

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**LAMOURE COUNTY
LAMOURE, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



LAMOURE COUNTY
LaMoure, North Dakota

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LAMOURE COUNTY
LaMoure, North Dakota

COUNTY OFFICIALS

At December 31, 2012

Robert Flath

Commissioner - Chairman

Bruce Klein
Victor Weigel
Kenneth Rohrbeck
Keith Heidinger

Commissioner - Vice Chairman
Commissioner
Commissioner
Commissioner

Harmony Rode
Kathy Exner
Robert Fernandes
Donnell Morrison
Kimberly Radermacher-Lagodinski
Karin Fischer
Michial Johnson

Auditor
Treasurer
Sheriff
Recorder
State's Attorney
Clerk of Court
Superintendent of Schools

WRD OFFICIALS

At December 31, 2012

Kerry Ketterling

Commissioner - Chairman

Albin Schlenker
Glenn Haugen
Larry Laney, Jr.
Marvin Schulz

Commissioner
Commissioner
Commissioner
Commissioner

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
LaMoure County
LaMoure, 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 LaMoure County, LaMoure, 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 LaMoure County, LaMoure, North Dakota, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 15 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

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 22-25 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.

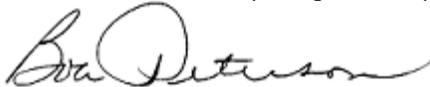
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2014 on our consideration of LaMoure 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 LaMoure County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 14, 2014

LAMOURE COUNTY
LaMoure, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Water Resource District</u>
<u>ASSETS:</u>		
Cash and Investments	\$ 4,147,658	\$ 26,518
Taxes Receivable	41,842	-
Road Receivables	69,742	-
Intergovernmental Receivable	913,388	-
Capital Assets (not being depreciated):		
Land	33,600	-
Construction in Progress	265,562	-
Capital Assets (being depreciated):		
Infrastructure	3,752,043	-
Buildings	277,859	-
Vehicles	72,454	-
Equipment	887,812	-
Total Capital Assets	<u>\$ 5,289,330</u>	<u>\$ -</u>
Total Assets	<u>\$ 10,461,960</u>	<u>\$ 26,518</u>
<u>LIABILITIES:</u>		
Accounts Payable	\$ 24,122	\$ -
Grant Received in Advance	593,217	-
Interest Payable	4,428	-
Long-Term Liabilities:		
Due Within One Year:		
Bonds Payable	55,000	-
Leases Payable	23,650	-
Compensated Absences Payable	20,298	-
Due After One Year:		
Bonds Payable	235,000	-
Leases Payable	124,328	-
Compensated Absences Payable	30,446	-
Total Liabilities	<u>\$ 1,110,489</u>	<u>\$ -</u>
<u>NET POSITION:</u>		
Net investment in capital assets	\$ 5,141,352	\$ -
Restricted for:		
Public Safety	211,155	-
Highways	2,482,369	-
Flood Repair	4,837	-
Health and Welfare	202,032	-
Culture and Recreation	32,276	-
Conservation of Natural Resources	74,237	-
Emergencies	232,831	-
Special Purposes	479,801	-
Unrestricted	<u>490,581</u>	<u>26,518</u>
Total Net Position	<u>\$ 9,351,471</u>	<u>\$ 26,518</u>

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

LAMOURE COUNTY
LaMoure, 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	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Water Resource District
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	\$ 1,345,088	\$ 59,332	\$ 169,095	\$ 48,903	\$ (1,067,758)	
Public Safety	467,701	98,110	68,554	-	(301,037)	
Highways	1,122,133	423,662	1,517,676	3,086,900	3,906,105	
Flood Repair	1,252,464	-	1,089,215	-	(163,249)	
Health and Welfare	529,227	54,666	219,992	-	(254,569)	
Culture and Recreation	51,333	10,474	-	-	(40,859)	
Conservation of Natural Resources	188,982	74,284	-	-	(114,698)	
Interest Expense	18,093	-	-	-	(18,093)	
Total Primary Government	\$ 4,975,021	\$ 720,528	\$ 3,064,532	\$ 3,135,803	\$ 1,945,842	
<u>Component Unit:</u>						
Water Resource Board	\$ 14,403	\$ -	\$ -	\$ -		\$ (14,403)
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes					\$ 478,619	\$ -
Property taxes; levied for special purposes					1,586,048	24,849
Property taxes; levied for debt service					63,576	-
State aid & grants not restricted to specific programs					666,322	-
Sale of Assets					87,600	-
Interest Revenue					32,974	11
Miscellaneous Revenue					40,777	69
Total General Revenues					\$ 2,955,916	\$ 24,929
Change in Net Position					\$ 4,901,758	\$ 10,526
Net Position - January 1					\$ 5,046,608	\$ 15,992
Prior Period Adjustment					(596,895)	-
Net Position - January 1 as restated					\$ 4,449,713	\$ 15,992
Net Position - December 31					\$ 9,351,471	\$ 26,518

