

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**RICHLAND COUNTY
WAHPETON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2011



RICHLAND COUNTY
Wahpeton, North Dakota

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RICHLAND COUNTY
Wahpeton, North Dakota

COUNTY OFFICIALS

December 31, 2011

Perry Miller	Commissioner - Chairperson
Dan Thompson	Commissioner - Vice-Chairperson
Sid Berg	Commissioner
Tim Campbell	Commissioner
Jason Heitkamp	Commissioner
Harris Bailey	Auditor/Administrator
Leslie Hage	Treasurer
Joan Oland	Data Processing
Mary DelVal	Administrative Assistant
Sandy Fossum	Tax Equalization Director
Larry Leshovsky	Sheriff
Cindy Schmitz	Clerk of Court
Harris Bailey	Superintendent of Schools
A. Warren Stokes	State's Attorney

WATER RESOURCE DISTRICT OFFICIALS

December 31, 2011

Don Moffet	Board Member - Chairperson
Robert Rostad	Board Member - Vice-Chairperson
Arv Burvee	Board Member
Gary Friskop	Board Member
James Haugen	Board Member
Monica Zentgraf	Secretary/Treasurer
Sean Fredricks	Attorney

STATE AUDITOR

ROBERT R. PETERSON
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Richland County
Wahpeton, 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 Richland County, Wahpeton, 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 Richland 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 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 Richland County, Wahpeton, 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 May 23, 2012, on our consideration of Richland 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.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and pages 33 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Richland County's basic financial statements. The accompanying supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Richland County, Wahpeton, North Dakota. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the schedule of fund activity arising from cash transactions which is prepared on a cash basis, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bob Peterson".

Robert R. Peterson
State Auditor

May 23, 2012

RICHLAND COUNTY
Wahpeton, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

The Management's Discussion and Analysis (MD&A) of Richland County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2011. The intent of the MD&A is to look at the County's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2011 are as follows:

- The assets of Richland County exceeded its liabilities at the close of the most recent fiscal year by \$27,341,216 (net assets). Of this amount, \$433,013 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets increased by \$3,419,329 for the year ended December 31, 2011 less \$9,735 of adjustments from prior years.
- Total revenues from all sources were \$17,761,921 on the government-wide statement of activities and \$15,875,832 on the modified accrual basis.
- Total expenses were \$14,342,592 on the government-wide statement of activities and total expenditures were \$16,406,340 on the modified accrual basis.
- The County's general fund had \$6,338,647 in total revenues and \$4,240,764 in total expenditures. There was a total of \$3,054,010 used by other financing sources. Overall, the general fund balance decreased by \$956,127 for the year ended December 31, 2011. Unreserved fund balances of the general fund totaled \$592,286 or 14% of general fund expenditures for the year.
- At the close of the report year, Richland County's governmental funds reported combined ending fund balances of \$4,719,877. Of that amount, \$340,381 is available for spending at the government's discretion (unassigned fund balances).

USING THIS ANNUAL REPORT

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

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

REPORTING ON THE COUNTY AS A WHOLE

Statement of Net Assets and Statement of Activities

These statements are summaries of all the funds used by the Richland County to provide programs and activities and attempt to answer the question "How did the County do financially during the year ended December 31, 2011?"

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

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

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

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

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

The government-wide financial statements include not only Richland County itself (known as the *primary government*), but also a legally separate water resource district for which Richland County is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-11 of this report.

REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

Balance Sheet – Governmental Funds

The County uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the County to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the County's major funds. Using the criteria established by GASB Statement No. 34, the County's general, social services, highway, 15 mill road, bridge replacement, FEMA disaster reimbursement fund, and the job development authority are considered "major funds".

The County's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds". The basic governmental fund financial statements can be found on pages 12-15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Richland County's own programs. The basic fiduciary fund financial statement can be found on page 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-32 of the report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table I provides a summary of the County's net assets as of December 31, 2011 and 2010.

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

As indicated in the financial highlights above, the County's net assets increased by \$3,409,594 for the year ended December 31, 2011 consisting of a prior period adjustment of \$(9,735) and a net change in equity of \$3,419,329. The increase in net assets was primarily due to net infrastructure additions of \$3,428,905.

The largest portion of Richland County's net assets (84%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. Richland County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Richland County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Richland County's net assets (15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (2% or \$433,013) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year all three categories of net assets are able to report positive balances.

TABLE 1
NET ASSETS
December 31, 2010 and 2011

<u>ASSETS:</u>	12-31-10	12-31-11
Current Assets	\$ 5,466,556	\$ 5,350,171
Capital Assets (net of accumulated depreciation)	23,034,474	26,526,167
Total Assets	<u>\$28,501,030</u>	<u>\$31,876,338</u>
<u>LIABILITIES:</u>		
Current Liabilities	\$ 271,792	\$ 473,932
Long-Term Liabilities	4,297,616	4,061,190
Total Liabilities	<u>\$ 4,569,408</u>	<u>\$ 4,535,122</u>
<u>NET ASSETS:</u>		
Invested in Capital Assets, net of Related Debt	\$19,164,020	\$22,897,349
Restricted	3,170,393	4,010,854
Unrestricted	1,597,209	433,013
Total Net Assets	<u>\$23,931,622</u>	<u>\$27,341,216</u>

Table II shows the changes in net assets for the fiscal year ended December 31, 2010 and 2011.

TABLE II
CHANGES IN NET ASSETS
As of December 31, 2010 and 2011

<u>Revenues</u>	12-31-10	12-31-11
<u>Program Revenues:</u>		
Charges for Services	\$ 1,271,891	\$ 1,324,163
Operating Grants & Contributions	4,519,730	5,535,648
Capital Grants & Contributions	865,099	1,922,841
<u>General Revenues:</u>		
Property Taxes	7,030,223	7,200,701
Gain on Sale of Capital Assets	9,400	7,100
Non Restricted Grants and Contributions	760,176	1,090,866
Unrestricted Investment Earnings	49,855	44,297
Miscellaneous Revenue	860,963	636,305
Total Revenues	<u>\$15,367,337</u>	<u>\$17,761,921</u>

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RICHLAND COUNTY

Management's Discussion and Analysis – Continued

TABLE II – CONTINUED
CHANGES IN NET ASSETS
 As of December 31, 2010 and 2011

	12-31-10	12-31-11
Expenses		
General Government	\$ 2,277,869	\$ 2,391,055
Public Safety	2,700,775	2,707,362
Highways and Bridges	5,423,761	4,994,225
Flood Repair		448,014
Health and Welfare	2,569,781	2,616,213
Culture and Recreation	200,137	74,670
Conservation of Natural Resources	305,185	363,926
Economic Development	41,495	630,465
Emergency		5,834
Interest and Fiscal Charges	109,984	110,828
Total Expenses	<u>\$13,628,987</u>	<u>\$14,342,592</u>
Net Change in Assets	<u>\$ 1,738,350</u>	<u>\$ 3,419,329</u>
Net Assets – January 1	\$21,325,721	\$23,931,622
Prior Period Adjustment	<u>867,551</u>	<u>(9,735)</u>
Net Assets – December 31	<u><u>\$23,931,622</u></u>	<u><u>\$27,341,216</u></u>

Property taxes constituted 41%, operating grants and contributions 31%, capital grants and contributions 11%, charges for services 7%, non-restricted grants and contributions 6%, and miscellaneous revenue and investment earnings made up 4% of the total revenues of governmental activities of the County for year ended December 31, 2010. Property Taxes increased by \$170,478 due to increased valuation.

General government constituted 17%, public safety 19%, highways and bridges 35%, flood repair 3% and health & welfare 18%, economic development 4% and the remaining 4% is split among three other categories of total expenditures for governmental activities for the year ended December 31, 2010. Total expenses increased by 5% (\$713,605) for the year ended December 31, 2011. The largest increase in functional expenses was economic development increasing by 1419% (\$588,970) due to increased costs associated with expansion of a major food processing company.

