Activities | Balance 1-1-12 | Increases | Decreases | Balance 12-31-12 | Due Within One Year |
|-------------------------|--------------------|-----------------|--------------------|---------------------|------------------------|
| Loans Payable | \$ 367,459 | \$ - | \$ 181,728 | \$ 185,731 | \$176,067 |
| Bonds Payable | 3,070,000 | - | 2,045,000 | 1,025,000 | 45,000 |
| Compensated Absences * | 249,050 | 21,393 | - | 270,443 | 94,655 |
| Total | \$3,686,509 | \$21,393 | \$2,226,728 | \$1,481,174 | \$315,722 |

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

Outstanding debt (excluding compensated absences and leases payable) at December 31, 2012 for the primary government governmental activities consists of the following issues:

Loans Payable:

\$875,000 Loan Payable to Western State Bank for a new heating and cooling system due in annual installments of \$167,172 through 2014 with interest at 3.99%. \$ 173,931

\$65,000 Loan Payable to Ramsey National Bank for the Sakakawea project due in annual installments of \$2,276 to \$6,911 through 2012; with interest at 4.5%. 11,800

Total Loans Payable – Primary Government \$ 185,731

Bonds Payable

\$1,070,000 Bond Payable, due in annual installments of \$45,000 to \$75,000 through 2030; with interest at 1.10% to 4.25%. \$1,025,000

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

| Year Ending December 31 | Cooling System | | Sakakawea | | 2012 G.O. Bond | |
|----------------------------|------------------|----------------|-----------------|----------------|--------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2013 | \$173,931 | \$7,068 | \$ 1,757 | \$ 531 | \$ 45,000 | \$ 32,848 |
| 2014 | - | - | 1,836 | 452 | 50,000 | 32,225 |
| 2015 | - | - | 1,918 | 369 | 50,000 | 31,475 |
| 2016 | - | - | 2,005 | 283 | 50,000 | 30,538 |
| 2017 | - | - | 2,095 | 193 | 50,000 | 29,413 |
| 2018 - 2022 | - | - | 2,189 | 99 | 265,000 | 124,938 |
| 2023 - 2027 | - | - | - | - | 305,000 | 75,388 |
| 2028 - 2032 | - | - | - | - | 210,000 | 13,813 |
| Total | \$173,931 | \$7,068 | \$11,800 | \$1,927 | \$1,025,000 | \$370,638 |

NOTE 12: RISK MANAGEMENT

Ramsey 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.

RAMSEY COUNTY

Notes to the Financial Statements – Continued

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF for automobile and general liability is limited to losses of two million dollars per occurrence for both the County and the Water Resource District. Public Assets (mobile equipment and portable property) coverage is limited to \$2,681,349 for the County and \$15,800 for the Water Resource District.

Ramsey County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Ramsey 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 Ramsey County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees, while the Water Resource District carries \$560,000 coverage. The State Bonding Fund does not currently charge any premium for this coverage.

Ramsey County and water resource district have workers compensation with the Workforce, Safety and Insurance. The water resource district purchases commercial insurance for employee health and accident insurance.

The county has retained risk for employee health and accident up to a maximum of \$20,000 per individual. They have purchased a stop loss policy for amounts in excess of \$20,000. A liability for incurred but not reported claims has been made and included in the government-wide statements.

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

NOTE 13: DEFICIT BALANCES

The following fund was in a deficit position at December 31, 2012:

| Governmental Funds | Balance |
|---------------------------------|----------------|
| DOJ/Homeland Security Funds | \$ (37,138) |
| Bituminous Surfacing – Blacktop | (48,674) |

The County anticipates alleviating negative fund balances from annual revenues, transfers and possible debt issuance for capital projects.

NOTE 14: JOINT VENTURES

Pursuant to an inter-local agreement authorized by state statutes, the county joined the City of Devils Lake to establish and operate the Lake Region Law Enforcement Center. Each government appoints two members of the board of directors for the joint venture. The operating and capital budgets are funded by contributions from each government and from other governments that use the center along with charges for services to governmental units that use the center. The county's share of assets, liabilities and fund equity is 50%.