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

LAMOURE COUNTY
LaMoure, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	General	County Road and Bridge	Farm to Market Road	FEMA	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 553,199	\$ 608,930	\$ 949,734	\$ 593,217	\$ 1,442,578	\$ 4,147,658
Taxes Receivable	9,045	1,034	6,529	-	25,234	41,842
Road Receivables	-	69,742	-	-	-	69,742
Intergovernmental Receivable	28,054	77,800	561,227	4,837	241,470	913,388
Total Assets	\$ 590,298	\$ 757,506	\$ 1,517,490	\$ 598,054	\$ 1,709,282	\$ 5,172,630
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ -	\$ 12,009	\$ -	\$ -	\$ 12,113	\$ 24,122
Grants Received in Advance	-	-	-	593,217	-	593,217
Total Liabilities	\$ -	\$ 12,009	\$ -	\$ 593,217	\$ 12,113	\$ 617,339
Deferred Inflows of Resources:						
Taxes Receivable	\$ 9,045	\$ 1,034	\$ 6,529	\$ -	\$ 25,234	\$ 41,842
Road Receivables	-	69,742	-	-	-	69,742
Total Deferred Inflows of Resources	\$ 9,045	\$ 70,776	\$ 6,529	\$ -	\$ 25,234	\$ 111,584
Total Liabilities and Deferred Inflows of Resources	\$ 9,045	\$ 82,785	\$ 6,529	\$ 593,217	\$ 37,347	\$ 728,923
Fund Balances:						
Restricted for:						
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 193,415	\$ 193,415
Public Safety	-	-	-	-	215,030	215,030
Highways & Public Improvement	-	674,721	1,510,961	-	247,839	2,433,521
Flood Repair	-	-	-	4,837	-	4,837
Health and Welfare	-	-	-	-	199,046	199,046
Culture and Recreation	-	-	-	-	31,862	31,862
Conservation of Natural Resources	-	-	-	-	72,158	72,158
Emergency	-	-	-	-	230,868	230,868
Other	-	-	-	-	481,717	481,717
Unassigned	\$ 581,253	-	-	-	-	581,253
Total Fund Balances	\$ 581,253	\$ 674,721	\$ 1,510,961	\$ 4,837	\$ 1,671,935	\$ 4,443,707
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 590,298	\$ 757,506	\$ 1,517,490	\$ 598,054	\$ 1,709,282	\$ 5,172,630

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

LAMOURE COUNTY
LaMoure, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2012

Total *Fund Balances* for Governmental Funds \$ 4,443,707

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

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

Cost of Capital Assets	\$ 7,587,256	
Less Accumulated Depreciation	<u>(2,297,926)</u>	5,289,330

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds. 41,842

Road receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds. 69,742

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	\$ (290,000)	
Capital Leases Payable	(147,978)	
Interest Payable	(4,428)	
Compensated Absences	<u>(50,744)</u>	<u>(493,150)</u>

Total Net Position of Governmental Activities \$ 9,351,471

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

LAMOURE COUNTY
LaMoure, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2012

	General	County Road and Bridge	Farm to Market Road	FEMA	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 480,468	\$ 54,103	\$ 335,563	\$ -	\$ 1,267,183	\$ 2,137,317
Intergovernmental	149,221	762,151	808,110	1,037,941	973,432	3,730,855
Licenses, Permits and Fees	3,450	-	-	-	-	3,450
Charges for Services	88,781	487,513	-	-	204,635	780,929
Interest Income	32,974	-	-	-	-	32,974
Miscellaneous	7,880	6,584	-	-	26,313	40,777
Total Revenues	\$ 762,774	\$ 1,310,351	\$ 1,143,673	\$ 1,037,941	\$ 2,471,563	\$ 6,726,302
Expenditures:						
Current:						
General Government	\$ 721,047	\$ -	\$ -	\$ -	\$ 662,919	\$ 1,383,966
Public Safety	307,973	-	-	-	162,050	470,023
Highways	-	1,376,397	449,620	-	73,125	1,899,142
Flood Repair	-	-	-	1,252,464	-	1,252,464
Health and Welfare	-	-	-	-	530,546	530,546
Culture and Recreation	-	-	-	-	47,916	47,916
Conser. of Natural Resources	-	-	-	-	183,067	183,067
Capital Outlay	-	-	-	-	246,318	246,318
Debt Service:						
Principal	-	-	-	-	77,597	77,597
Interest & Service Charges	-	-	-	-	13,665	13,665
Total Expenditures	\$ 1,029,020	\$ 1,376,397	\$ 449,620	\$ 1,252,464	\$ 1,997,203	\$ 6,104,704
Excess (Deficiency) of Revenues Over Expenditures	\$ (266,246)	\$ (66,046)	\$ 694,053	\$ (214,523)	\$ 474,360	\$ 621,598
Other Financing Sources (Uses):						
Sale of Asset	\$ -	\$ 87,600	\$ -	\$ -	\$ -	\$ 87,600
Transfers In	583,883	-	-	-	547,784	1,131,667
Transfers Out	-	(231,712)	-	-	(899,955)	(1,131,667)
Total Other Financing Sources and Uses	\$ 583,883	\$ (144,112)	\$ -	\$ -	\$ (352,171)	\$ 87,600
Net Change in Fund Balances	\$ 317,637	\$ (210,158)	\$ 694,053	\$ (214,523)	\$ 122,189	\$ 709,198
Fund Balance - January 1	\$ 263,616	\$ 884,879	\$ 816,908	\$ 909,206	\$ 1,549,746	\$ 4,424,355
Prior Period Adjustment	-	-	-	(689,846)	-	(689,846)
Fund Balance - January 1 as restated	\$ 263,616	\$ 884,879	\$ 816,908	\$ 219,360	\$ 1,549,746	\$ 3,734,509
Fund Balance - December 31	\$ 581,253	\$ 674,721	\$ 1,510,961	\$ 4,837	\$ 1,671,935	\$ 4,443,707