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

TABLE III
TOTAL AND NET COST OF SERVICES
 As of December 31, 2010 and 2011

	Total Cost For Year Ended Dec. 31, 2010	Net Cost For Year Ended Dec. 31, 2010	Total Cost For Year Ended Dec. 31, 2011	Net Cost For Year Ended Dec. 31, 2011
General Government	\$ 2,277,869	\$2,032,219	\$ 2,391,055	\$2,215,111
Public Safety	2,700,775	1,858,225	2,707,362	2,020,056
Highways and Bridges	5,423,761	962,924	4,994,225	(5,932)
Flood Repair	-	-	448,014	(714,671)
Health and Welfare	2,569,781	1,554,705	2,616,213	1,490,950
Culture and Recreation	200,137	200,137	74,670	74,670
Conservation of Natural Resources	305,185	235,432	363,926	309,813
Economic Development	41,495	18,641	630,465	53,281
Emergency	-	-	5,834	5,834
Interest and Service Charges	109,984	109,984	110,828	110,828
Total	<u>\$13,628,987</u>	<u>\$6,972,267</u>	<u>\$14,342,592</u>	<u>\$5,559,940</u>

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

Total costs increased by 5%, or \$713,605 and net costs of services decreased by \$1,412,327, or 20% from year end 2010 to year end 2011. The net costs decreased most significantly in highways and bridges by \$1,683,527 due to increased funding from the state.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the County's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally can be used as a measure of the County's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The County's governmental funds had total revenue of \$15,875,832 and expenditures of \$16,406,340 for the year ended December 31, 2011. The totals represent an overall 9.2% (\$1,341,296) increase in revenues and 5.4% (\$843,403) increase in expenditures over the prior fiscal year-end. Of the total increase in revenues, \$1,346,612 was attributable to intergovernmental revenues. The increase in intergovernmental revenue was primarily due to increases in grants and Fed/State reimbursements. The increase in expenditures was primarily attributable to an increase totaling \$588,970 in economic development activity.

As of December 31, 2011, the County's general fund's unassigned fund balance was \$592,286 and total fund balance for the entire County's governmental funds was \$4,719,877. The overall fund balance decreased by \$271,301. The general fund balance decreased primarily due to transfers to the highway fund to cover delayed payments for highway and bridges construction expenses for FEMA projects. The general fund revenues totaled \$6,338,647 and expenditures were \$4,240,764 for the year ended December 31, 2011. This represents an increase of \$562,528 (9.7%) in revenues and a decrease of \$33,789 (0.8%) in expenditures.

The introduction to GASB 54 in 2011 changed the classification of fund balance reporting. The types of fund balance include restricted, committed, and unassigned. See the Balance Sheet on page 12 and Note 1H on pages 21-23 in the Notes to the Financial Statements of this report for further details.

GENERAL FUND BUDGET HIGHLIGHTS

Actual general fund revenue for the year ended December 31, 2011 was \$463,104 more than budgeted (a positive variance of 7.9%). The most significant variances were \$310,725 more in intergovernmental revenue and \$166,152 in taxes, offset by a negative variance of \$68,889 in charges for services.

Actual general fund expenditures were \$114,593, less than budgeted, or a 2.6% positive variance.

See Note 2 for further information on budget amendments and other county governmental funds on page 23 of this report. See also, budgetary comparison schedules for the major funds on pages 33-39 of this report.

CAPITAL ASSETS ADMINISTRATION

As of December 31, 2010, Richland County had \$23,034,474 invested in capital assets (net of accumulated depreciation) and at December 31, 2011 had \$26,526,167 invested in capital assets (net of accumulated depreciation). Table IV shows the balances at December 31, 2010 and 2011.

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

TABLE IV
CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2010 and 2011

	12-31-10	12-31-11
Land	\$ 41,040	\$ 41,040
Buildings	2,483,778	2,392,857
Equipment	2,158,933	2,280,069
Vehicles	797,573	830,144
Infrastructure	16,922,716	17,196,682
Construction in Progress	630,434	3,785,375
Total Capital Assets (net of accumulated depreciation)	<u>\$23,034,474</u>	<u>\$26,526,167</u>

This total represents a net increase of \$3,491,693 (15%), in capital assets from January 1, 2011. The capital assets increase is due completion of two road projects (\$651,570) and a bridge (\$202,755) leaving four bridges and two road projects in construction in progress. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 9 to the audited financial statements that follow this analysis on pages 26-27 of this report.

DEBT ADMINISTRATION

At the end of the most recent fiscal year, Richland County had total debt outstanding of \$3,628,818. Of this amount, \$495,088 is due within one year.

Richland County's debt decreased overall by \$241,636 (6.2%) during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. Richland County's debt is well within the legal debt limit of \$27,951,750.

TABLE V
OUTSTANDING GENERAL OBLIGATION DEBT
December 31, 2010 and 2011

	Total Outstanding Dec. 31, 2010	Due Within One Year	Total Outstanding Dec. 31, 2011	Due Within One Year
Loan Payable	\$ 162,042	\$ 79,646	\$ 82,396	\$ 82,396
Bonds Payable	3,280,000	330,000	2,950,000	335,000
Capital Leases Payable	428,412	66,397	596,422	77,692
Total Debt	<u>\$3,870,454</u>	<u>\$476,043</u>	<u>\$3,628,818</u>	<u>\$495,088</u>

For a detailed breakdown of the additions and deductions to long-term debt, as well as for information about each individual issue, readers are referred to Note 11 to the audited financial statements on pages 27-28 of this report.

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Richland County is located in Southeastern North Dakota in the Red River Valley Region which is some of the most fertile agricultural area in the world. The economic outlook of the County remains strong. The closing in 2009 of a major manufacturing plant in Wahpeton was mitigated by two companies new to the area occupying the three buildings with no interruption of the real estate taxes and diversification of industry. The result was a positive impact on the area economy. The unemployment rate for Richland County is currently 5.3 percent, which is an increase from a rate of 4.2 percent a year ago. This compares unfavorably to the state's unemployment rate of 3.8 percent and favorably to the national average rate of 8.9 percent. The taxable valuation of the County increased from \$57,209,240 in 2010 to \$59,645,506 in 2011. The budget for the general fund, special revenue funds and debt service fund in 2011 reflects an increase in expenditures to \$15,314,514 (from \$13,668,676) due to planned completion of major construction projects and an increase in revenues to \$15,138,877 (from \$12,852,104) due to increased taxable valuation and an increase in FEMA reimbursements for flood related projects.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, residents, and creditors with a general overview of Richland County' finances and to show the County's accountability for the money it receives to provide the best possible services to Richland County residents. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Harris Bailey, Director of Administration, Richland County, 418 2nd Avenue N., Wahpeton, ND 58075-4400, phone 701-642-7700, fax 701-642-7701, or email hbailey@co.richland.nd.us.

RICHLAND COUNTY
Wahpeton, North Dakota

STATEMENT OF NET ASSETS
December 31, 2011

	Primary Governmental Activities	Water Resource District
ASSETS		
Cash and investments	\$ 3,035,067	\$ 2,254,269
Accounts receivable	30,216	-
Loan receivable	665,968	-
Intergovernmental receivable	1,344,680	-
Due from county	-	2,392
Road accounts receivable	156,673	-
Taxes receivable	117,567	13,484
Capital Assets Not Being Depreciated:		
Land	41,040	709,096
Construction in progress	3,785,374	-
Capital Assets (net of accumulated depreciation):		
Buildings	2,392,857	-
Equipment	2,280,070	3,612
Vehicles	830,145	-
Infrastructure	17,196,681	2,175,621
Total Capital Assets	<u>\$ 26,526,167</u>	<u>\$ 2,888,329</u>
Total Assets	\$ 31,876,338	\$ 5,158,474
LIABILITIES		
Accounts payable	\$ 347,294	\$ 10,711
Retainage payable	106,760	-
Interest payable	19,878	1,688
Long-Term Liabilities:		
Due Within One Year:		
Bonds payable	335,000	80,000
Capital leases payable	77,692	-
Loans payable	82,396	-
Compensated absences payable	43,237	805
Due After One Year:		
Bonds payable	2,615,000	110,000
Capital leases payable	518,730	-
Compensated absences payable	389,135	7,240
Total Liabilities	\$ 4,535,122	\$ 210,444
NET ASSETS		
Invested in capital assets, net of related debt	\$ 22,897,349	\$ 2,698,329
Restricted for:		
Debt service	83,806	202,060
Flood Repair	1,437,719	-
Health and welfare	1,018,814	-
Culture and recreation	30,483	-
Conservation of natural resources	370,804	2,047,641
Emergencies	220,812	-
Economic development	848,416	-
Unrestricted	433,013	-
Total Net Assets	\$ 27,341,216	\$ 4,948,030