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

| | Lake Region Law Enforcement |
|-------------------------|--|
| Total Assets | \$3,911,434 |
| Total Liabilities | 215,342 |
| Total Net Assets Equity | \$3,696,092 |
| Revenues | \$4,284,326 |
| Expenses | 3,843,115 |
| Net increase in Equity | \$ 441,211 |

RAMSEY COUNTY

Notes to the Financial Statements – Continued

Complete financial statements can be obtained by writing: Lake Region Law Enforcement Center, Devils Lake, ND 58301.

Under authorization of state statues, Ramsey County joined Benson County, Pierce County, and Eddy County to establish and operate the Lake Region District Health Unit. Each government appoints two members of the directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity is 25%.

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

| | Lake Region District Health Unit |
|-------------------------|---|
| Total Assets | \$ 519,341 |
| Total Liabilities | (55,444) |
| Total Net Assets Equity | \$ 463,897 |
| Total Revenues | \$1,529,651 |
| Total Expenses | 1,434,907 |
| Net Increase in Equity | \$ 94,744 |

Complete financial statements can be obtained by writing: Lake Region District Health Unit, Courthouse, Devils Lake, ND 58301.

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

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

| | Devils Lake Basin Joint WRD |
|-------------------------|--|
| Total Assets | \$828,235 |
| Total Liabilities | (20,051) |
| Total Net Assets Equity | \$808,184 |
| Revenues | \$848,156 |
| Expenditures | 918,404 |
| Net Decrease in Equity | \$ (70,248) |

NOTE 15: TRANSFERS

The following is a listing of transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2012:

| | Transfers In | Transfers Out |
|--|---------------------|----------------------|
| Major Funds: | | |
| General Fund | \$ 41,764 | \$ 35,382 |
| Social Service Fund | 1,064,040 | - |
| Nonmajor Special Revenue Funds: | | |
| Comprehensive Health Insurance | 80,000 | - |
| Human Service Fund | - | 505,386 |
| Emergency Poor | - | 558,654 |
| Oasis and Social Security | - | 121,764 |
| Emergency Management | 35,382 | - |
| Total Transfers | \$1,221,186 | \$1,221,186 |

RAMSEY COUNTY

Notes to the Financial Statements – Continued

Transfers are used to 1) move unrestricted general fund revenues to finance various programs, and 2) move revenues from certain human service funds to the social service fund to finance costs of those programs.

NOTE 16: PRIOR PERIOD ADJUSTMENTS

There were prior period adjustments for the period ending December 31, 2012 for Governmental Activities involving adjustments to the net capital assets and to the beginning fund balance to include the Correction Center fund in the reported government funds.

| Governmental Activities (County): | Amounts |
|---|----------------|
| Beginning Net Position, as previously reported | \$19,638,803 |
| Adjustments to restate the January 1, 2012 Net Position: | |
| Capital Assets net adjustment | 52,874 |
| Fund Balance Adjustment | 76,271 |
| Net position January 1, as restated | \$19,767,948 |

| Governmental Funds (County): | Other Governmental Funds |
|---|---------------------------------|
| Beginning fund balance | \$700,056 |
| Adjustments to restate the January 1, 2012 fund balance: | |
| Fund Balance net adjustment to remove agency funds | 76,271 |
| Fund Balance, January 1, as restated | \$776,327 |

NOTE 17: PENSION PLANNorth Dakota Public Employee's Retirement System

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

During January 1, 2012 through December 31, 2012, plan members were required to contribute 5% of their annual covered salary. The county was required to contribute 6.26% of the employee's salary, which consists of 5.12% 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, 2012, 2011, and 2010 were \$122,844, \$121,536, and \$116,362, respectively, equal to the required contributions for the year. The Water Resource District's contribution to NDPERS for the year ended December 31, 2012 was \$903, equal to the required contributions for the year.