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

LAMOURE COUNTY
LaMoure, 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	\$	709,198
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$ 4,468,936	
Current Year Depreciation Expense	(261,595)	
Loss on Capital Assets	<u>(15,856)</u>	4,191,485

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 repayment of debt.

Bond Repayment	\$ 55,000	
Lease Repayment	<u>22,597</u>	77,597

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	832	
Net Change in Interest Payable	<u>(4,428)</u>	(3,596)

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

Net Change in Taxes Receivable	\$ (9,074)	
Net Change in Road Receivables	<u>(63,852)</u>	<u>(72,926)</u>

Change in Net Position of Governmental Activities	\$	<u><u>4,901,758</u></u>
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The notes to the financial statements are an integral part of this statement.

LAMOURE COUNTY
LaMoure, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 2,263,202</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 2,263,202</u>

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

LAMOURE COUNTY
LaMoure, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of LaMoure County, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units except that capital asset balances and activity are not reported in the government wide financial statements due to a lack of capital asset records. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

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

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

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 either as blended component unit or as discretely presented component unit.

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

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

B. Basis of Presentation

Government-wide statements: The statement of Net Position and the statement of activities display information about the primary government, LaMoure County and its component unit, LaMoure County Water Resource District. 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. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds including its fiduciary funds. Separate statements for each fund category—*governmental* and *fiduciary*—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as 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 and Bridge Fund. This is the County's primary road maintenance fund. It accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. The major source of revenue is restricted State/Federal grants/reimbursements and a restricted tax levy.

Farm-to-Market Road Fund. This fund accounts for repair and improvement of highways and bridges that are legally restricted from taxes levied. The major source of revenue is a restricted tax levy and State/Federal grants/reimbursements.

FEMA Fund. This fund accounts for all revenue and expenditures relating to federally declared disaster areas. The major source of revenue is restricted Federal grants/reimbursements.

Additionally, the county reports the following fund type:

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

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

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

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

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

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

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets

Capital assets per policy for the government are defined as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Per policy, general infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets won’t be reported in the financial statements, as the County is 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.

Per policy, major outlays for capital assets and improvements will be capitalized as projects are constructed. Capital assets per policy will be depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	Indefinite
Buildings	50
Equipment	5 - 10
Vehicles	5
Infrastructure	50

F. Compensated Absences

Full time employees, except for social service employees, earn vacation benefits depending on tenure with the County as follows:

Length of Service	Days Per Year
0 through 5 years	10 days
6 through 10 years	15 days
11 through 15 years	18 days
16 years and over	20 days

Employees, except social service employees, can carry over a maximum of 20 days of vacation at December 31, of each year.

Social service employees earn vacation benefits from one to two days per month depending on tenure with the county. Social service employees can carry over a maximum of 30 days at April 30, of each year.

Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of 30 days for social service employees and 20 days for other employees, based on their current rate of pay. Vested or accumulated vacation leave is reported in the general long-term debt account group. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net position. 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

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 LaMoure County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (county road and bridge, farm to market road, FEMA, and culvert purchases) are disclosed in more detail in Note 1C.

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

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

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

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

LaMoure County 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 debt service, public safety, highways & public improvement, flood repair, health & welfare, culture & recreation, conservation of natural 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.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

The County implemented the provisions of GASB 63 'Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position' during the year ended December 31, 2012. Prior to GASB 63, equity in the statement of Net Position was reported in the applicable categories of Net Position. Under the provisions of GASB 63, the Net Position statement was changed to the statement of net position, and Net Position was changed to net position. GASB 63 didn't change how net position is calculated into the 3 primary categories as outlined in further detail below.

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

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

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for negative funds (sheriff's grants and state reimbursements). The unrestricted net position is available to meet the district's ongoing obligations.