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

RICHLAND COUNTY
Wahpeton, 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	\$ 2,391,055	\$ 92,643	\$ 83,301	\$ -	\$ (2,215,111)	\$ -
Public safety	2,707,362	640,024	47,282	-	(2,020,056)	-
Highways and bridges	4,994,225	264,130	2,813,186	1,922,841	5,932	-
Flood repair	448,014	-	1,162,685	-	714,671	-
Health and welfare	2,616,213	263,981	861,282	-	(1,490,950)	-
Culture and recreation	74,670	-	-	-	(74,670)	-
Conservation of natural resources	363,926	52,113	2,000	-	(309,813)	-
Economic development	630,465	11,272	565,912	-	(53,281)	-
Emergency	5,834	-	-	-	(5,834)	-
Interest and fiscal charges	110,828	-	-	-	(110,828)	-
Total Governmental Activities	\$ 14,342,592	\$ 1,324,163	\$ 5,535,648	\$ 1,922,841	\$ (5,559,940)	\$ -
Water Resource District	\$ 1,040,994	\$ 55,495	\$ 67,722	\$ -	\$ -	\$ (917,777)
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes					\$ 4,426,829	\$ 246,113
Property taxes; levied for special purposes					2,669,183	899,304
Property taxes; levied for debt service					104,689	16,217
Gain on sale of capital assets					7,100	-
State aid (non restricted grant)					921,563	-
Other non restricted state grants and contributions					169,303	-
Unrestricted investment earnings					44,297	2,275
Miscellaneous revenue					636,305	872
Total General Revenues					\$ 8,979,269	\$ 1,164,781
Change in Net Assets					\$ 3,419,329	\$ 247,004
Net Assets - January 1					\$ 23,931,622	\$ 4,701,026
Prior Period Adjustments					(9,735)	-
Net Assets - January 1, as restated					\$ 23,921,887	\$ 4,701,026
Net Assets - December 31					\$ 27,341,216	\$ 4,948,030

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

RICHLAND COUNTY
Wahpeton, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2011

	General	Highway	Bridge Replace- ment	15 Mill Road	Social Services	FEMA Disaster Reimb.	Job Develop. Authority	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and investments	\$ 353,606	\$ 889	\$ 241	\$ 343	\$ 813,066	\$ 643,001	\$ 182,066	\$ 1,041,855	\$ 3,035,067
Accounts receivable	-	-	-	-	-	-	-	30,216	30,216
Loans receivable	-	-	-	-	-	-	665,968	-	665,968
Intergovernmental receivable	280,510	208,371	15,426	-	45,655	794,718	-	-	1,344,680
Road receivables	-	156,673	-	-	-	-	-	-	156,673
Taxes receivable	70,963	7,477	-	15,208	14,019	-	382	9,518	117,567
Total Assets	\$ 705,079	\$ 373,410	\$ 15,667	\$ 15,551	\$ 872,740	\$ 1,437,719	\$ 848,416	\$ 1,081,589	\$ 5,350,171
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 41,830	\$ 37,892	\$ 267,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347,294
Retainage payable	-	106,760	-	-	-	-	-	-	106,760
Deferred revenue	70,963	66,150	-	15,208	14,019	-	382	9,518	176,240
Total Liabilities	\$ 112,793	\$ 210,802	\$ 267,572	\$ 15,208	\$ 14,019	\$ -	\$ 382	\$ 9,518	\$ 630,294
Fund Balances:									
Nonspendable:									
Loan receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 665,968	\$ -	\$ 665,968
Restricted:									
Public safety	-	-	-	-	-	-	-	72,066	72,066
Highways and bridges	-	162,608	-	343	-	-	-	87	163,038
Flood repair	-	-	-	-	-	1,437,719	-	-	1,437,719
Health and welfare	-	-	-	-	858,721	-	-	260,381	1,119,102
Culture and recreation	-	-	-	-	-	-	-	29,548	29,548
Conservation of natural resources	-	-	-	-	-	-	-	365,847	365,847
Economic development	-	-	-	-	-	-	182,066	-	182,066
Emergency	-	-	-	-	-	-	-	226,645	226,645
Debt Service	-	-	-	-	-	-	-	101,815	101,815
Other Purposes	-	-	-	-	-	-	-	15,682	15,682
Unassigned	592,286	-	(251,905)	-	-	-	-	-	340,381
Total Fund Balances	\$ 592,286	\$ 162,608	\$ (251,905)	\$ 343	\$ 858,721	\$ 1,437,719	\$ 848,034	\$ 1,072,071	\$ 4,719,877
Total Liabilities and Fund Balances	\$ 705,079	\$ 373,410	\$ 15,667	\$ 15,551	\$ 872,740	\$ 1,437,719	\$ 848,416	\$ 1,081,589	\$ 5,350,171

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

RICHLAND COUNTY
Wahpeton, North Dakota

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

Total Fund Balances for Governmental Funds \$ 4,719,877

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	\$ 33,554,633	
Less Accumulated Depreciation	<u>(7,028,466)</u>	
Net Capital Assets		26,526,167

Property taxes 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	117,567	
Road Department Accounts Receivable	<u>58,673</u>	176,240

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	\$ (2,950,000)	
Capital Leases Payable	(596,422)	
Loans Payable	(82,396)	
Interest Payable	(19,878)	
Compensated Absences	<u>(432,372)</u>	
Total Long-Term Liabilities		<u>(4,081,068)</u>