RAMSEY COUNTY
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2012

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| <u>Revenues:</u> | | | | |
| Taxes | \$ 859,865 | \$ 859,865 | \$ 833,834 | \$ (26,031) |
| Licenses, permits and fees | 12,250 | 12,250 | 12,638 | 388 |
| Intergovernmental | 430,411 | 430,411 | 710,646 | 280,235 |
| Charges for services | 136,815 | 136,815 | 132,816 | (3,999) |
| Interest income | 47,000 | 47,000 | 27,552 | (19,448) |
| Miscellaneous | 158,250 | 158,250 | 141,308 | (16,942) |
| Total Revenues | <u>\$ 1,644,591</u> | <u>\$ 1,644,591</u> | <u>\$ 1,858,794</u> | <u>\$ 214,203</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| General government | \$ 1,331,506 | \$ 1,331,330 | \$ 1,154,103 | \$ 177,227 |
| Public safety | 400,312 | 401,977 | 382,985 | 18,992 |
| Health and welfare | 6,500 | 5,011 | 5,739 | (728) |
| Debt Service: | | | | |
| Principal | - | - | 92,020 | (92,020) |
| Total Expenditures | <u>\$ 1,738,318</u> | <u>\$ 1,738,318</u> | <u>\$ 1,634,847</u> | <u>\$ 103,471</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (93,727)</u> | <u>\$ (93,727)</u> | <u>\$ 223,947</u> | <u>\$ 317,674</u> |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers in | \$ 41,764 | \$ 41,764 | \$ 41,764 | \$ - |
| Transfers out | (35,382) | (35,382) | (35,382) | - |
| Total Other Financing Sources and Uses | <u>\$ 6,382</u> | <u>\$ 6,382</u> | <u>\$ 6,382</u> | <u>\$ -</u> |
| Net Change in Fund Balances | <u>\$ (87,345)</u> | <u>\$ (87,345)</u> | <u>\$ 230,329</u> | <u>\$ 317,674</u> |
| Fund Balance - January 1 | <u>\$ 824,641</u> | <u>\$ 824,641</u> | <u>\$ 824,641</u> | <u>\$ -</u> |
| Fund Balance - December 31 | <u>\$ 737,296</u> | <u>\$ 737,296</u> | <u>\$ 1,054,970</u> | <u>\$ 317,674</u> |

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

RAMSEY COUNTY
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD FUND
For the Year Ended December 31, 2012

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget |
|--|--------------------|-------------------|---------------------|-------------------------------|
| <u>Revenues:</u> | | | | |
| Taxes | \$ 75,598 | \$ 75,598 | \$ 70,407 | \$ (5,191) |
| Intergovernmental | 12,463 | 12,463 | 823,008 | 810,545 |
| Charges for Services | 264,000 | 264,000 | 209,343 | (54,657) |
| Miscellaneous | 26,000 | 26,000 | 136,245 | 110,245 |
| Total Revenues | \$ 378,061 | \$ 378,061 | \$ 1,239,003 | \$ 860,942 |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Highways and bridges | \$ 469,534 | \$ 369,534 | \$ 291,579 | \$ 77,955 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (91,473) | \$ 8,527 | \$ 947,424 | \$ 72,764 |
| Fund Balance - January 1 | \$ 274,218 | \$ 274,218 | \$ 274,218 | \$ - |
| Fund Balance - December 31 | \$ 182,745 | \$ 282,745 | \$ 1,221,642 | \$ 72,764 |

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

RAMSEY COUNTY
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2012

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget |
|--|--------------------|-----------------|-------------------|-------------------------------|
| <u>Revenues:</u> | | | | |
| Intergovernmental | \$ 1,398,561 | \$ 1,398,561 | \$ 1,593,552 | \$ 194,991 |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Highways and bridges | \$ 972,464 | \$ 972,464 | \$ 572,905 | \$ 399,559 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 426,097 | \$ 426,097 | \$ 1,020,647 | \$ 594,550 |
| Fund Balance - January 1 | \$ 417,528 | \$ 417,528 | \$ 417,528 | \$ - |
| Fund Balance - December 31 | \$ 843,625 | \$ 843,625 | \$ 1,438,175 | \$ 594,550 |