NOTE 2: DEPOSITS AND INVESTMENTS

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

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

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

At year ended December 31, 2012, the county's carrying amount of deposits was \$6,410,121 and the bank balances totaled \$6,425,655. Of the bank balances, \$2,436,246 was covered by Federal Depository Insurance. The remaining bank balances totaling \$3,989,409 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2012, the Water Resource District's carrying amount of deposits was \$26,518 and the bank balances totaled \$26,522, all of which were covered by Federal Depository Insurance.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

Credit Risk:

The county and its component unit may invest idle funds as authorized in North Dakota Statutes, as follows:

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

As of December 31, 2012, the county had certificates of deposit totaling \$3,416,943, and the water resource district had certificates of deposit totaling \$5,042.

Concentration of Credit Risk:

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

NOTE 3: TAXES RECEIVABLE

The taxes receivable represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

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

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

NOTE 4: ROAD RECEIVABLE

Road receivable consists of amounts due to the road department for work done for townships, cities, schools and individuals.

NOTE 5: INTERGOVERNMENTAL RECEIVABLES

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

LAMOURE COUNTY

Notes to the Financial Statements – Continued

NOTE 6: CAPITAL ASSETS

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

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1-1-12	Increases	Decreases	Transfers	Balance 12-31-12
<i>Capital assets not being depreciated:</i>					
Land	\$ 33,600	\$ -	\$ -	\$ -	\$ 33,600
Construction in Progress	257,613	1,640,666	-	(1,632,717)	265,562
Total Capital Assets, Not Being Depreciated	\$ 291,213	\$1,640,666	\$ -	\$(1,632,717)	\$ 299,162
<i>Capital assets being depreciated:</i>					
Infrastructure	\$ -	\$2,382,696	\$ -	\$ 1,445,920	\$3,828,616
Buildings	544,996	-	-	186,797	731,793
Vehicles	341,339	43,858	138,215	-	246,982
Equipment	2,156,988	401,716	78,000	-	2,480,704
Total Capital Assets, Being Depreciated	\$3,043,323	\$2,828,270	\$216,215	\$ 1,632,717	\$7,288,095
<i>Less Accumulated Depreciation for:</i>					
Infrastructure	\$ -	\$ 76,572	\$ -	\$ -	\$ 76,572
Buildings	445,108	8,827	-	-	453,935
Vehicles	269,382	27,505	122,359	-	174,528
Equipment	1,522,201	148,691	78,000	-	1,592,892
Total Accumulated Depreciation	\$2,236,691	\$ 261,595	\$200,359	\$ -	\$2,297,927
Total Capital Assets Being Depreciated, Net	\$ 806,632	\$2,566,675	\$ 15,856	\$ 1,632,717	\$4,990,168
Governmental Activities Capital Assets, Net	\$1,097,845	\$4,207,341	\$ 15,856	\$ -	\$5,289,330

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

Governmental Activities:	Amounts
General Government	\$ 23,086
Public Safety	11,131
Highway	216,922
Health & Welfare	1,048
Culture & Recreation	3,417
Conservation of Natural Resources	5,991
Total Depreciation Expense-Governmental Activities	\$261,595

NOTE 7: 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 8: GRANTS RECEIVED IN ADVANCE

Grants received in advance consist of funds received in the FEMA fund where the eligibility requirements have not been met at December 31, 2012.

NOTE 9: DEFERRED INFLOWS OF RESOURCES

LaMoure County early implemented provisions of GASB 65 "Items Previously Reported as Assets and Liabilities" during the year ended December 31, 2012. Prior to GASB 65, the offset to taxes receivable and road receivables were reported as a liability in the balance sheet, but is now reported as a deferred inflow of resources under the provisions of GASB 65.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

NOTE 10: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2012.

NOTE 11: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:

Governmental Activities:	Balance 1-1-12	Increases	Decreases	Balance 12-31-12	Due Within One Year
Bond Payable	\$345,000	\$ -	\$55,000	\$290,000	\$55,000
Lease Payable	170,575	-	22,597	147,978	23,650
Compensated Absences *	51,576	-	832	50,744	20,298
Total Governmental Activities	\$567,151	\$ -	\$78,429	\$488,722	\$98,948

* 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 payable) at December 31, 2012 for the primary government governmental activities consists of the following issues:

General Obligation Bonds:

\$400,000 Limited Tax Bonds of 2012 with annual payments of \$55,000 to \$60,000; with interest at 1.65% to 2.50%. \$290,000

The annual requirements to amortize the outstanding debt, excluding compensated absences are as follows for the year ended December 31, 2012:

GOVERNMENTAL ACTIVITIES				
Year Ending 12-31-12	Bond Payable		Lease Payable	
	Principal	Interest	Principal	Interest
2013	\$ 55,000	\$ 5,861	\$ 23,650	\$ 6,751
2014	55,000	4,954	124,328	5,672
2015	60,000	3,750	-	-
2016	60,000	2,250	-	-
2017	60,000	750	-	-
Total	\$290,000	\$17,565	\$147,978	\$12,423

NOTE 12: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. LaMoure County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability and for automobile, and \$2,879,655 for public assets (mobile equipment and portable property).

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

LaMoure County has workers compensation with the North Dakota Workforce Safety and Insurance. The county provides health insurance benefits for the county employees through Blue Cross/Blue Shield of North Dakota, and pays 100% of the health insurance premium for single persons; 82.5% for singles with dependents, and 70% for family plans.

