

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**RANSOM COUNTY
LIBSON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2011



RANSOM COUNTY
Lisbon, North Dakota

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RANSOM COUNTY
Lisbon, North Dakota

COUNTY OFFICIALS

December 31, 2011

Norm Hanson
Kevin Bishop
Neil Olerud
George Bunn
Steve Dick

Connie Gilbert
Norine Erickson
Suzanne Anderson
Susan J. Froemke
Valorie Lukes
Darren Benneweis
Fallon Kelly

Chairman
Vice-chairman
Commissioner
Commissioner
Commissioner

County Auditor
County Treasurer
Superintendent of Schools
Register of Deeds
Clerk of Court
Sheriff
State's Attorney

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Ransom County
Lisbon, North Dakota

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 Ransom County, Lisbon, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ransom County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 Ransom County, Lisbon, North Dakota, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2012 on our consideration of Ransom 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 24 through 27 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.

RANSOM COUNTY

Independent Auditor's Report - Continued

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ransom County's financial statements. The schedule of fund activity arising from cash transactions is presented for purposes of additional analysis and is not a required part of the 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 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 fund activity arising from cash transactions is not fairly stated in all material respects in relation to the financial statements taken as a whole.



Robert R. Peterson
State Auditor

November 6, 2012

RANSOM COUNTY
Lisbon, North Dakota

STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS:		
Cash and investments	\$ 3,702,309	\$ 313,395
Intergovernmental receivable	369,619	-
Road receivables	30,693	-
Taxes receivable	34,195	2,870
Capital Assets (not being depreciated):		
Land	12,101	-
Construction in Progress	416,467	-
Capital Assets (net of accumulated depreciation):		
Buildings	1,855,068	-
Other improvements	-	85,349
Equipment and vehicles	965,502	19,069
Infrastructure	1,638,882	-
Total Capital Assets	<u>\$ 4,888,020</u>	<u>\$ 104,418</u>
Total Assets	<u>\$ 9,024,836</u>	<u>\$ 420,683</u>
LIABILITIES:		
Accounts payable	\$ 182,062	\$ -
Salaries payable	33,107	-
Interest payable	779	-
Long-Term Liabilities:		
Due Within One Year:		
Bonds payable	25,000	-
Compensated absences payable	67,987	-
Due After One Year:		
Bonds payable	85,000	-
Compensated absences payable	29,137	-
Total Liabilities	<u>\$ 423,072</u>	<u>\$ -</u>
NET ASSETS:		
Invested in capital assets, net of related debt	\$ 4,778,020	\$ 104,418
Restricted for:		
Debt service	23,408	-
Public safety	164,911	-
Highways	2,056,093	-
Health and welfare	647,835	-
Culture and recreation	18,475	-
Conservation of natural resources	111,918	316,265
Emergencies	198,447	-
General government	230,373	-
Unrestricted	372,284	-
Total Net Assets	<u>\$ 8,601,764</u>	<u>\$ 420,683</u>

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

RANSOM COUNTY
Lisbon, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Water Resource District
<u>Governmental Activities:</u>						
General government	\$ 1,288,787	\$ 57,558	\$ 73,018	\$ -	\$ (1,158,211)	
Public safety	607,080	233,837	70,794	31,200	(271,249)	
Highways and bridges	1,591,776	80,548	1,390,640	252,879	132,291	
Health and welfare	761,938	60,017	275,200	-	(426,721)	
Culture and recreation	74,313	-	-	-	(74,313)	
Conservation of natural resources	183,051	-	6,121	-	(176,930)	
Economic development	9,773	-	-	-	(9,773)	
Other	21,657	-	-	-	(21,657)	
Interest & fiscal charges on long-term debt	6,578	-	-	-	(6,578)	
Total Governmental Activities	<u>\$ 4,544,953</u>	<u>\$ 431,960</u>	<u>\$ 1,815,773</u>	<u>\$ 284,079</u>	<u>\$ (2,013,141)</u>	
<u>Component Unit:</u>						
Water resource district	<u>\$ 207,881</u>	<u>\$ 43,483</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (164,398)</u>
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes				\$ 533,054	\$ 91,471	
Property taxes; levied for special purposes				1,400,597	1,332	
Property taxes; levied for debt service				15,554	-	
Non restricted grants and contributions				556,097	27,715	
Unrestricted investment earnings				57,717	2,371	
Miscellaneous revenue				293,879	20,220	
Total General Revenues				<u>\$ 2,856,898</u>	<u>\$ 143,109</u>	
Change in Net Assets				<u>\$ 843,757</u>	<u>\$ (21,289)</u>	
Net Assets - January 1				\$ 7,780,423	\$ 441,612	
Prior Period Adjustment				(22,416)	360	
Net Assets - January 1, as restated				<u>\$ 7,758,007</u>	<u>\$ 441,972</u>	
Net Assets - December 31				<u>\$ 8,601,764</u>	<u>\$ 420,683</u>	