Total Net Assets of Governmental Activities \$ 27,341,216

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

RICHLAND COUNTY
Wahpeton, North Dakota

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

	General	Highway	Bridge Replace- ment	15 Mill Road	Social Services	FEMA Disaster Reimb.	Job Develop. Authority	Other Governmental Funds	Total Governmental Funds
Revenues:									
Taxes	\$ 4,487,692	\$ 460,908	\$ -	\$ 928,386	\$ 864,545	\$ -	\$ 28,044	\$ 533,650	\$ 7,303,225
Intergovernmental	1,023,906	2,751,704	90,670	75,539	522,424	1,162,685	9,191	990,398	6,626,517
Licenses, permits and fees	2,480	-	-	-	-	-	-	-	2,480
Charges for services	302,983	205,457	-	-	9,099	-	11,273	734,196	1,263,008
Interest income	44,297	-	-	-	-	-	-	-	44,297
Miscellaneous	477,289	31,796	-	-	39,249	-	-	87,971	636,305
Total Revenues	\$ 6,338,647	\$ 3,449,865	\$ 90,670	\$ 1,003,925	\$ 1,435,317	\$ 1,162,685	\$ 48,508	\$ 2,346,215	\$ 15,875,832
Expenditures:									
Current:									
General government	\$ 2,258,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,451	\$ 2,307,349
Public safety	1,947,717	-	-	-	-	-	-	714,191	2,661,908
Highways and bridges	-	4,787,177	324,270	1,022,606	-	-	-	518,710	6,652,763
Flood Repair	-	-	-	-	-	448,014	-	-	448,014
Health and welfare	14,649	-	-	-	1,394,320	-	-	1,254,521	2,663,490
Culture and recreation	12,500	-	-	-	-	-	-	62,170	74,670
Conservation of natural resources	7,000	-	-	-	-	-	-	349,747	356,747
Economic development	-	-	-	-	-	-	59,136	571,329	630,465
Debt Service:									
Principal	-	-	-	330,000	-	-	-	171,186	501,186
Interest and fees	-	-	-	86,043	-	-	-	23,705	109,748
Total Expenditures	\$ 4,240,764	\$ 4,787,177	\$ 324,270	\$ 1,438,649	\$ 1,394,320	\$ 448,014	\$ 59,136	\$ 3,714,010	\$ 16,406,340
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,097,883	\$ (1,337,312)	\$ (233,600)	\$ (434,724)	\$ 40,997	\$ 714,671	\$ (10,628)	\$ (1,367,795)	\$ (530,508)
Other Financing Sources (Uses):									
Lease proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,550	\$ 259,550
Sale of equipment	4,000	3,100	-	-	-	-	-	-	7,100
Transfers in	-	2,342,000	223,000	435,000	-	-	-	1,201,510	4,201,510
Transfers out	(3,058,010)	(1,023,000)	-	-	(18,500)	-	-	(102,000)	(4,201,510)
Total Other Financing Sources and Uses	\$ (3,054,010)	\$ 1,322,100	\$ 223,000	\$ 435,000	\$ (18,500)	\$ -	\$ -	\$ 1,359,060	\$ 266,650
Net Change in Fund Balances	\$ (956,127)	\$ (15,212)	\$ (10,600)	\$ 276	\$ 22,497	\$ 714,671	\$ (10,628)	\$ (8,735)	\$ (263,858)
Fund Balances - January 1	\$ 1,548,413	\$ 177,820	\$ (241,305)	\$ 67	\$ 836,224	\$ 723,048	\$ 861,546	\$ 1,085,365	\$ 4,991,178
Prior Period Adjustments	-	-	-	-	-	-	(2,884)	(4,559)	(7,443)
Fund Balances - Jan. 1, as restated	\$ 1,548,413	\$ 177,820	\$ (241,305)	\$ 67	\$ 836,224	\$ 723,048	\$ 858,662	\$ 1,080,806	\$ 4,983,735
Fund Balances - December 31	\$ 592,286	\$ 162,608	\$ (251,905)	\$ 343	\$ 858,721	\$ 1,437,719	\$ 848,034	\$ 1,072,071	\$ 4,719,877

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

RICHLAND COUNTY
Wahpeton, 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 \$ (263,858)

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 exceeded depreciation expense in the current year.

Current Year Capital Outlay	\$ 2,744,380	
Capital Grants and Contributions	1,922,841	
Current Year Depreciation Expense	<u>(1,170,706)</u>	3,496,515

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

Loss on Disposals of Capital Assets	(4,822)
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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 issuances exceeded debt repayments:

Repayment of Debt - Leases	\$ 91,540	
Repayment of Debt - Loans	79,646	
Repayment of Debt - Bonds	330,000	
Issuance of Debt - Capital Leases	<u>(259,550)</u>	241,636

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	\$ (5,210)	
Net Decrease in Interest Payable	<u>(1,080)</u>	(6,290)

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 Decrease in Taxes Receivable	(102,524)	
Net Increase in Road Department Receivables	<u>58,672</u>	<u>(43,852)</u>

Change in Net Assets of Governmental Activities	<u>\$ 3,419,329</u>
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The notes to the financial statements are an integral part of this statement.

RICHLAND COUNTY
Wahpeton, North Dakota

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

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 5,899,379</u>
<u>Liabilities:</u>	
Due to other governments	<u>\$ 5,899,379</u>

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

RICHLAND COUNTY
Wahpeton, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

COMPONENT UNITS

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

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

Richland County Water Resource District - The county's governing board appoints a voting majority of the members of the Richland 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.

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

Richland County Job Development Authority – The County's governing board appoints a voting majority of the members of the Richland County Job Development Authority. The county has the authority to approve or modify the Job Development Authority's operational and capital budgets. The county's governing board must approve the tax levy established by the Job Development Authority. The Job Development Authority has the authority to issue bonded debt. The activities of the JDA are blended at the government wide level and shown as a major fund at the fund level.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Richland County Park Board – The County’s governing board appoints a voting majority of the members of the Richland County Park Board. The county has the authority to approve or modify the County Park Board’s operational and capital budgets. The county’s governing board must approve the tax levy established by the County Park Board. The County Park Board has the authority to issue bonded debt. The activities of the County Park Board are blended at the government wide level and shown as a major fund at the fund level.

Component Unit Financial Statements: The financial statements of the discretely presented component unit are presented in the County’s basic financial statements. Complete financial statements of the individual component unit can be obtained from the Secretary-Treasurer, Richland County Water Resource District, 418 2nd Ave. N., Wahpeton, North Dakota, 58030.

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:

Weed Board	\$213,862
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B. Basis of Presentation

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

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

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

The county reports the following major governmental funds:

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

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

Bridge Replacement Fund. This fund accounts for engineering and construction costs for bridges. The major primary source of revenue is restricted Federal and State grants/reimbursements.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

15-Mill Road Fund. This fund accounts for repair and improvement of highways and bridges that are legally restricted from taxes levied. The major primary sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Social Service Fund. This fund accounts for the costs of providing social service benefits and programs to needy residents of the county. The major primary sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

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

Job Development Authority. This fund accounts for operations of the Job Development Authority, a blended component unit of the county. The Job Development Authority issues loans to business for either startup costs or expansion costs. The major primary source of revenues is a restricted tax levy.

Additionally, the County reports the following fund type:

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

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

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

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.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets**PRIMARY GOVERNMENT:**

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

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

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

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

Assets	Years
Buildings	50
Equipment	5 - 30
Vehicles	5 - 10
Infrastructure - Highways	20
Infrastructure - Bridges	75

DISCRETELY PRESENTED COMPONENT UNIT:Richland County Water Resource District:

Capital assets of the Richland County Water Resource District, a discretely presented component unit of Richland County, include plant and equipment. Assets are reported in a discretely presented component unit column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$2,000. The Water Resource District changed its capitalization policy to \$5,000 per item during FY2010. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

General infrastructure assets acquired prior to January 1, 2004 consisting of various drain projects are not reported in the financial statements, as the District was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. The District reported various infrastructure projects in progress at December 31, 2011 as construction in progress.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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

Assets	Years
Infrastructure	30
Equipment	7

F. Compensated Absences

Vacation leave is earned at the rate of one to two working days per month by county employees depending on years of service. Sick leave benefits are earned by full-time employees at the rate of one day per month regardless of the years of service. Unused sick leave benefits will be allowed to accumulate to a limit of 100 days. When that limit is reached, employees may trade additional earned sick leave for vacation days at the rate of 6 days sick leave for 1 day of vacation. Any employee hired prior to October 1, 1988 and who has twenty or more consecutive years of employment or who has reached the age of 65 prior to employment termination will be eligible to receive payment for sick leave at a rate of 50% of the unused balance to a limit of 50 days. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net assets.

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

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

H. Fund Balances / Net 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 Richland 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 (highway, bridge replacement, 15 mill road, social services, FEMA disaster reimbursement, and job development authority) are disclosed in more detail in Note 1B.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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.

Richland County only has non-spendable, restricted, and unassigned fund balances at December 31, 2011.

Nonspendable Fund Balance

Non-spendable fund balance is reported in the job development authority major fund for loans.

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).

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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 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.

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, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

I. Interfund Transactions

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

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

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

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

The board of county commissioners amended the county expenditure budget for 2011 for various funds as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Special Revenue Funds:</u>			
Highway Dept.	\$2,676,260	\$1,977,368	\$4,653,628
Bridge Replacement	130,000	168,600	298,600
Road & Bridge Equipment	295,444	73,400	368,844
15 Mill Road Levy	942,643	496,100	1,438,743
Social Services	1,392,229	2,100	1,394,329
Special Assessments	300	48,200	48,500
Veterans Service Officer	65,884	1,200	67,084
Public Health Program	556,508	63,100	619,608
Hazardous Chemicals	1,000	1,500	2,500
County Park	56,000	6,200	62,200
County Agent Special	13,600	4,100	17,700

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 3: DEPOSITS

In accordance with North Dakota Statutes, Richland 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 \$8,930,912 and the bank balances totaled \$9,093,181. Of the bank balances, \$3,250,936 was covered by Federal Depository Insurance. The remaining bank balances totaling \$5,842,245 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2011, the water resource district's carrying amount of deposits was \$2,254,269 and the bank balances totaled \$2,260,236. Of the bank balances, \$261,791 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,988,445 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2011, the county had certificates of deposit totaling \$2,557,550.