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

NOTE 13: PENSION PLAN

The County participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of the county and the county's component units. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Funding Policy:

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code.

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 required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. The county's required and actual contributions to NDPERS for the fiscal years ended December 31, 2012, 2011 and 2010 were \$61,549, \$66,992, and \$66,083, respectively.

LAMOURE COUNTY

Notes to the Financial Statements – Continued

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 14: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2012:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 583,883	\$ -
County Road and Bridge	-	231,712
<u>Special Revenue Funds:</u>		
Social Welfare	286,484	-
County Memorial Park	8,262	-
Oasis Health Insurance	-	21,326
Comp. Health Insurance	21,326	-
Camp Fund	-	8,262
State Aid Distribution	-	583,883
Human Services	-	286,484
Equipment Purchase	100,000	-
Culvert Purchase & Resale	111,712	-
Bridge Replacement	20,000	-
Total Transfers	\$1,131,667	\$1,131,667

NOTE 15: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for the 2012 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds consist of a beginning balance adjustment to remove prior year unearned revenue for grants received in advance (\$689,846) in the FEMA fund. The effect of the prior period adjustment to beginning fund balance is as follows”

	Governmental Funds
FEMA fund Balance, as previously reported	\$ 909,206
Adjustments to restate the January 1, 2012 fund balance for the following:	
Unearned revenue	(689,846)
Fund Balance January 1, 2012 as restated	\$ 219,360

The prior period adjustments for the 2012 Statement of Activities consist of beginning balance adjustments to capital assets (\$92,951) and remove unearned revenue (\$689,846). The effect of the prior period adjustments to beginning Net Position is as follows:

	Governmental Activities
Net Position, as previously reported	\$5,046,608
Adjustments to restate the January 1, 2012 net position for the following:	
Capital Assets - Cost	227,152
Capital Assets - Depreciation	(134,201)
Unearned revenue	(689,846)
Net Position January 1, 2012 as restated	\$4,449,713

LAMOURE COUNTY
LaMoure, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 435,209	\$ 435,209	\$ 480,468	\$ 45,259
Intergovernmental	-	-	149,221	149,221
Licenses, Permits and Fees	-	-	3,450	3,450
Charges for Services	-	-	88,781	88,781
Interest Income	-	-	32,974	32,974
Miscellaneous	-	-	7,880	7,880
Total Revenues	\$ 435,209	\$ 435,209	\$ 762,774	\$ 327,565
<u>Expenditures:</u>				
Current:				
General Government	\$ 793,327	\$ 793,327	\$ 721,047	\$ 72,280
Public Safety	312,543	312,543	307,973	4,570
Total Expenditures	\$ 1,105,870	\$ 1,105,870	\$ 1,029,020	\$ 76,850
Excess (Deficiency) of Revenues Over Expenditures	\$ (670,661)	\$ (670,661)	\$ (266,246)	\$ 404,415
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 583,883	\$ 583,883
Net Change in Fund Balance	\$ (670,661)	\$ (670,661)	\$ 317,637	\$ 988,298
Fund Balance - January 1	\$ 263,616	\$ 263,616	\$ 263,616	\$ -
Fund Balance - December 31	\$ (407,045)	\$ (407,045)	\$ 581,253	\$ 988,298

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

LAMOURE COUNTY
LaMoure, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 56,557	\$ 56,557	\$ 54,103	\$ (2,454)
Intergovernmental	740,000	740,000	762,151	22,151
Charges for Services	451,000	451,000	487,513	36,513
Miscellaneous	12,200	12,200	6,584	(5,616)
Total Revenues	\$ 1,259,757	\$ 1,259,757	\$ 1,310,351	\$ 50,594
<u>Expenditures:</u>				
Current:				
Highways	\$ 1,628,700	\$ 1,628,700	\$ 1,376,397	\$ 252,303
Excess (Deficiency) of Revenues Over Expenditures	\$ (368,943)	\$ (368,943)	\$ (66,046)	\$ 302,897
<u>Other Financing Sources (Uses):</u>				
Sale of Assets	\$ -	\$ -	\$ 87,600	\$ 87,600
Transfers In	200,000	200,000	-	(200,000)
Transfers Out	-	-	(231,712)	(231,712)
Total Other Financing Sources and Uses	\$ 200,000	\$ 200,000	\$ (144,112)	\$ (344,112)
Net Change in Fund Balances	\$ (168,943)	\$ (168,943)	\$ (210,158)	\$ (41,215)
Fund Balance - January 1	\$ 884,879	\$ 884,879	\$ 884,879	\$ -
Fund Balance - December 31	\$ 715,936	\$ 715,936	\$ 674,721	\$ (41,215)