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

RANSOM COUNTY
Lisbon, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2011

	General	County Road & Bridge	Farm to Market Road	FEMA Flood	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and Investments	\$ 336,243	\$ 351,289	\$ 416,854	\$ 932,506	\$ 1,665,417	\$ 3,702,309
Intergovernmental Receivable	83,746	90,276	28,029	79,313	88,255	369,619
Road Receivable	-	30,693	-	-	-	30,693
Taxes Receivable	11,010	-	-	-	23,185	34,195
Total Assets	\$ 430,999	\$ 472,258	\$ 444,883	\$ 1,011,819	\$ 1,776,857	\$ 4,136,816
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts Payable	\$ 15,435	\$ 103,331	\$ -	\$ 49,140	\$ 14,156	\$ 182,062
Salaries Payable	13,386	19,721	-	-	-	33,107
Deferred Revenue	11,010	30,693	-	-	23,185	64,888
Total Liabilities	\$ 39,831	\$ 153,745	\$ -	\$ 49,140	\$ 37,341	\$ 280,057
<u>Fund Balances:</u>						
<u>Restricted For:</u>						
General Government	\$ -	\$ -	\$ -	\$ -	\$ 220,992	\$ 220,992
Public Safety	-	-	-	-	173,843	173,843
Highways and Bridges	-	318,513	444,883	962,679	330,698	2,056,773
Health and Welfare	-	-	-	-	665,013	665,013
Culture and Recreation	-	-	-	-	16,816	16,816
Conservation of Natural Resources	-	-	-	-	115,672	115,672
Emergency	-	-	-	-	197,484	197,484
Debt Service	-	-	-	-	23,388	23,388
Unassigned	391,168	-	-	-	(4,390)	386,778
Total Fund Balances	\$ 391,168	\$ 318,513	\$ 444,883	\$ 962,679	\$ 1,739,516	\$ 3,856,759
Total Liabilities and Fund Balances	\$ 430,999	\$ 472,258	\$ 444,883	\$ 1,011,819	\$ 1,776,857	\$ 4,136,816

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

RANSOM COUNTY
Lisbon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2011

Total *Fund Balances* for Governmental Funds \$ 3,856,759

Total *net assets* reported for government activities in the statement of net assets 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	\$ 7,032,607	
Less Accumulated Depreciation	<u>(2,144,587)</u>	
Net Capital Assets		4,888,020

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	\$ 34,195	
Road Department Accounts Receivable	<u>30,693</u>	64,888

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 assets. Balances at December 31, 2011 are:

Bonds Payable	\$ (110,000)	
Interest Payable	(779)	
Compensated Absences	<u>(97,124)</u>	
Total Long-Term Liabilities		<u>(207,903)</u>

Total Net Assets of Governmental Activities \$ 8,601,764

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

RANSOM COUNTY
Lisbon, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General	County Road & Bridge	Farm to Market Road	FEMA Flood	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Taxes	\$ 532,259	\$ 108,229	\$ 216,670	\$ -	\$ 1,100,220	\$ 1,957,378
Intergovernmental	396,897	958,722	90,911	495,286	430,056	2,371,872
Licenses, permits and fees	6,090	-	-	-	-	6,090
Charges for services	299,988	140,423	-	-	45,334	485,745
Interest income	57,717	-	-	-	-	57,717
Miscellaneous	54,907	69,246	-	-	169,724	293,877
Total Revenues	\$ 1,347,858	\$ 1,276,620	\$ 307,581	\$ 495,286	\$ 1,745,334	\$ 5,172,679
<u>Expenditures:</u>						
Current:						
General government	\$ 691,414	\$ -	\$ -	\$ -	\$ 584,318	\$ 1,275,732
Public safety	399,393	-	-	-	230,065	629,458
Highways and bridges	-	1,249,636	280,584	169,685	-	1,699,905
Health and welfare	263,564	-	-	-	486,538	750,102
Culture and recreation	-	-	-	-	74,544	74,544
Conserv. of natural resources	69	-	-	-	182,232	182,301
Economic development	-	-	-	-	9,773	9,773
Capital Outlay/Other	-	-	-	-	21,657	21,657
Debt Service:						
Principal	-	80,293	-	-	25,000	105,293
Interest	-	597	-	-	5,188	5,785
Fees	-	-	-	-	1,014	1,014
Total Expenditures	\$ 1,354,440	\$ 1,330,526	\$ 280,584	\$ 169,685	\$ 1,620,329	\$ 4,755,564
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,582)	\$ (53,906)	\$ 26,997	\$ 325,601	\$ 125,005	\$ 417,115
<u>Other Financing Sources (Uses):</u>						
Transfers in	\$ 7,164	\$ 7,812	\$ -	\$ -	\$ 88,655	\$ 103,631
Transfers out	(20,085)	-	-	-	(83,546)	(103,631)
Total Other Financing Sources and Uses	\$ (12,921)	\$ 7,812	\$ -	\$ -	\$ 5,109	\$ -
Net Change in Fund Balances	\$ (19,503)	\$ (46,094)	\$ 26,997	\$ 325,601	\$ 130,114	\$ 417,115
Fund Balances - January 1	\$ 410,671	\$ 364,607	\$ 417,886	\$ 637,078	\$ 1,629,931	\$ 3,460,173
Prior Period Adjustment	-	-	-	-	(20,529)	(20,529)
Fund Balances - Jan. 1, as restated	\$ 410,671	\$ 364,607	\$ 417,886	\$ 637,078	\$ 1,609,402	\$ 3,439,644
Fund Balances - December 31	\$ 391,168	\$ 318,513	\$ 444,883	\$ 962,679	\$ 1,739,516	\$ 3,856,759