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

RAMSEY COUNTY
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FUND
For the Year Ended December 31, 2012

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget |
|--|--------------------|-----------------|-------------------|-------------------------------|
| <u>Revenues:</u> | | | | |
| Intergovernmental | \$ 611,353 | \$ 611,353 | \$ 624,682 | \$ 13,329 |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Health and welfare | \$ 1,675,393 | \$ 1,661,093 | \$ 1,645,428 | \$ 15,665 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (1,064,040) | \$ (1,049,740) | \$ (1,020,746) | \$ 28,994 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers in | \$ 1,064,040 | \$ 1,064,040 | \$ 1,064,040 | \$ - |
| Net Change in Fund Balances | \$ - | \$ 14,300 | \$ 43,294 | \$ 28,994 |
| Fund Balance - January 1 | \$ 144,453 | \$ 144,453 | \$ 144,453 | \$ - |
| Fund Balance - December 31 | \$ 144,453 | \$ 158,753 | \$ 187,747 | \$ 28,994 |

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

RAMSEY COUNTY
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
FLOOD FUND
For the Year Ended December 31, 2012

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget |
|--|--------------------|-----------------|-------------------|-------------------------------|
| <u>Revenues:</u> | | | | |
| Intergovernmental | \$ 1,665,000 | \$ 1,665,000 | \$ 3,154,070 | \$ 1,489,070 |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Flood Repair | \$ 2,534,000 | \$ 5,200,628 | \$ 5,261,001 | \$ (60,373) |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (869,000) | \$ (3,535,628) | \$ (2,106,931) | \$ 1,428,697 |
| Fund Balance - January 1 | \$ 3,737,484 | \$ 3,737,484 | \$ 3,737,484 | \$ - |
| Fund Balance - December 31 | \$ 2,868,484 | \$ 201,856 | \$ 1,630,553 | \$ 1,428,697 |

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

RAMSEY COUNTY
Devils Lake, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The county commission adopts an “appropriated budget” on the modified accrual basis of accounting.
- 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.

RAMSEY COUNTY
Devils Lake, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
PRIMARY GOVERNMENT
For the Year Ended December 31, 2012