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 three 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.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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

Accounts and road department receivables of the primary government consists of amounts due for road work for townships and individuals and amounts for E911 collections

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of amounts due from the state for the state and federal share of various social service programs, state aid and other grants.

NOTE 7: DUE FROM COUNTY

The due from county represents tax amounts collected prior to year-end by Richland County not distributed to the Water Resource District by year-end.

NOTE 8: TRANSFERS

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

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ -	\$3,058,010
Highway Fund	2,342,000	1,023,000
Bridge Replacement	223,000	-
15 Mill Road	435,000	-
Social Services	-	18,500
Special Revenue Funds:		
Road and Bridge Equipment	365,000	-
911 Communications	379,000	-
911 Wireless	-	102,000
Special Assessments	20,000	-
Public Health	228,500	-
Home Health Care Holding	180,000	-
Family Planning	29,010	-
Total Transfers	\$4,201,510	\$4,201,510

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

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for Richland County for the year ended December 31, 2011:

Governmental Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 41,040	\$ -	\$ -	\$ -	\$ 41,040
Construction in Progress	630,435	4,009,265	-	(854,325)	3,785,375
Total Capital Assets, Not Being Depreciated	\$ 671,475	\$4,009,265	\$ -	\$(854,325)	\$ 3,826,415
<i>Capital assets, being depreciated:</i>					
Buildings	\$ 4,478,467	\$ -	\$ -	\$ -	\$ 4,478,467
Equipment	3,936,359	460,415	-	-	4,396,774
Vehicles	1,583,781	197,540	88,400	-	1,692,921
Infrastructure	18,305,732	-	-	854,325	19,160,057
Total Capital Assets, Being Depreciated	\$28,304,339	\$ 657,955	\$88,400	\$ 854,325	\$29,728,219
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 1,994,689	\$ 90,921	\$ -	\$ -	\$ 2,085,610
Equipment	1,777,426	339,279	-	-	2,116,705
Vehicles	786,209	160,146	83,578	-	862,777
Infrastructure	1,383,015	580,360	-	-	1,963,375
Total Accumulated Depreciation	\$ 5,941,339	\$1,170,706	\$83,578	\$ -	\$ 7,028,467
Total Capital Assets Being Depreciated, Net	\$22,363,000	\$ (512,751)	\$ 4,822	\$ 854,325	\$22,699,752
Governmental Activities-Capital Assets, Net	\$23,034,475	\$3,496,514	\$ 4,822	\$ -	\$26,526,167

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

Governmental Activities:	
General Government	\$ 81,215
Public Safety	187,012
Highways	884,195
Conservation of Natural Resources	6,495
Health and Welfare	11,789
Total Depreciation Expense - Governmental Activities	\$1,170,706

Richland County Water Resource District:

The following is a summary of changes in capital assets for the Richland County Water Resource District, a discretely presented component unit of Richland County, for the year ended December 31, 2011:

Governmental Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 709,096	\$ -	\$ -	\$ -	\$ 709,096
Construction in Progress	444,172	96,174	-	(540,346)	-
Total Capital Assets, Not Being Depreciated	\$1,153,268	\$96,174	\$ -	\$(540,346)	\$ 709,096
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 5,057	\$ -	\$ -	\$ -	\$ 5,057
Infrastructure	1,838,448	55,264	-	540,346	2,434,058
Total Capital Assets, Being Depreciated	\$1,843,505	\$55,264	\$ -	\$ 540,346	\$2,439,115
<i>Less accumulated depreciation for:</i>					
Equipment	\$ 722	\$ 723	\$ -	\$ -	\$ 1,445
Infrastructure	196,984	61,453	-	-	258,437
Total Accumulated Depreciation	\$ 197,706	\$62,176	\$ -	\$ -	\$ 259,882
Total Capital Assets Being Depreciated, Net	\$1,645,799	\$ (6,912)	\$ -	\$ 540,346	\$2,179,233
Governmental Activities-Capital Assets, Net	\$2,799,067	\$89,262	\$ -	\$ -	\$2,888,329

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Depreciation expense totaling \$55,263 was charged to the conservation of natural resources function.

NOTE 10: 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 11: LONG-TERM DEBT

Primary Government:

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

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Leases Payable	\$ 428,412	\$259,550	\$ 91,540	\$ 596,422	\$ 77,692
Bonds Payable	3,280,000	-	330,000	2,950,000	335,000
Loans Payable	162,042	-	79,646	82,396	82,396
Compensated Absences *	427,162	5,210	-	432,372	43,237
Total Governmental Activities	\$4,297,616	\$264,760	\$501,186	\$4,061,190	\$538,325

* 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.

Capital Leases - The primary government has entered into lease agreements as lessee for financing the acquisition of road department equipment (total principal cost of \$358,906). These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

Year Ending December 31	Capital Leases
2012	\$ 98,856
2013	98,857
2014	260,832
2015	52,406
2016	143,001
Total Payments	\$653,952
Less: amount representing interest	(57,530)
Present value of minimum lease payments	\$596,422

Bonds Payable

\$3,600,000, due in annual installments from \$320,000 to \$410,000 through November 1, 2019; interest from 2.0% to 3.4%.

\$2,950,000

Loan Payable:

\$400,000, due in annual installments from \$84,878 to \$74,537 through March 15, 2012; interest at 3.46205%.

\$ 82,396

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	G.O. Bonds Payable		Loan Payable	
	Principal	Interest	Principal	Interest
2012	\$ 335,000	\$ 78,993	\$82,396	\$2,860
2013	345,000	71,761	-	-
2014	350,000	63,505	-	-
2015	360,000	54,180	-	-
2016	370,000	43,680	-	-
2017 - 2021	1,190,000	59,585	-	-
Total	\$2,950,000	\$371,704	\$82,396	\$2,860

DISCRETELY PRESENTED COMPONENT UNIT:

Richland County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in governmental long-term liabilities of the District:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bonds Payable	\$265,000	\$ -	\$75,000	\$190,000	\$80,000
Compensated Absences *	6,540	1,505	-	8,045	805
Total Governmental Activities	\$271,540	\$1,505	\$75,000	\$198,045	\$80,805

* 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.

Special Assessment Bonds:

\$175,000 Drain 97 Improvement Bonds of 2001 due in annual installments of \$10,000 to \$15,000 through 2016; interest at 4.1% to 5.0%. \$ 50,000

\$570,000 Drain 95 Improvement Bonds of 2003 due in annual installments of \$60,000 to \$70,000 thru 2013; interest at 1.8% to 4.0%. 140,000

Total Special Assessment Bonds Payable \$190,000

Debt service requirements on long-term debt for the discretely presented component unit governmental activities for bonds payable at December 31, 2011 are as follows:

WATER RESOURCE DISTRICT		
Year Ending December 31	Bonds Payable	
	Principal	Interest
2011	\$ 80,000	\$ 6,450
2012	80,000	3,150
2013	10,000	1,250
2014	10,000	750
2015	10,000	250
Total	\$190,000	\$11,850

RICHLAND COUNTYNotes to the Financial Statements – Continued

NOTE 12: PENSION PLAN

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

Plan members are required to contribute 4% of their annual covered salary. The county is required to contribute 5.26% of the employee's salary, which consists of 4.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The county's contributions to NDPERS for the years ended December 31, 2011, 2010 and 2009 were \$451,529, \$439,228, and \$425,118, respectively, equal to the required contributions for the year. The water resource district's required and actual contributions to NDPERS for the years ended December 31, 2011, 2010, and 2009, were \$4,555, \$4,405, and \$4,245, respectively, equal to the required contributions for the year.