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

RANSOM COUNTY
Lisbon, 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, 2011

Net Change in *Fund Balances* - Total Governmental Funds \$ 417,115

The change in net assets 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 and capital contributions exceeded depreciation expense in the current year.

Current Year Capital Outlay	\$ 387,839	
Capital Contribution	284,079	
Current Year Asset Deletions	(13,680)	
Current Year Depreciation Expense	<u>(266,217)</u>	392,021

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 assets, 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 assets. This is the amount by which debt repayment exceeded debt proceeds.

Repayment of Debt - Bonds	\$ 25,000	
Repayment of Debt - Leases	<u>80,293</u>	105,293

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 Increase in Compensated Absences	\$ (2,845)	
Net Decrease in Interest Payable	<u>221</u>	(2,624)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable and road receivables.

Net Decrease in Taxes Receivable	\$ (8,173)	
Net Decrease in Road Department Receivables	<u>(59,875)</u>	<u>(68,048)</u>

Change in Net Assets of Governmental Activities \$ 843,757

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

RANSOM COUNTY
Lisbon, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and investments	<u>\$ 1,871,452</u>
<u>LIABILITIES</u>	
Due to other governments	<u>\$ 1,871,452</u>

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

RANSOM COUNTY
Lisbon, North Dakota
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Based on these criteria, there is one discretely presented component unit to be included within Ransom County as a reporting entity and one blended component unit as outlined below.

COMPONENT UNITS

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 discretely presented component unit.

Blended Component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Ransom County Public Health Unit: The activities of the Ransom County Public Health Unit have been blended in the activities of the general fund and the human services fund. The Public Health Unit does not have the right to sue in its own name without recourse to the county. Therefore it is reported as if it were part of the county's operations.

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

Ransom County Water Resource District - The County's governing board appoints a voting majority of the members of the Ransom 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. Complete financial statements of the individual component unit can be obtained from the Secretary-Treasurer, Ransom County Water Resource Dist, Box 388, Lisbon, ND, 58054.

RANSOM 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:

	2011
Ambulance Authority	\$41,708
Weed Board	98,376
County Park	19,544

B. Basis of Presentation

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

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

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

The county reports the following major governmental funds:

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

County Road and Bridge Fund. This fund accounts for repair and improvement of highways and bridges that are legally restricted from local tax levies and state highway tax distribution.

Farm to Market Road Fund. This fund accounts for repair and improvement (bituminous surfacing) of highways that are legally restricted from taxes levied and federal dollars.

FEMA Flood Fund. This is the County's fund used to account for Federal Homeland Security disaster funds received and used for repairs caused by flooding.

The County reports the following fund type:

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

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

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

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

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

All governmental and internal service funds of the County and the discretely presented component unit follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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.

The investments of the county during the year ended December 31, 2011 consist of certificates of deposit stated at fair value.

E. Capital Assets

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

RANSOM COUNTY

Notes to the Financial Statements - Continued

General infrastructure assets acquired prior to January 1, 2006 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, 2006 as a Phase III GASB 34 implementation entity. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

Assets	Years
Buildings	50
Improvements other than Buildings	25
Machinery and Equipment	15
Vehicles	5
Office Equipment	3
Infrastructure	25

F. Compensated Absences

Vacation leave is earned by county employees at the rate of 8 hours to 16 hours per month/prorated for part-time benefitted employees depending on years of service. Up to 240 hours of vacation leave may be carried over at each year-end by all county employees. Sick leave benefits are earned by all benefitted employees at the rate of one day per month/prorated for part-time benefitted employees regardless of the years of service. An unlimited number of sick leave hours may be carried over and employees are not paid for sick leave upon termination of employment. Vested or accumulated vacation leave is reported in government-wide statement of net assets and the change in compensated absences is reported by expense function in the statement of activities.