| | Balance 1-1-12 | Receipts | Transfers In | Transfers Out | Disbursements | Balance 12-31-12 |
|---|-------------------|------------------|-----------------|------------------|------------------|---------------------|
| Major Funds: | | | | | | |
| General Fund | \$ 738,363.69 | \$ 1,869,576.38 | \$ 41,764.00 | \$ 35,381.50 | \$ 1,650,994.29 | \$ 963,328.28 |
| Major Governmental Funds: | | | | | | |
| County Road Fund | \$ 279,199.19 | \$ 1,241,714.28 | \$ - | \$ - | \$ 280,955.28 | \$ 1,239,958.19 |
| Highway Tax Distribution | 555,479.96 | 1,590,844.27 | - | - | 803,402.39 | 1,342,921.84 |
| Social Service Fund | 224,091.38 | 605,453.37 | 1,064,040.33 | - | 1,634,865.46 | 258,719.62 |
| FEMA | 1,346,911.46 | 5,476,507.80 | - | - | 5,190,162.96 | 1,633,256.30 |
| Bond - 1231 | 17,450.24 | 2,198,196.54 | - | - | 2,103,641.88 | 112,004.90 |
| Total Major Special Revenue Funds | \$ 2,423,132.23 | \$ 11,112,716.26 | \$ 1,064,040.33 | \$ - | \$ 10,013,027.97 | \$ 4,586,860.85 |
| Total Major Funds | \$ 3,161,495.92 | \$ 12,982,292.64 | \$ 1,105,804.33 | \$ 35,381.50 | \$ 11,664,022.26 | \$ 5,550,189.13 |
| Non-Major Special Revenue Funds: | | | | | | |
| Comprehensive Health Insurance | \$ 49,210.03 | \$ 298,796.77 | \$ 80,000.00 | \$ - | \$ 342,201.86 | \$ 85,804.94 |
| DOJ/Homeland Security Funds | - | 157,681.96 | - | - | 157,681.96 | - |
| US MARSHALL Funds/Grants | - | 1,000.00 | - | - | 925.00 | 75.00 |
| Fish and Wildlife Trust | 15,100.00 | - | - | - | - | 15,100.00 |
| Housing Reh & Citizens Ret | - | 76,548.00 | - | - | 48,113.26 | 28,434.74 |
| Document Preservation | 10,139.09 | 14,439.91 | - | - | 9,441.30 | 15,137.70 |
| Entry Team Grant | 1,796.28 | - | - | - | 1,133.00 | 663.28 |
| Predisaster Mitigation | - | - | - | - | - | - |
| Bituminous Surfacing - Blacktop | 50,580.95 | 410,037.92 | - | - | 509,292.64 | (48,673.77) |
| County Bridge | 150,615.33 | 87,417.67 | - | - | 60,111.78 | 177,921.22 |
| County Road Program | 91,657.79 | 340,333.47 | - | - | 324,437.68 | 107,553.58 |
| Social Service Projects | 54,025.85 | 46,662.79 | - | - | 51,882.80 | 48,805.84 |
| Foster Care Recruitment Grant Fund | 4,273.34 | 4,905.93 | - | - | 4,625.82 | 4,553.45 |
| Human Service Fund | 72,519.15 | 781,115.79 | - | 505,386.00 | 259,844.77 | 88,404.17 |
| Emergency Poor | 4,374.94 | 608,684.99 | - | 558,654.33 | - | 54,405.60 |
| Emergency Fund | 7.13 | 46,360.73 | - | - | - | 46,367.86 |
| Veteran's Service Officer | 5,950.87 | 20,852.27 | - | - | 18,752.80 | 8,050.34 |
| County Loan Fund | 3,031.36 | 101,669.83 | - | - | 101,980.00 | 2,721.19 |
| Oasis and Social Security | 21,264.53 | 333,061.31 | - | 121,764.00 | 205,417.29 | 27,144.55 |
| Advertising | 18,146.06 | - | - | - | - | 18,146.06 |
| Emergency Management | 10,660.39 | 21,819.42 | 35,381.50 | - | 65,013.18 | 2,848.13 |
| Hazardous Chemicals | 3,847.73 | 1,287.50 | - | - | - | 5,135.23 |
| County Agent - Extension | 34,153.32 | 129,325.01 | - | - | 103,876.76 | 59,601.57 |
| Weed Control | 52,137.79 | 97,194.80 | - | - | 86,912.39 | 62,420.20 |
| Cemetery | 20.82 | 4,011.06 | - | - | 3,700.00 | 331.88 |
| Spl. Assessments on Co. Property | 6,648.53 | 5,212.73 | - | - | 3,672.44 | 8,188.82 |
| Correctional Center - LEC | 76,270.62 | 337,657.69 | - | - | 309,275.85 | 104,652.46 |
| CDBG - NCPC | 9,596.48 | 124,524.85 | - | - | 133,620.00 | 501.33 |
| Total Non-Major Special Revenue Funds | \$ 746,028.38 | \$ 4,050,602.40 | \$ 115,381.50 | \$ 1,185,804.33 | \$ 2,801,912.58 | \$ 924,295.37 |
| Non-Major Debt Service Funds: | | | | | | |
| Sewer Imp. District Sinking | \$ 6,850.59 | \$ 3.20 | \$ - | \$ - | \$ 6,853.79 | \$ - |
| Sakakawea Ave Special | 78.38 | 2,337.60 | - | - | 2,406.83 | 9.15 |
| Woodglen Special Assessments | 3,108.35 | 1.16 | - | - | 3,109.51 | - |
| Total Non-Major Debt Service Funds | \$ 10,037.32 | \$ 2,341.96 | \$ - | \$ - | \$ 12,370.13 | \$ 9.15 |
| Non-Major Capital Projects Fund: | | | | | | |
| West Dike Extension O&M | \$ - | \$ 35,008.62 | \$ - | \$ - | \$ 35,008.62 | \$ - |
| Total Non-Major Governmental Funds | \$ 756,065.70 | \$ 4,087,952.98 | \$ 115,381.50 | \$ 1,185,804.33 | \$ 2,849,291.33 | \$ 924,304.52 |
| Total Governmental Funds | \$ 3,917,561.62 | \$ 17,070,245.62 | \$ 1,221,185.83 | \$ 1,221,185.83 | \$ 14,513,313.59 | \$ 6,474,493.65 |
| Internal Service Fund: | | | | | | |
| Health Insurance | \$ 602,508.25 | \$ 920,675.24 | \$ - | \$ - | \$ 748,796.85 | \$ 774,386.64 |