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

LAMOURE COUNTY
LaMoure, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKETS ROAD FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 346,638	\$ 346,638	\$ 335,563	\$ (11,075)
Intergovernmental	1,401,000	1,401,000	808,110	(592,890)
Total Revenues	<u>\$ 1,747,638</u>	<u>\$ 1,747,638</u>	<u>\$ 1,143,673</u>	<u>\$ (603,965)</u>
<u>Expenditures:</u>				
Current:				
Highways	<u>\$ 1,550,000</u>	<u>\$ 1,550,000</u>	<u>\$ 449,620</u>	<u>\$ 1,100,380</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 197,638</u>	<u>\$ 197,638</u>	<u>\$ 694,053</u>	<u>\$ 496,415</u>
Net Change in Fund Balances	<u>\$ 197,638</u>	<u>\$ 197,638</u>	<u>\$ 694,053</u>	<u>\$ 496,415</u>
Fund Balance - January 1	<u>\$ 816,908</u>	<u>\$ 816,908</u>	<u>\$ 816,908</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 1,014,546</u></u>	<u><u>\$ 1,014,546</u></u>	<u><u>\$ 1,510,961</u></u>	<u><u>\$ 496,415</u></u>

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

LAMOURE COUNTY
LaMoure, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 1,037,941	\$ 1,037,941
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ 800,000	\$ 800,000	\$ 1,252,464	\$ (452,464)
Excess (Deficiency) of Revenues Over Expenditures	\$ (800,000)	\$ (800,000)	\$ (214,523)	\$ 585,477
Fund Balance - January 1	\$ 219,360	\$ 219,360	\$ 219,360	\$ -
Fund Balance - December 31	\$ (580,640)	\$ (580,640)	\$ 4,837	\$ 585,477

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

LAMOURE COUNTY
LaMoure, 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 section 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 section 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 section 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 section 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2012, LaMoure County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
Special Revenue Funds:			
FEMA	\$800,000	\$1,252,464	\$(452,464)
Weed Control	102,700	108,560	(5,860)
Correction Center	14,000	15,502	(1,502)
County Loan	63,000	167,479	(104,479)
Insurance Reserve	65,500	67,135	(1,635)
Ambulance	-	73,811	(73,811)
Camp Fund	-	2,619	(2,619)
E911 Wireless	49,998	70,110	(20,112)
24/7 Sobriety Fund	-	2,590	(2,590)
Grants	-	72,898	(72,898)
Culvert Purchases	50,000	73,125	(23,125)

No remedial action is anticipated or required regarding these excess expenditures.

LAMOURE COUNTY
LaMoure, North Dakota

SCHEDULE OF FUND ACTIVITY
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-12
Primary Government:							
Major Funds:							
General Fund	\$ 263,615.92	\$ 734,719.87	\$ 583,882.96	\$ -	\$ -	\$ 1,029,019.92	\$ 553,198.83
County Road and Bridge	859,341.69	1,308,198.57	-	87,600.00	231,711.95	1,414,498.26	608,930.05
Farm to Market Road	816,908.44	582,446.33	-	-	-	449,620.47	949,734.30
FEMA	689,845.26	1,155,836.68	-	-	-	1,252,464.49	593,217.45
Total Major Funds	\$2,629,711.31	\$ 3,781,201.45	\$ 583,882.96	\$ 87,600.00	\$ 231,711.95	\$ 4,145,603.14	\$2,705,080.63
Nonmajor Funds:							
Social Welfare	\$ 136,622.58	\$ 59,587.15	\$ 286,484.25	\$ -	\$ -	\$ 328,629.44	\$ 154,064.54
Veterans Service Officer	2,015.11	6,747.14	-	-	-	6,389.37	2,372.88
County Agent	28,000.46	44,948.27	-	-	-	71,499.88	1,448.85
Weed Control	63,091.96	92,993.43	-	-	-	108,560.33	47,525.06
County Memorial Park	33,455.51	33,068.07	8,261.79	-	-	45,296.73	29,488.64
Correctional Center	60,608.50	29,801.31	-	-	-	15,501.99	74,907.82
Oasis Health Insurance	2,665.42	88,680.44	-	-	21,326.00	-	70,019.86
Oasis and Social Security	87,505.08	141,738.56	-	-	-	217,217.36	12,026.28
Technology Fund	21,903.47	98,010.91	-	-	-	56,860.24	63,054.14
Advertising Fund	0.38	1.02	-	-	-	-	1.40
Special Assessments on Co. Property	193.87	0.34	-	-	-	-	194.21
County Loan Fund	294,028.47	66,671.10	-	-	-	167,478.89	193,220.68
Insurance Reserve	64,765.58	66,433.76	-	-	-	67,135.47	64,063.87
Comp. Health Insurance	31,780.18	181,224.18	21,326.00	-	-	233,699.04	631.32
Ambulance	223.46	73,849.05	-	-	-	73,810.55	261.96
Emergency Fund	99,823.60	131,043.96	-	-	-	-	230,867.56
Camp Fund	406.82	10,474.00	-	-	8,261.79	2,619.03	-
JR Backway Fund	38,676.35	-	-	-	-	-	38,676.35
State Aid Distribution	16,617.38	567,265.58	-	-	583,882.96	-	-
Document Preservation Fund	10,463.77	6,362.51	-	-	-	105.00	16,721.28
Human Services	19,502.53	267,986.90	-	-	286,484.25	-	1,005.18
Wireless E911	99,542.10	61,007.91	-	-	-	70,110.40	90,439.61
24/7 Sobriety Program	1,978.00	1,772.00	-	-	-	2,590.00	1,160.00
LaMoure County Health Dept	85,281.35	166,055.38	-	-	-	202,448.74	48,887.99
District Court	5.00	-	-	-	-	-	5.00
Grants (State & Federal)	-	107,406.00	-	-	-	72,897.87	34,508.13
County Extension	2,126.83	5,262.18	-	-	-	2,754.44	4,634.57
4-H Building	1,675.96	300.00	-	-	-	147.82	1,828.14
Special Project/Vehicle	10,585.73	2,747.85	-	-	-	8,719.85	4,613.73
Hazardous Chemical	6,884.95	1,262.50	-	-	-	36.73	8,110.72
Equipment Purchase	179,923.72	-	100,000.00	-	-	170,102.00	109,821.72
Culvert Purchase & Resale	(89,356.33)	64,049.78	111,711.95	-	-	73,124.88	13,280.52
Bridge Replacement	104,736.50	-	20,000.00	-	-	-	124,736.50
Total Nonmajor Funds	\$1,415,734.29	\$ 2,376,751.28	\$ 547,783.99	\$ -	\$ 899,955.00	\$ 1,997,736.05	\$1,442,578.51
Total Governmental Funds	\$4,045,445.60	\$ 6,157,952.73	\$1,131,666.95	\$ 87,600.00	\$1,131,666.95	\$ 6,143,339.19	\$4,147,659.14
Agency Funds:							
Historical Society (Museum)	\$ 57.80	\$ 5,637.13	\$ -	\$ -	\$ -	\$ 5,606.76	\$ 88.17
Senior Citizens	130.97	61,374.86	-	-	-	61,333.04	172.79
Airport Authority	-	0.02	-	-	-	-	0.02
County Airport-2 mill	128.96	40,349.39	-	-	-	40,343.29	135.06