Years of Service	Hours per Month
1 through 3 years	8
4 through 7 years	10
8 through 12 years	12
13 through 18 years	14
19 years and above	16

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 assets. 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.

RANSOM COUNTY

Notes to the Financial Statements - Continued

H. Fund Balances / Net Assets Equity

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 Ransom 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:

It is the goal of Ransom County to try to maintain a \$350,000 minimum general fund balance.

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, and FEMA) are disclosed in more detail in Note 1B.

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.

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	Available for any remaining general fund expenditure.

RANSOM COUNTY

Notes to the Financial Statements - Continued

Ransom County only has restricted and unassigned fund balances at December 31, 2011.

Unassigned Fund Balances:

Unassigned fund balances at year-end 2011 consist of an amount in the general fund totaling \$391,168 and an amount reported for negative cash balances (\$4,390) in the non-major special revenue funds for the ambulance fund and the insurance reserve fund.

Restricted Fund Balances – consist of the following items at December 31, 2011:

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 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 Assets Equity:

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.

Invested in capital assets, net of related debt, is reported for capital assets less accumulated depreciation and any related debt (bonds payable) issued to construct them. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net assets equity shown in the net assets statement are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Net assets equity in the statement of net assets is shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, emergencies, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

Unrestricted net assets equity is primarily unrestricted amounts related to the general fund. The unrestricted net assets are 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.

RANSOM COUNTY

Notes to the Financial Statements - Continued

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

The board of county commissioners amended the county budgeted expenditures and transfers out for the year ended December 31, 2011 as follows:

	Original Budget	Budget Amendment	Amended Budget
County Ambulance	\$ 38,500	\$ 3,208	\$ 41,708
County Park	19,500	44	19,544
County Building	31,500	17	31,517
FEMA	134,000	10,453	144,453
Insurance Reserve	62,000	5,562	67,562
County Road & Bridge	1,003,624	213,285	1,216,909

NOTE 3: DEPOSITS

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

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

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

At year ended December 31, 2011 the county's carrying amount of deposits was \$5,573,284 bank balances totaled \$5,458,665. Of the bank balances, \$1,860,383 was covered by Federal Depository Insurance. The remaining bank balances totaling \$3,598,282 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2011, the Ransom County Water Resource District's deposits were entirely covered by Federal Depository Insurance.

Credit Risk:

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

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

RANSOM COUNTY

Notes to the Financial Statements - Continued

As of December 31, 2011, the county had certificates of deposit totaling \$2,271,039 all of which were considered deposits.

Concentration of Credit Risk:

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

NOTE 4: TAXES RECEIVABLE

The taxes receivable represents the past two 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 and cities reported in the county road & bridge fund.

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2011 for the primary government

Primary Government (2011): Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 12,101	\$ -	\$ -	\$ 12,101
Construction in progress	-	416,467	-	416,467
Total Capital Assets, Not Being Depreciated	\$ 12,101	\$416,467	\$ -	\$ 428,568
<i>Capital assets being depreciated:</i>				
Buildings	\$2,362,419	\$ -	\$ -	\$2,362,419
Equipment and vehicles	2,152,778	208,530	(47,400)	2,313,908
Infrastructure	1,880,791	46,922	-	1,927,713
Total Capital Assets, Being Depreciated	\$6,395,988	\$255,452	\$(47,400)	\$6,604,040
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 484,073	\$ 23,278	\$ -	\$ 507,351
Equipment	1,214,577	167,549	(33,720)	1,348,406
Infrastructure	213,441	75,390	-	288,831
Total Accumulated Depreciation	\$1,912,091	\$266,217	\$(33,720)	\$2,144,588
Total Capital Assets Being Depreciated, Net	\$4,483,897	\$ (10,765)	\$(13,680)	\$4,459,452
Governmental Activities Capital Assets, Net	\$4,495,998	\$405,702	\$(13,680)	\$4,888,020

RANSOM COUNTY

Notes to the Financial Statements - Continued

Depreciation expense was charged to functions/programs of the county as follows for the years ended December 31, 2011:

Depreciation by Function	Total
General Govt.-Bldgs/Grounds	\$ 23,099
Public Safety-Sheriff/LEC	48,331
Conservation of Natural Resources	750
Health & Welfare	9,635
Highways & Bridges	184,402
Total	\$266,217

The following is a summary of changes in capital assets for the years ended December 31, 2011 for the Water Resource District:

Water Resource District:	Balance 1-1-11	Adjustments	Increases	Decreases	Balance 12-31-11
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Capital assets being depreciated:</i>					
Other Improvements	\$268,356	\$ -	\$ -	\$ -	\$268,356
Equipment and Vehicles	59,020	-	-	-	59,020
Total Capital Assets, Being Depreciated	\$327,376	\$ -	\$ -	\$ -	\$327,376
<i>Less Accumulated Depreciation for:</i>					
Other Improvements	\$173,650	\$ 411	\$ 8,945	\$ -	\$183,006
Equipment and Vehicles	30,376	(771)	10,347	-	39,952
Total Accumulated Depreciation	\$204,026	\$(360)	\$ 19,292	\$ -	\$222,958
Total Capital Assets Being Depreciated, Net	\$123,350	\$ 360	\$(19,292)	\$ -	\$104,418
Governmental Activities Capital Assets, Net	\$123,350	\$ 360	\$(19,292)	\$ -	\$104,418

NOTE 8: ACCOUNTS PAYABLE

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

NOTE 9: SALARIES PAYABLE

Salaries payable consists of amounts earned by employees prior to year-end, but paid subsequent to year-end.

NOTE 10: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2011 the following changes occurred in governmental activities long-term liabilities for Ransom County:

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
G.O. Bonds Payable	\$135,000	\$ -	\$ (25,000)	\$110,000	\$ 25,000
Leases Payable	80,293	-	(80,293)	-	-
Compensated Absences *	94,279	2,845	-	97,124	67,987
Total Governmental Activities	\$309,572	\$2,845	\$(105,293)	\$207,124	\$92,987

* 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.

RANSOM COUNTY

Notes to the Financial Statements - Continued

Outstanding debt (excluding compensated absences and leases payable) at December 31, 2011 for the primary government governmental activities consists of the following issues:

General Obligation Bonds:

\$210,000 General obligation bonds of 2007 due in annual installments of \$25,000 to \$30,000 through 2015; interest at 4.1% to 4.25%. \$110,000

Total Bonds Payable \$110,000

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

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Bonds Payable	
	Principal	Interest
2012	\$ 25,000	\$4,144
2013	25,000	3,081
2014	30,000	1,913
2015	30,000	638
Totals	\$110,000	\$9,775

NOTE 11: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements of the governmental funds for the year ended December 31, 2011:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 7,164	\$ 20,085
County Road & Bridge	7,812	-
Non-Major Funds:		
Equipment/Improvement	17,189	-
Building Fund	-	31,517
County Agent	20,085	-
Emergency 911	50,000	-
Emergency 911 Wireless	-	50,000
G.O. Bond #2	-	35
G.O. Bond #3	-	1,346
G.O. Bond 2007/Debt	1,381	-
County Loan	-	648
Total Transfers	\$103,631	\$103,631

NOTE 12: PENSION PLAN**North Dakota Public Employees' Retirement System**

Ransom 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.

RANSOM COUNTY

Notes to the Financial Statements - Continued

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of Ransom County. 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.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 4% of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. Ransom County has implemented a salary reduction agreement and is currently contributing the employees share. Ransom County is required to contribute 5.26% of each participant's salary as the employer's share. In addition to the 4.12% employer contribution the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. 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. Ransom County's required and actual contributions to NDPERS for the fiscal years ended December 31, 2011, 2010, and 2009 were \$110,691, \$110,553, and \$103,476 respectively.

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.

Other Programs:

Other contributions include the Nationwide System 457 Deferred Compensation plan. Ransom County's contributions to the Nationwide Retirement program for the fiscal years ended December 31, 2011, 2010, and 2009 were \$28,440, \$22,906, and \$22,049.

NOTE 13: RISK MANAGEMENT

Ransom 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.

RANSOM 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Ransom County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and one million dollars per occurrence for automobile and \$2,909,097 public assets (mobile equipment and portable property).

Ransom County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Ransom 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 Ransom County with blanket fidelity bond coverage in the amount of \$1,750,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 14: JOINT VENTURE

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

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

	Red River Joint Water Resource District
Total Assets	\$4,972,670
Total Liabilities	447,210
Total Net Assets	\$4,524,460
Revenues	\$1,440,397
Expenses	897,230
Change in Net Assets	\$ 543,167

NOTE 15: JOINTLY GOVERNED ORGANIZATION

Ransom County and Sargent County participate in the Ransom-Sargent Senior Services, a jointly governed organization that provides services to the senior citizens of both Ransom and Sargent County. Ransom County contributed \$35,537 to the Ransom-Sargent Senior Services for the year 2011.

RANSOM COUNTY

Notes to the Financial Statements - Continued

NOTE 16: CONSTRUCTION COMMITMENTS

Ransom County had several open construction commitments as of December 31, 2011 as follows:

Project	Original Contract	Change Orders	Total Contract w/Change Orders	Total Completed	Retainage	Remaining Balance w/Retainages
Milnor Road	\$394,502	\$32,428	\$426,930	\$417,120	\$7,890	\$17,700

NOTE 17: DEFICIT BALANCES

The following fund was in a deficit cash position at December 31, 2011:

County Funds	Balance
Ambulance	\$(3,774)
Insurance Reserve	(1,551)

This deficit will be eliminated with reimbursements from other entities or transfers from other funds.