Continued on next page...

RAMSEY COUNTY
Devils Lake, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
PRIMARY GOVERNMENT
For the Year Ended December 31, 2012

| | Balance 1-1-12 | Receipts | Transfers In | Transfers Out | Disbursements | Balance 12-31-12 |
|------------------------------------|-------------------|------------------|-----------------|------------------|------------------|---------------------|
| CONTINUED... | | | | | | |
| <u>Agency Funds:</u> | | | | | | |
| Job/Industrial Development | \$ 5,603.61 | \$ 40,990.69 | \$ - | \$ - | \$ 32,000.00 | \$ 14,594.30 |
| Water Safety Operations | - | 9,000.00 | - | - | 9,000.00 | - |
| Scoobys Point Sewer District #1-06 | 3,864.88 | 38,127.26 | - | - | 41,992.14 | - |
| Michigan Spillway Drain | - | 349.54 | - | - | 349.54 | - |
| State Tax | 208.03 | 34,012.94 | - | - | 34,033.75 | 187.22 |
| Sales Tax | 4,013.08 | 3,285.21 | - | - | 4,013.08 | 3,285.21 |
| Auditor's License Fund | 158,510.00 | 353,747.90 | - | - | 358,008.00 | 154,249.90 |
| Paid Under Protest | - | 1,626.52 | - | - | 1,626.52 | - |
| Garrison Diversion Conservancy | 227.18 | 40,524.67 | - | - | 40,548.05 | 203.80 |
| Attendant Care | - | 8,325.89 | - | - | 8,325.89 | - |
| Domestic Violence | 315.00 | 2,870.00 | - | - | 2,940.00 | 245.00 |
| State Aid Townships | - | 120,872.10 | - | - | 120,872.10 | - |
| Township Road | - | 664,492.19 | - | - | 664,492.19 | - |
| County Park | 3,296.29 | 6,534.09 | - | - | 6,000.00 | 3,830.38 |
| County Fair | 208.24 | 35,629.75 | - | - | 35,650.23 | 187.76 |
| Soil Conservation General Fund | 208.24 | 39,165.02 | - | - | 39,183.15 | 190.11 |
| Soil Conserv. Ins. Res. Fund | 71.35 | 12,129.47 | - | - | 12,133.87 | 66.95 |
| ND Income Tax | - | 29,252.05 | - | - | 29,252.05 | - |
| Transit | 2,664.91 | 28,296.83 | - | - | 28,386.00 | 2,575.74 |
| District Health | 18,182.19 | 110,444.74 | - | - | 114,230.00 | 14,396.93 |
| County Airport | 190.55 | 64,556.94 | - | - | 64,564.69 | 182.80 |
| Senior Citizens | 1,356.27 | 75,127.48 | - | - | 71,122.00 | 5,361.75 |
| Ramsey County WRD | 500.90 | 69,692.11 | - | - | 69,818.41 | 374.60 |
| NDSU Extension | 3,052.65 | 6,382.62 | - | - | 5,857.63 | 3,577.64 |
| SAAF | 34.55 | - | - | - | - | 34.55 |
| Joint Water Resource District | 294.17 | 52,572.01 | - | - | 52,604.52 | 261.66 |
| Starkweather Coulee Project | - | 10,833.42 | - | - | 10,824.46 | 8.96 |
| County Library | 171.80 | 60,570.28 | - | - | 60,575.52 | 166.56 |
| Historical Society | 56.80 | 8,471.52 | - | - | 8,477.36 | 50.96 |
| Telecommunications-Townships | - | 4,458.78 | - | - | 4,458.78 | - |
| Joint Water Resource District Mgr. | 3,889.28 | 48,183.30 | - | - | 47,991.91 | 4,080.67 |
| Total Cities | 20,885.09 | 1,883,152.42 | - | - | 1,887,229.50 | 16,808.01 |
| Total Park Districts | 8,122.23 | 646,984.59 | - | - | 648,543.82 | 6,563.00 |
| Total School Districts | 29,578.16 | 4,523,722.22 | - | - | 4,526,379.21 | 26,921.17 |
| Total Townships | 1,661.16 | 441,053.92 | - | - | 441,443.89 | 1,271.19 |
| Total Fire Protection Districts | 268.07 | 102,580.95 | - | - | 102,537.51 | 311.51 |
| Total Ambulance Districts | 17.20 | 2,144.06 | - | - | 2,146.80 | 14.46 |
| Prepaid Taxes | 3,171,380.30 | 4,236,023.71 | - | - | 3,171,380.30 | 4,236,023.71 |
| Total Agency Funds | \$ 3,438,832.18 | \$ 13,816,187.19 | \$ - | \$ - | \$ 12,758,992.87 | \$ 4,496,026.50 |
| Total Primary Government | \$ 7,958,902.05 | \$ 31,807,108.05 | \$ 1,221,185.83 | \$ 1,221,185.83 | \$ 28,021,103.31 | \$ 11,744,906.79 |