Continued on next page....

LAMOURE COUNTY
LaMoure, North Dakota

SCHEDULE OF FUND ACTIVITY
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-12
CONTINUED....							
<u>Agency Funds (Continued):</u>							
Criminal Court Administrative Fund	\$ 355.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 355.00
Civil Filing Fees	140.00	525.00	-	-	-	665.00	-
State Fines & Forfeits	(13.28)	2,380.00	-	-	-	2,380.00	(13.28)
State Revenue	67.92	22,788.75	-	-	-	22,777.04	79.63
Garrison Diversion	49.54	27,253.49	-	-	-	27,238.44	64.59
Court Trust	532.36	6.17	-	-	-	-	538.53
Restitutions	356.15	-	-	-	-	-	356.15
Estimate Tax	(1,591.66)	10,597.55	-	-	-	9,654.96	(649.07)
Game and Fish Licenses	19,854.60	30,739.00	-	-	-	35,722.00	14,871.60
Soil Conservation District	67.91	22,817.26	-	-	-	22,805.53	79.64
Jud Rural Fire	80.60	10,538.16	-	-	-	10,547.41	71.35
Gackle Fire District	4.18	365.19	-	-	-	365.45	3.92
Water Resource Fund	21.03	24,907.95	-	-	-	24,848.76	80.22
Library	147.65	50,864.38	-	-	-	50,838.12	173.91
CDLF Loan Fund	8,521.38	-	-	-	-	-	8,521.38
Medical Reimbursement	(1,687.49)	330.62	-	-	-	83.50	(1,440.37)
Payroll Deduction	6,082.66	1,036.16	-	-	-	983.24	6,135.58
Undistributed Taxes	1,968,094.57	2,145,304.76	-	-	-	1,968,094.57	2,145,304.76
Total Cities	4,443.88	643,211.42	-	-	-	633,432.09	14,223.21
Total Parks	-	4,763.66	-	-	-	4,763.66	-
Total Schools	70,351.27	2,837,746.87	-	-	-	2,835,299.05	72,799.09
Total Townships	1,318.40	1,121,143.07	-	-	-	1,121,211.78	1,249.69
Total Agency Funds	\$2,077,514.40	\$ 7,064,680.86	\$ -	\$ -	\$ -	\$ 6,878,993.69	\$2,263,201.57
Total Primary Government	\$6,122,960.00	\$13,222,633.59	\$1,131,666.95	\$ 87,600.00	\$1,131,666.95	\$13,022,332.88	\$6,410,860.71
<u>Discretely Presented Component Unit:</u>							
Water Resource District	\$ 17,582.84	\$ 24,928.88	\$ -	\$ -	\$ -	\$ 15,993.64	\$ 26,518.08
Total Reporting Entity	\$6,140,542.84	\$13,247,562.47	\$1,131,666.95	\$ 87,600.00	\$1,131,666.95	\$13,038,326.52	\$6,437,378.79