NOTE 18: PRIOR PERIOD ADJUSTMENT

There were prior period adjustments for the period ending December 31, 2011 for Governmental Wide Activities and Government Fund Statements involving adjustments to taxes receivable to remove agency funds, and to the beginning fund balance to remove agency funds from the reported government funds.

	Amounts
Net Assets Equity as previously reported	\$7,758,007
Adjustments to restate the January 1, 2010 net assets equity for the following:	
Net Adjustments to MAB	(20,529)
Net Adjustments to Taxes Receivable	(1,887)
Net Assets Equity January 1, 2010 as restated	\$7,758,007

	Amounts
Total Governmental Fund Balance as previously reported	\$3,460,173
Adjustments to restate the January 1, 2010 Total Governmental Fund Balance for the following:	
Other Governmental Funds	(20,529)
Total Governmental Fund Balance, January 1, 2010 as restated	\$3,439,644

Prior period errors for the Ransom County Water Resource District were noted in capital assets for cost and depreciation from the prior period. The result of the errors was to increase beginning net assets equity by a total of \$360 on the statement of activities.

	Amounts
Net Assets Equity as previously reported	\$441,612
Adjustments to restate the January 1, 2010 net assets equity for the following:	
Adjustment to correct accumulated depreciation	360
Net Assets Equity January 1, 2010 as restated	\$441,972

RANSOM COUNTY
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 522,961	\$ 522,961	\$ 532,259	\$ 9,298
Intergovernmental	226,350	226,350	396,897	170,547
Licenses, permits and fees	4,300	4,300	6,090	1,790
Charges for services	282,300	282,300	299,988	17,688
Fines and forfeitures	1,100	1,100	-	(1,100)
Interest income	140,000	140,000	57,717	(82,283)
Miscellaneous	31,750	31,750	54,907	23,157
Total Revenues	\$ 1,208,761	\$ 1,208,761	\$ 1,347,858	\$ 139,097
<u>Expenditures:</u>				
Current:				
General government	\$ 730,728	\$ 730,728	\$ 691,414	\$ 39,314
Public safety	361,956	361,956	399,393	(37,437)
Health and welfare	295,620	295,620	263,564	32,056
Conserv. of natural resources	7,717	7,717	69	7,648
Total Expenditures	\$ 1,396,021	\$ 1,396,021	\$ 1,354,440	\$ 41,581
Excess (Deficiency) of Revenues Over Expenditures	\$ (187,260)	\$ (187,260)	\$ (6,582)	\$ 180,678
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 7,164	\$ 7,164
Transfers out	-	-	(20,085)	(20,085)
Net Change in Fund Balances	\$ (187,260)	\$ (187,260)	\$ (19,503)	\$ 167,757
Fund Balances - January 1	\$ 410,671	\$ 410,671	\$ 410,671	\$ -
Fund Balances - December 31	\$ 223,411	\$ 223,411	\$ 391,168	\$ 167,757

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

RANSOM COUNTY
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 109,393	\$ 109,393	\$ 108,229	\$ (1,164)
Intergovernmental	556,800	556,800	958,722	401,922
Charges for services	64,000	64,000	140,423	76,423
Miscellaneous	1,000	1,000	69,246	68,246
Total Revenues	\$ 731,193	\$ 731,193	\$ 1,276,620	\$ 545,427
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 923,331	\$ 1,136,616	\$ 1,249,636	\$ (113,020)
Debt Service:				
Principal	80,293	80,293	80,293	-
Interest	-	-	597	(597)
Total Expenditures	\$ 1,003,624	\$ 1,216,909	\$ 1,330,526	\$ (113,617)
Excess (Deficiency) of Revenues Over Expenditures	\$ (272,431)	\$ (485,716)	\$ (53,906)	\$ 431,810
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 7,812	\$ 7,812
Net Change in Fund Balances	\$ (272,431)	\$ (485,716)	\$ (46,094)	\$ 439,622
Fund Balances - January 1	\$ 364,607	\$ 364,607	\$ 364,607	\$ -
Fund Balances - December 31	\$ 92,176	\$ (121,109)	\$ 318,513	\$ 439,622

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

RANSOM COUNTY
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 219,256	\$ 219,256	\$ 216,670	\$ (2,586)
Intergovernmental	47,600	47,600	90,911	43,311
Total Revenues	<u>\$ 266,856</u>	<u>\$ 266,856</u>	<u>\$ 307,581</u>	<u>\$ 40,725</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	<u>\$ 509,000</u>	<u>\$ 509,000</u>	<u>\$ 280,584</u>	<u>\$ 228,416</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (242,144)</u>	<u>\$ (242,144)</u>	<u>\$ 26,997</u>	<u>\$ 269,141</u>
Fund Balances - January 1	<u>\$ 417,886</u>	<u>\$ 417,886</u>	<u>\$ 417,886</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 175,742</u>	<u>\$ 175,742</u>	<u>\$ 444,883</u>	<u>\$ 269,141</u>