NOTE 13: RISK MANAGEMENT

Richland 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. Richland 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 one million dollars per occurrence for general liability and automobile and \$4,623,877 for mobile equipment and portable property. The coverage for the Water Resource District by NDIRF is limited to losses of two million dollars for general liability and automobile and \$11,435 for mobile equipment and portable property. Richland County also has Hartford Steam Boiler Insurance which has multiple coverage and dollar limits.

Richland County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Richland 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 Richland County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees, while the Water Resource District carries \$1,337,000 coverage. The State Bonding Fund does not currently charge any premium for this coverage.

Richland County and the water resource district have workers compensation with the Workforce, Safety and Insurance. The County contributes \$456 for single health and \$617 for family health coverage for all full time employees.

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

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 14: JOINT VENTURES

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2010, which is the most current audited information available.

	Red River Joint Water Resource District
Total Assets	\$3,689,382
Total Liabilities	48,357
Total Equity	\$3,495,452
Revenues	\$ 909,791
Expenditures	575,761
Net Increase in Equity	\$ 334,030

NOTE 15: CONDUIT DEBT

From time to time, Richland County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, State, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2011 there are three series of Industrial Revenue Bonds with a principal amount outstanding of \$28,055,000. The county is in no way liable to repay the Industrial Revenue Bonds.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 16: CONSTRUCTION COMMITMENTS

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

Project	Original Contract	Total Completed	Retainage	Remaining Balance w/Retainages	% Complete
BRC-SC-3910/3912(054)	\$1,396,975	\$1,338,663	\$ 26,773	\$ 85,085	95.83%
SC-3925(062)	627,987	599,001	11,980	40,966	95.38%
SC-3912(053)	1,055,844	997,683	19,954	78,115	94.49%
SC-3912(055)	169,214	138,614	2,772	33,372	81.92%
W11-00-106	452,809	452,809	45,281	45,281	100.00%
Total	\$3,702,829	\$3,526,770	\$106,760	\$282,819	95.25%

NOTE 17: PRIOR PERIOD ADJUSTMENTS

Prior period errors were noted in intergovernmental receivables, loan receivables, agency funds incorrectly reported as special revenue funds, and taxes receivable balances related to those agency funds. The result of these errors was to decrease beginning governmental fund balances in the Statement of Revenues, Expenditures and Changes in Fund Balance and net asset equity on the Statement of Activities.

Governmental Fund Balance:	Amounts
Beginning Job Development Authority balance	\$861,546
Adjustments to restate the January 1, 2011 Fund Balance:	
Adjustment to correct beginning loan balance	(5,682)
Adjustment to accrue previous intergovernmental receivable	2,798
Net Assets January 1, as restated	\$858,662

Governmental Fund Balance:	Amounts
Beginning Total Non-major Funds balance	\$1,085,365
Adjustments to restate the January 1, 2011 Fund Balance:	
Adjustment to remove agency funds	(1,761)
Adjustment to remove previously accrued intergovernmental receivable	(2,798)
Net Assets January 1, as restated	\$1,080,806

Governmental Activities (County):	Amounts
Beginning Net Assets, as previously reported	\$23,931,622
Adjustments to restate the January 1, 2011 Net Assets:	
Adjustment to governmental funds	(7,443)
Adjustment to Taxes Receivable	(2,292)
Net Assets January 1, as restated	\$23,921,887

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 18: JOB DEVELOPMENT LOANS RECEIVABLE

The Job Development Authority, a blended component unit of Richland County, provides loans to businesses for either startup costs or expansion costs. The Development Authority receives applications from various businesses within the community and either approves or denies the applications based on majority board decision. The Authority had the following activity in loans outstanding for the year ended December 31, 2011.

Name/Business	1-1-11 Beg. Bal.	New Loans/ Additions	Written Off	Principle Payments	12-31-11 End. Bal.
Amber's Lakeshore Property Inc.	\$ 9,270	\$ -	\$9,270	\$ -	\$ -
Aurora Group Inc.	37,478	-	-	1,986	35,492
Barth Investments	48,542	-	-	-	48,542
Berger Body and Glass	4,582	-	-	-	4,582
Blotske, Jason & Larie	-	35,000	-	-	35,000
Boutain Inc.	14,295	-	-	3,403	10,892
Mike Bullinger	59,607	-	-	-	59,607
City of Wahpeton	5,834	-	-	2,292	3,542
Mr. John Dyste	31,829	-	-	1,785	30,044
Faulk / Bladow	15,361	-	-	1,452	13,909
Faulk / Bladow	19,579	-	-	1,911	17,668
Mr. Corrie & Tami Frankle	12,013	-	-	2,888	9,125
Mr. Giant Snacks, Inc.	42,070	-	-	-	42,070
Hankinson CDC	-	35,000	-	888	34,112
Hankinson Hardware	29,361	-	-	4,305	25,056
Hot Cakes & Lodging, Inc. (1)	13,640	-	-	1,472	12,168
Hot Cakes & Lodging, Inc. (2)	6,875	-	-	543	6,332
Mr. Denice Krause	22,275	-	-	2,255	20,020
Fit Chick Fitness Center	14,053	-	-	2,592	11,461
Lidgerwood Golf Course	15,445	-	-	3,091	12,354
Lidgerwood-Hankinson Rural Health	20,537	-	-	12,452	8,085
Mr. Michael & Mrs. Gwen Loll	41,862	-	-	2,474	39,388
Lost Sock Laundry, LLLP	-	30,000	-	-	30,000
MDI Inc.	22,578	-	-	-	22,578
Mr. Jeff Onchuck	11,132	-	-	2,280	8,852
Mr. Cara & Todd Rikke	5,960	-	-	3,422	2,538
Smykowski, Breanna	-	30,000	-	-	30,000
Storbakken Sanitation Inc.	23,649	-	-	5,781	17,868
Mr. Mike & Linda Storbakken	35,000	-	-	1,591	33,409
Thompson Customizing LLC	14,219	-	-	4,514	9,705
Tublicks LLC	30,413	-	-	7,045	23,368
Mr. Emily Ward	9,449	-	-	1,248	8,201
Total	\$616,908	\$130,000	\$9,270	\$71,670	\$665,968

RICHLAND COUNTY
Wahpeton, 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	\$ 4,321,540	\$ 4,321,540	\$ 4,487,692	\$ 166,152
Intergovernmental	713,181	713,181	1,023,906	310,725
Licenses, permits and fees	2,550	2,550	2,480	(70)
Charges for services	371,822	371,822	302,983	(68,839)
Interest income	24,050	24,050	44,297	20,247
Miscellaneous	442,400	442,400	477,289	34,889
Total Revenues	\$ 5,875,543	\$ 5,875,543	\$ 6,338,647	\$ 463,104
<u>Expenditures:</u>				
Current:				
General government	\$ 2,312,143	\$ 2,312,143	\$ 2,258,898	\$ 53,245
Public safety	2,001,114	2,001,114	1,947,717	53,397
Health and welfare	22,600	22,600	14,649	7,951
Culture and recreation	12,500	12,500	12,500	-
Conservation of natural resources	7,000	7,000	7,000	-
Total Expenditures	\$ 4,355,357	\$ 4,355,357	\$ 4,240,764	\$ 114,593
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,520,186	\$ 1,520,186	\$ 2,097,883	\$ 577,697
<u>Other Financing Sources (Uses):</u>				
Sale of Equipment	\$ -	\$ -	\$ 4,000	\$ 4,000
Transfers out	(1,920,050)	(1,920,050)	(3,058,010)	(1,137,960)
Total Other Financing Sources and Uses	\$ (1,920,050)	\$ (1,920,050)	\$ (3,054,010)	\$(1,133,960)
Net Change in Fund Balances	\$ (399,864)	\$ (399,864)	\$ (956,127)	\$ (556,263)
Fund Balances - January 1	\$ 1,548,413	\$ 1,548,413	\$ 1,548,413	\$ -
Fund Balances - December 31	\$ 1,148,549	\$ 1,148,549	\$ 592,286	\$ (556,263)