RAMSEY COUNTY
Devils Lake, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Federal Expenditures |
|--|---------------------------|-------------------------|
| <u>U.S. DEPARTMENT OF JUSTICE:</u> | | |
| <u>Passed Through State Department of Commerce:</u> | | |
| Juvenile Justice and Delinquency Prevention-Allocation to States | 16.540 | \$ 8,203 |
| <u>Passed Through State Department of Health:</u> | | |
| Violence Against Women Formula Grants | 16.588 | \$ 5,847 |
| Total U.S. Department of Justice | | \$ 14,050 |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u> | | |
| <u>Passed Through State Department of Human Services:</u> | | |
| Promoting Safe and Stable Families | 93.556 | \$ 6,543 |
| Temporary Assistance for Needy Families | 93.558 | 124,262 |
| Child Support Enforcement | 93.563 | 317 |
| Children's Justice Grants to States | 93.643 | 342 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 10,804 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 7,119 |
| Foster Care-Title IV-E | 93.658 | 75,704 |
| Adoption Assistance | 93.659 | 1,339 |
| Child Abuse and Neglect State Grants | 93.669 | 75 |
| Children's Health Insurance Program | 93.767 | 1,955 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 2,215 |
| Total U.S. Department of Health and Human Services | | \$ 230,675 |
| <u>U.S. DEPARTMENT OF AGRICULTURE:</u> | | |
| <u>Passed Through State Department of Human Services:</u> | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | \$ 225 |
| <u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u> | | |
| <u>Passed Through State Department of Commerce:</u> | | |
| Community Development Block Grants/State's program | 14.228 | \$ 60,494 |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u> | | |
| <u>Passed Through State Department of Emergency Services:</u> | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | ** \$ 4,558,708 |
| Hazard Mitigation Grant | 97.039 | 52,331 |
| Emergency Management Performance Grants | 97.042 | 21,346 |
| Homeland Security Grant Program | 97.067 | 157,682 |
| Total U.S. Department of Homeland Security | | \$ 4,790,067 |
| <u>U.S. DEPARTMENT OF TRANSPORTATION:</u> | | |
| <u>Passed Through State Highway Department:</u> | | |
| Highway Planning and Construction | 20.205 | ** \$ 2,810,705 |
| Total Expenditures of Federal Awards | | \$ 7,906,216 |