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

RANSOM COUNTY
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 495,286	\$ 495,286
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 134,000	\$ 144,453	\$ 169,685	\$ (25,232)
Excess (Deficiency) of Revenues Over Expenditures	\$ (134,000)	\$ (144,453)	\$ 325,601	\$ 470,054
Fund Balances - January 1	\$ 637,078	\$ 637,078	\$ 637,078	\$ -
Fund Balances - December 31	\$ 503,078	\$ 492,625	\$ 962,679	\$ 470,054

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

RANSOM COUNTY
Lisbon, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

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 2011, Ransom County had the following fund expenditures in excess of budgeted amounts:

Overspent Funds:	Budget	Actual	Overspent
<u>Major Funds:</u>			
FEMA Flood	\$ 144,453	\$ 169,685	\$ (25,232)
Road and Bridge Fund	1,216,909	1,330,526	(113,617)

RANSOM COUNTY
Lisbon, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-11
Major Funds:						
1000 General Fund	\$ 478,361.40	\$ 1,213,061.10	\$ 7,163.81	\$ 20,084.73	\$ 1,342,259.04	\$ 336,242.54
Special Revenue Funds:						
0201 County Road and Bridge	\$ 321,822.46	\$ 1,238,566.60	\$ 7,812.44	\$ -	\$ 1,216,912.07	\$ 351,289.43
0202 Farm to Market Road	450,201.97	247,235.55	-	-	280,583.69	416,853.83
0217 FEMA Flood	660,985.77	415,972.98	-	-	144,452.89	932,505.86
Total Major Funds	\$ 1,911,371.60	\$ 3,114,836.23	\$ 14,976.25	\$ 20,084.73	\$ 2,984,207.69	\$ 2,036,891.66
Non-Major Funds:						
Special Revenue Funds:						
0214 Advertising	\$ 15,062.47	\$ 9,390.41	\$ -	\$ -	\$ 9,773.16	\$ 14,679.72
0203 Human Services	255,971.32	286,221.38	-	-	354,539.10	187,653.60
0236 Equipment/Improvement	335,166.95	-	17,189.38	-	21,657.00	330,699.33
0241 Building Fund	31,517.00	-	-	31,517.00	-	-
0226 Ambulance	13,924.30	24,009.84	-	-	41,708.29	(3,774.15)
0229 Abandoned Cemetery	763.26	-	-	-	-	763.26
0206 County Agent	10,355.17	53,415.90	20,084.73	-	83,855.83	(0.03)
0209 County Nurse Special	113,853.70	163,728.76	-	-	108,481.51	169,100.95
0208 County Park	15,609.00	16,363.73	-	-	19,544.30	12,428.43
0228 County Fair	15,625.74	43,223.47	-	-	55,000.00	3,849.21
0225 Comprehensive Medical Insurance	278,917.99	170,131.37	-	-	209,052.89	239,996.47
0215 Emergency Fund	172,106.32	112,277.80	-	-	92,420.42	191,963.70
0224 Insurance Reserve	6,289.49	59,721.70	-	-	67,562.25	(1,551.06)
0211 Jail-Board of Prisoners	55,116.75	20,002.72	-	-	30,196.14	44,923.33
0213 Oasis and Social Security	154,329.84	198,535.04	-	-	256,489.87	96,375.01
0205 Veterans Service Officer	10,606.78	23,267.53	-	-	29,769.91	4,104.40
0207 Weed Control	77,779.48	136,269.08	-	-	98,376.35	115,672.21
0221 Emergency 911	31,729.75	41,753.07	50,000.00	-	46,080.67	77,402.15
0230 Emergency 911 Wireless	73,184.89	60,935.97	-	50,000.00	25,971.60	58,149.26
0238 Technology	66,233.09	89,002.81	-	-	54,845.28	100,390.62
Total Special Revenue Funds	\$ 1,734,143.29	\$ 1,508,250.58	\$ 87,274.11	\$ 81,517.00	\$ 1,605,324.57	\$ 1,642,826.41
Debt Service Funds:						
0219 General Obligation Bond #2	\$ -	\$ 34.88	\$ -	\$ 34.88	\$ -	\$ -
0223 General Obligation Bond #3	363.91	982.03	-	1,345.94	-	-
0239 General Obligation Bldg Bond '07	11,922.40	-	-	-	-	11,922.40
0240 General Obligation Bldg Bond '07/Debt	24,956.89	15,529.41	1,380.82	-	31,200.50	10,666.62
0220 County Loan	-	648.63	-	648.63	-	-
Total Debt Service Funds	\$ 37,243.20	\$ 17,194.95	\$ 1,380.82	\$ 2,029.45	\$ 31,200.50	\$ 22,589.02
Total Non-Major Funds	\$ 1,771,386.49	\$ 1,525,445.53	\$ 88,654.93	\$ 83,546.45	\$ 1,636,525.07	\$ 1,665,415.43
Total Governmental Funds	\$ 3,682,758.09	\$ 4,640,281.76	\$ 103,631.18	\$ 103,631.18	\$ 4,620,732.76	\$ 3,702,307.09
Agency Funds:						
0232 County Historical Society	\$ 1,208.58	\$ 4,354.37	\$ -	\$ -	\$ 5,538.62	\$ 24.33
0233 Senior Citizens	4,835.08	30,799.70	-	-	35,537.48	97.30
0803 Domestic Violence	265.00	-	-	-	265.00	-
0807 State Medical Center - State Taxes	4,835.03	23,669.10	-	-	28,406.82	97.31
0810 Garrison Diversion	4,848.21	31,270.04	-	-	36,011.19	107.06
0813 Estimated Tax	221.05	18,286.47	-	-	18,452.77	54.75
0814 Current Tax Holdings	-	1,057,188.11	-	-	460,997.81	596,190.30
0816 Game and Fish Licenses	9,639.00	33,094.00	-	-	33,318.00	9,415.00
0817 Soil Conservation District	4,835.08	23,586.37	-	-	28,324.15	97.30
0818 Joint Red River Water Resource Dist.	9,547.23	46,808.55	-	-	56,170.32	185.46