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

RICHLAND COUNTY
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 445,650	\$ 445,650	\$ 460,908	\$ 15,258
Intergovernmental	1,335,122	1,335,122	2,751,704	1,416,582
Charges for services	112,500	112,500	205,457	92,957
Miscellaneous	12,000	12,000	31,796	19,796
Total Revenues	\$ 1,905,272	\$ 1,905,272	\$ 3,449,865	\$ 1,544,593
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 4,653,660	\$ 4,653,660	\$ 4,787,177	\$ (133,517)
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,748,388)	\$ (2,748,388)	\$ (1,337,312)	\$ 1,411,076
<u>Other Financing Sources (Uses):</u>				
Sale of Equipment	\$ -	\$ -	\$ 3,100	\$ 3,100
Transfers in	1,200,000	1,200,000	2,342,000	1,142,000
Transfers out	(420,000)	(420,000)	(1,023,000)	(603,000)
Total Other Financing Sources and Uses	\$ 780,000	\$ 780,000	\$ 1,322,100	\$ 542,100
Net Change in Fund Balances	\$ (1,968,388)	\$ (1,968,388)	\$ (15,212)	\$ 1,953,176
Fund Balances - January 1	\$ 177,820	\$ 177,820	\$ 177,820	\$ -
Fund Balances - December 31	\$ (1,790,568)	\$ (1,790,568)	\$ 162,608	\$ 1,953,176

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

RICHLAND COUNTY
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 90,670	\$ 90,670
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 298,600	\$ 298,600	\$ 324,270	\$ (25,670)
Excess (Deficiency) of Revenues Over Expenditures	\$ (298,600)	\$ (298,600)	\$ (233,600)	\$ 65,000
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 130,000	\$ 130,000	\$ 223,000	\$ 93,000
Net Change in Fund Balances	\$ (168,600)	\$ (168,600)	\$ (10,600)	\$ 158,000
Fund Balances - January 1	\$ (241,305)	\$ (241,305)	\$ (241,305)	\$ -
Fund Balances - December 31	\$ (409,905)	\$ (409,905)	\$ (251,905)	\$ 158,000

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

RICHLAND COUNTY
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
15-MILL ROAD FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 895,520	\$ 895,520	\$ 928,386	\$ 32,866
Intergovernmental	55,330	55,330	75,539	20,209
Total Revenues	\$ 950,850	\$ 950,850	\$ 1,003,925	\$ 53,075
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 1,023,100	\$ 1,023,100	\$ 1,022,606	\$ 494
Debt Service:				
Principal	330,000	330,000	330,000	-
Interest & Service Charges	85,643	85,643	86,043	(400)
Total Expenditures	\$ 1,438,743	\$ 1,438,743	\$ 1,438,649	\$ 94
Excess (Deficiency) of Revenues Over Expenditures	\$ (487,893)	\$ (487,893)	\$ (434,724)	\$ 53,169
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 435,000	\$ 435,000
Net Change in Fund Balances	\$ (487,893)	\$ (487,893)	\$ 276	\$ 488,169
Fund Balances - January 1	\$ 67	\$ 67	\$ 67	\$ -
Fund Balances - December 31	\$ (487,826)	\$ (487,826)	\$ 343	\$ 488,169

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

RICHLAND COUNTY
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 834,020	\$ 834,020	\$ 864,545	\$ 30,525
Intergovernmental	400,117	400,117	522,424	122,307
Charges for services	8,500	8,500	9,099	599
Miscellaneous	25,000	25,000	39,249	14,249
Total Revenues	<u>\$ 1,267,637</u>	<u>\$ 1,267,637</u>	<u>\$ 1,435,317</u>	<u>\$ 167,680</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>\$ 1,394,329</u>	<u>\$ 1,394,329</u>	<u>\$ 1,394,320</u>	<u>\$ 9</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (126,692)</u>	<u>\$ (126,692)</u>	<u>\$ 40,997</u>	<u>\$ 167,689</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	<u>\$ (18,500)</u>	<u>\$ (18,500)</u>	<u>\$ (18,500)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (145,192)</u>	<u>\$ (145,192)</u>	<u>\$ 22,497</u>	<u>\$ 167,689</u>
Fund Balances - January 1	<u>\$ 836,224</u>	<u>\$ 836,224</u>	<u>\$ 836,224</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 691,032</u></u>	<u><u>\$ 691,032</u></u>	<u><u>\$ 858,721</u></u>	<u><u>\$ 167,689</u></u>

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

RICHLAND COUNTY
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 840,000	\$ 840,000	\$ 1,162,685	\$ 322,685
<u>Expenditures:</u>				
Current:				
Flood repair	\$ 1,040,000	\$ 1,040,000	\$ 448,014	\$ 591,986
Excess (Deficiency) of Revenues Over Expenditures	\$ (200,000)	\$ (200,000)	\$ 714,671	\$ 914,671
Fund Balances - January 1	\$ 723,048	\$ 723,048	\$ 723,048	\$ -
Fund Balances - December 31	\$ 523,048	\$ 523,048	\$ 1,437,719	\$ 914,671

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

RICHLAND COUNTY
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
JOB DEVELOPMENT AUTHORITY FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 25,700	\$ 25,700	\$ 28,044	\$ 2,344
Intergovernmental	8,800	8,800	9,191	391
Charges for services	80,000	80,000	11,273	(68,727)
 Total Revenues	 \$ 114,500	 \$ 114,500	 \$ 48,508	 \$ (65,992)
<u>Expenditures:</u>				
Current:				
Economic development	\$ 189,500	\$ 189,500	\$ 59,136	\$ 130,364
 Excess (Deficiency) of Revenues Over Expenditures	 \$ (75,000)	 \$ (75,000)	 \$ (10,628)	 \$ 64,372
 Fund Balances - January 1	 \$ 861,546	 \$ 861,546	 \$ 861,546	 \$ -
Prior Period Adjustment	-	(2,884)	(2,884)	-
 Fund Balances - January 1, as restated	 \$ 861,546	 \$ 858,662	 \$ 858,662	 \$ -
 Fund Balances - December 31	 \$ 786,546	 \$ 783,662	 \$ 848,034	 \$ 64,372

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

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2011, Richland County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
<u>Special Revenue Funds:</u>			
Highway Fund	\$4,653,660	\$4,787,177	\$(133,517)
Bridge Replacement	298,600	324,269	(25,669)
Emergency Assistance	-	2,829	(2,829)