LAMOURE COUNTY
LaMoure, 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	Audit Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through the State Department of Transportation:</u>		
State and Community Highway Safety	20.600	\$ 1,349
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	14,172
Total U.S. Department of Transportation		<u>\$ 15,521</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed Through State Department of Human Services:</u>		
Promoting Safe & Stable Families	93.556	\$ 450
Temporary Assistance for Needy Families	93.558	13,887
Adoption Assistance	93.659	237
Children's Health Insurance Program	93.767	174
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	2,370
Stephanie Tubbs Jones Child Welfare Services Program	93.645	188
Foster Care-Title IV-E	93.658	11,650
Maternal & Child Health Services Block Grant to the States	93.994	359
Total Department of Health and Human Services		<u>\$ 29,315</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed Through the State Department Emergency Management:</u>		
Emergency Management Performance Grants	97.042	\$ 22,042
Hazard Mitigation Grant	97.039	148,002
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	*** 1,105,116
Homeland Security Grant	97.067	51,297
Total U.S. Department of Homeland Security		<u>\$ 1,326,457</u>
<u>U.S. DEPARTMENT OF ENERGY:</u>		
<u>Passed Through the State Department of Commerce:</u>		
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	\$ 48,903
Total Expenditure of Federal Awards		<u><u>\$ 1,420,196</u></u>

*** - Major program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of LaMoure 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 LaMoure County, it is not intended to and does not present the financial position or changes in net position of LaMoure County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

STATE AUDITOR

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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

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*

Board of County Commissioners
LaMoure County
LaMoure, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of LaMoure County, LaMoure, North Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise LaMoure County's basic financial statements, and have issued our report thereon dated January 14, 2014. As described in our report, we issued an adverse opinion on the aggregate discretely presented component unit based on a different financial reporting framework being followed by one of the component unit.

Internal Control Over Financial Reporting

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

LAMOURE 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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LaMoure 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*.

LaMoure County's Response to Findings

LaMoure County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. LaMoure 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
January 14, 2014

STATE AUDITOR

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BISMARCK, NORTH DAKOTA 58505

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

Independent Auditor's Report

Board of County Commissioners
LaMoure County
LaMoure, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited LaMoure 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 LaMoure County's major federal program for the year ended December 31, 2012. LaMoure County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of LaMoure 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 LaMoure County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 LaMoure County's internal control over compliance.

LAMOURE 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

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 LaMoure County as of and for the year ended December 31, 2012, and have issued our report thereon dated January 14, 2014, 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
January 14, 2014

LAMOURE COUNTY
LaMoure, 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 Auditor's Reports Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified
Discretely Presented Component Unit	Unmodified

Internal control over financial reporting:

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

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> None

Identification of major program:

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

Section II - Financial Statement Findings

2012-01 – Prior Period Adjustments to Net Position/Fund Balance

Condition:

Per review of the results of capital asset testing of the County's capital asset listing, a net amount of \$92,951 of adjustments, consisting of an increase cost of capital assets and accumulated depreciation for equipment, were proposed to correct errors in the capital asset listing. Additionally, there was also a beginning balance adjustment to remove prior year's revenue for FEMA grants (\$689,846) from Governmental Funds statements due to revenue reporting requirements not being met as of year-end.

LAMOURE COUNTY

Schedule of Findings and Questioned Costs - Continued

Effect:

The capital assets and unearned revenue prior period errors resulted in a prior period adjustment to beginning net position totaling \$(596,895) and beginning fund balance totaling \$(689,846). Unearned Revenue prior period errors totaled a \$(689,846) decrease to the beginning fund balance. Capital asset prior period errors netted to an increase of \$92,951 to beginning net capital asset balances, consisting of an increase of \$227,152 to capital assets costs and an increase of \$134,201 to capital assets accumulated depreciation. The effect of these errors also resulted in an emphasis of a matter language in the audit report opinion as the total of the errors exceeded performance materiality.

Cause:

The primary cause was missing equipment from the prior period and incorrectly showing Disaster Grant revenue as earned, when not all the revenue recognition requirements had been met. Disaster Grants revenue is not earned until the grant funds are expended.

Criteria:

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

Recommendation:

We recommend that LaMoure County ensure proper amounts of capital assets and revenue are reported at each year-end. Detailed capital asset records should include all properly classified assets into proper asset classifications including appropriate descriptions of the asset, year of purchase or construction, useful lives, annual depreciation, proper accumulated depreciation, book values or balance to depreciate, and the correct function of the asset. The county should also prepare a detailed addition and deletion summary of assets for each year. Additionally, the county should pay special attention to ensure that all infrastructure projects are carefully reviewed on at least an annual basis to ensure infrastructure projects that need to be capitalized are indeed properly reported and disclosed. Additionally, it is recommended that the county only report revenue earned when all reporting requirements are met.

Response

We agree with the recommendation. The Auditor's office does and will continue to record all incoming assets at their proper cost, and report revenues at the proper amounts. We will try to maintain better listings of additions and deletions.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.