Continued on next page...

RANSOM COUNTY
Lisbon, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-11
CONTINUED						
<u>Agency Funds (Continued):</u>						
0819 Job Development	\$ 14,505.20	\$ 75,905.25	\$ -	\$ -	\$ 90,118.53	\$ 291.92
0820 County Agent Special	2,559.20	15,475.17	-	-	13,552.71	4,481.66
0822 Paid Under Protest	2,696.94	-	-	-	-	2,696.94
0823 Water Resource District (County)	19,340.18	124,612.18	-	-	143,563.09	389.27
0826 County Sheriff Special	731.76	460.00	-	-	844.00	347.76
0827 Hazardous Chemical	11,507.31	737.50	-	-	-	12,244.81
0830 Document Preservation Fund	266.00	1,585.00	-	-	1,748.00	103.00
0835 County Agent Professional Development	2,000.00	-	-	-	-	2,000.00
8125-8228 Total Cities	167,036.77	1,409,348.05	-	-	1,349,757.98	226,626.84
8301-8381 Total Schools	652,348.51	3,211,918.98	-	-	3,022,150.11	842,117.38
8401-8424 Total Townships	81,859.45	665,568.91	-	-	628,079.15	119,349.21
8601 Long Drain #1 - Tri-County	10,877.76	27,022.73	-	-	22,499.80	15,400.69
8602 Shenford Drain	81.20	2,158.38	-	-	1,331.58	908.00
8606 Coburn Drain #2	684.00	4,606.40	-	-	4,378.40	912.00
8607 Coburn Drain #2-Reconstruction	2,257.77	21,018.41	-	-	21,131.73	2,144.45
8701-8706 Total Rural Fire Protection Dist.	26,055.22	129,910.47	-	-	120,796.79	35,168.90
Total Agency Funds	<u>\$1,035,041.53</u>	<u>\$ 6,924,230.07</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,081,897.93</u>	<u>\$1,871,451.64</u>
Total Primary Government	<u>\$4,717,799.62</u>	<u>\$11,564,511.83</u>	<u>\$103,631.18</u>	<u>\$103,631.18</u>	<u>\$10,702,630.69</u>	<u>\$5,573,758.73</u>
<u>Component Unit:</u>						
Water Resource District	<u>\$ 311,148.78</u>	<u>\$ 190,835.66</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,589.13</u>	<u>\$ 313,395.31</u>
Total Reporting Entity	<u>\$5,028,948.40</u>	<u>\$11,755,347.49</u>	<u>\$103,631.18</u>	<u>\$103,631.18</u>	<u>\$10,891,219.82</u>	<u>\$5,887,154.04</u>

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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

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

Board of County Commissioners
Ransom County
Lisbon, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ransom County, Lisbon, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise Ransom County's basic financial statements and have issued our report thereon dated November 6, 2012. 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.

Internal Control Over Financial Reporting

Management of Ransom County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ransom County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ransom County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ransom County's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

We noted certain matters that we have reported to the management of Ransom County in a separate letter dated November 6, 2012.

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the county and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bob Peterson". The signature is written in black ink and is positioned above the typed name.

Robert R. Peterson
State Auditor

November 6, 2012

RANSOM COUNTY
Lisbon, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	<u> X </u>
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No

Section II - Financial Statement Findings

No matters were reported.