** - Major Program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ramsey County under programs of the federal government for the year ended December 31, 2012. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Ramsey County, it is not intended to and does not present the financial position or changes in net assets of Ramsey County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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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
Ramsey County
Devils Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ramsey County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Ramsey County's basic financial statements, and have issued our report thereon dated September 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ramsey 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 Ramsey County's internal control. Accordingly, we do not express an opinion on the effectiveness of Ramsey County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2012-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ramsey County's financial statements are free from 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*.

RAMSEY 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

Ramsey County's Response to Findings

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 13, 2013

STATE AUDITOR

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Local Government Division:
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Ramsey County
Devils Lake, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Ramsey County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Ramsey County's major federal programs for the year ended December 31, 2012. Ramsey County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Programs

In our opinion, Ramsey County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2012.

RAMSEY COUNTY

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Ramsey County as of and for the year ended December 31, 2012, and have issued our report thereon dated September 13, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
September 13, 2013

RAMSEY COUNTY
Devils Lake, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

| | |
|--|------------|
| Type of Report Issued? | |
| Governmental Activities | Unmodified |
| Component Unit – Water Resource District | Unmodified |
| Major Funds | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

Internal Control over financial reporting:

| | | |
|---|--------------------|---------------------------|
| Material weaknesses identified? | _____ Yes | _____ <u>X</u> None noted |
| Significant deficiencies identified not considered to be material weaknesses? | _____ <u>X</u> Yes | _____ |
| Noncompliance material to financial statements noted? | _____ Yes | _____ <u>X</u> None noted |

Federal Awards

Internal Control over major programs:

| | | |
|---|------------|------------------------------|
| Material weaknesses identified? | _____ Yes | _____ <u>X</u> None reported |
| Reportable conditions identified not considered to be material weaknesses? | _____ Yes | _____ <u>X</u> None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | _____ Yes | _____ <u>X</u> No |

Identification of major programs:

| CFDA Numbers | Name of Federal Program Or Cluster |
|--------------|---|
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |
| 20.205 | Highway Planning and Construction |

| | |
|---|----------------------------------|
| Dollar threshold used to distinguish between Type A and B programs: | <u>\$300,000</u> |
| Auditee qualified as low-risk auditee? | _____ Yes _____ <u>X</u> No |

RAMSEY COUNTY

Schedule of Findings and Questioned Costs – Continued

Section II - Financial Statement Findings

2012-01 – Capital Asset Records

Condition:

Per review of the results of capital asset testing of the County's capital asset listing, a net amount of \$52,874 of adjustments were proposed to correct errors in the capital asset listing.

Effect:

The errors in the capital asset listing resulted in a prior period adjustment to beginning net position totaling \$52,874

Cause:

Possibly due to a lack of communication between the highway department and the county in regards to capital assets record keeping.

Criteria:

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

Recommendation:

We recommend that Ramsey County maintain a complete and current record of capital assets. This record should be divided up by asset classification and include a description of the asset, the year it was purchased or built, the useful life of the asset, the cost, the salvage value, the annual depreciation, the accumulated depreciation, the book value or balance to depreciate, and the function of the asset. The county should also maintain a detailed addition and deletion summary of assets for each year. Finally, the county should keep in contact with the highway shop in regards to infrastructure projects that need to be capitalized in order to keep capital asset records complete and current.

Views of Responsible Officials:

I agree with the recommendation. In reviewing all the highway projects in 2011-2012 Ramsey County had several projects going at one time with Federal, State and County funding being used with the projects being paid out of several different accounts, to correct this process we are setting up spread sheets with the Highway Department on all projects so when we payout we can verify the dollars for each project, from the beginning to end. This gives both departments a better handle on date the project started until the completion.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.