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

RICHLAND COUNTY
Wahpeton, North Dakota

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

	Balance 1-1-11	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-11
Major Funds:							
General Fund	\$ 1,387,452.23	\$ 6,219,121.61	\$ -	\$ 4,000.00	\$ 3,058,009.51	\$ 4,198,958.28	\$ 353,606.05
Special Revenue Funds:							
Highway Fund	\$ 878.59	\$ 3,331,538.47	\$ 2,342,000.00	\$ 3,100.00	\$ 1,023,000.00	\$ 4,653,628.33	\$ 888.73
Bridge Replacement	585.49	75,244.41	223,000.00	-	-	298,588.05	241.85
15 Mill Road Fund	66.50	1,003,925.03	435,000.00	-	-	1,438,648.84	342.69
Social Services Fund	785,220.59	1,440,664.94	-	-	18,500.00	1,394,319.98	813,065.55
FEMA Disaster Reimb. Fund	723,048.32	367,966.47	-	-	-	448,014.02	643,000.77
Job Development Authority	\$ 238,955.10	\$ 122,975.64	\$ -	\$ -	\$ -	\$ 179,864.88	\$ 182,065.86
Total Major Special Revenue Funds	\$ 1,748,754.59	\$ 6,342,314.96	\$ 3,000,000.00	\$ 3,100.00	\$ 1,041,500.00	\$ 8,413,064.10	\$ 1,639,605.45
Total Major Funds	\$ 3,136,206.82	\$ 12,561,436.57	\$ 3,000,000.00	\$ 7,100.00	\$ 4,099,509.51	\$ 12,612,022.38	\$ 1,993,211.50
Nonmajor Special Revenue Funds:							
DSR Administration	\$ 6,239.70	\$ -	\$ -	\$ -	\$ -	\$ 834.76	\$ 5,404.94
Road and Bridge Equipment	767.76	3,112.50	365,000.00	-	-	368,793.58	86.68
Emergency Assistance Fund	-	3,900.00	-	-	-	2,829.22	1,070.78
Emergency Fund	225,574.38	-	-	-	-	-	225,574.38
911 Communications	622.63	295,840.22	379,000.00	-	-	675,384.89	77.96
911 Wireless	262.67	128,063.08	-	-	102,000.00	25,565.64	760.11
NDIRN Fees	6,280.89	16,575.11	-	-	-	7,550.00	15,306.00
Special Assessments-Co. Property	28,825.42	0.60	20,000.00	-	-	48,450.78	375.24
Water Rescue Team Fund	-	3,126.28	-	-	-	-	3,126.28
County Agent	36,287.32	124,295.72	-	-	-	110,697.64	49,885.40
Veteran's Service Officer	19,204.01	71,998.94	-	-	-	67,045.24	24,157.71
Weed Control Levy	302,297.28	225,546.38	-	-	-	213,862.46	313,981.20
Public Health Fund	170,478.13	359,039.32	228,500.00	-	-	619,553.48	138,463.97
Home Health Care Holding Fund	57,771.90	167,473.12	180,000.00	-	-	343,390.88	61,854.14
Family Planning Fund	36,558.95	121,366.40	29,009.51	-	-	154,391.41	32,543.45
WIC Program Fund	3,962.09	66,710.58	-	-	-	67,311.19	3,361.48
Hazardous Chemicals Fund	5,889.45	2,475.00	-	-	-	2,491.83	5,872.62
Jail Concession Fund	23,126.56	12,975.60	-	-	-	9,775.45	26,326.71
Sobriety Test Fund	105.00	-	-	-	-	69.86	35.14
County Park	27,051.98	64,665.97	-	-	-	62,169.65	29,548.30
Sheriff-Counteract Fund	87.48	228.00	-	-	-	69.00	246.48
County Agent Special Account	6,865.52	12,752.07	-	-	-	17,637.35	1,980.24
Off-Book Activity	5,416.31	565,912.40	-	-	-	571,328.71	-
Total Nonmajor Special Revenue Funds	\$ 963,675.43	\$ 2,246,057.29	\$ 1,201,509.51	\$ -	\$ 102,000.00	\$ 3,369,203.02	\$ 940,039.21
Nonmajor Debt Service Fund:							
County Loan Payment Fund	\$ 71,959.69	\$ 115,111.69	\$ -	\$ -	\$ -	\$ 85,256.04	\$ 101,815.34
Total Nonmajor Funds	\$ 1,035,635.12	\$ 2,361,168.98	\$ 1,201,509.51	\$ -	\$ 102,000.00	\$ 3,454,459.06	\$ 1,041,854.55
Total Governmental Funds	\$ 4,171,841.94	\$ 14,922,605.55	\$ 4,201,509.51	\$ 7,100.00	\$ 4,201,509.51	\$ 16,066,481.44	\$ 3,035,066.05
Agency Funds:							
State Medical Center	\$ 348.00	\$ 58,627.99	\$ -	\$ -	\$ -	\$ 58,729.58	\$ 246.41
Game and Fish	32,216.00	75,504.00	-	-	-	79,460.00	28,260.00
Three Rivers Crisis Center	-	10,175.10	-	-	-	10,175.10	-
Garrison Diversion	348.00	63,669.40	-	-	-	63,770.99	246.41
Domestic Violence	35.00	3,185.00	-	-	-	3,045.00	175.00
SEMCA Program Fund	(8,390.20)	225,950.62	-	-	-	227,816.71	(10,256.29)
ND State Income Tax W/H Fund	15,544.52	57,396.30	-	-	-	59,848.13	13,092.69
Senior Citizens	348.00	99,666.68	-	-	-	99,768.27	246.41
Historical Society	86.93	19,201.43	-	-	-	19,226.76	61.60
Soil Conservation District	347.59	60,023.68	-	-	-	60,124.86	246.41
Water Management Levy	1,392.01	249,714.21	-	-	-	250,120.58	985.64
Red River Joint Water Resource	348.00	118,845.80	-	-	-	118,735.03	458.77
Estimated Real Estate Tax	32.40	16,591.58	-	-	-	16,424.53	199.45
Total Cities	22,717.40	3,379,131.45	-	-	-	3,381,316.41	20,532.44
Total Park Districts	3,243.23	539,922.88	-	-	-	540,481.45	2,684.66
Total School Districts	57,459.20	8,388,201.53	-	-	-	8,409,907.39	35,753.34
Total Townships	5,055.37	958,266.36	-	-	-	952,737.45	10,584.28
County Drain Assessments	6,857.81	887,208.14	-	-	-	892,660.04	1,405.91
Total Fire Protection Districts	2,335.79	391,502.67	-	-	-	392,195.94	1,642.52

Continued on next page....

RICHLAND COUNTY
Wahpeton, North Dakota

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

	Balance 1-1-11	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-11
CONTINUED.....							
<u>Agency Funds (Continued):</u>							
Total Ambulance Districts	\$ 959.97	\$ 117,751.87	\$ -	\$ -	\$ -	\$ 117,963.40	\$ 748.44
Total Vector Districts	73.91	634.41	-	-	-	693.56	14.76
Township Share Gas & Oil Taxes	-	507,951.49	-	-	-	507,951.49	-
Telecommunications Tax Revenue	-	185,292.44	-	-	-	185,292.44	-
Financial Institution Tax	-	169,642.83	-	-	-	169,642.83	-
State Aid Distribution (old PPR)	-	136,619.53	-	-	-	136,619.53	-
Taxes Paid in Advance	6,098,490.19	5,792,049.72	-	-	-	6,098,490.19	5,792,049.72
Total Agency Funds	<u>\$ 6,239,849.12</u>	<u>\$ 22,512,727.11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,853,197.66</u>	<u>\$ 5,899,378.57</u>
Total Primary Government	<u>\$ 10,411,691.06</u>	<u>\$ 37,435,332.66</u>	<u>\$ 4,201,509.51</u>	<u>\$ 7,100.00</u>	<u>\$ 4,201,509.51</u>	<u>\$ 38,919,679.10</u>	<u>\$ 8,934,444.62</u>
<u>Component Unit:</u>							
Water Resource District	<u>\$ 2,146,092.69</u>	<u>\$ 1,301,861.76</u>	<u>\$ 82,472.49</u>	<u>\$ -</u>	<u>\$ 82,472.49</u>	<u>\$ 1,193,685.45</u>	<u>\$ 2,254,269.00</u>
Total Primary Government	<u>\$ 12,557,783.75</u>	<u>\$ 38,737,194.42</u>	<u>\$ 4,283,982.00</u>	<u>\$ 7,100.00</u>	<u>\$ 4,283,982.00</u>	<u>\$ 40,113,364.55</u>	<u>\$ 11,188,713.62</u>

RICHLAND COUNTY WATER RESOURCE DISTRICT
Wahpeton, North Dakota

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

	Balance 1-1-11	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-11
General Fund	\$ 105,084.55	\$ 251,152.72	\$ -	\$ 70,000.00	\$ 181,723.68	\$ 104,513.59
<u>Special Revenue Funds:</u>						
Drain #1	\$ 40,331.01	\$ 7,419.04	\$ -	\$ -	\$ -	\$ 47,750.05
Drain #2	50,935.00	26,668.99	362.60	-	13,934.35	64,032.24
Drain #3	209,974.04	53,834.66	-	-	84,015.57	179,793.13
Drain #4	(18,933.34)	67,259.60	529.91	-	19,197.67	29,658.50
Drain #5	205,146.04	56,497.82	582.15	-	28,681.01	233,545.00
Drain #7	(35,297.05)	46,819.71	-	-	11,412.50	110.16
Drain #10	25,624.05	19,867.25	-	-	31,229.58	14,261.72
Drain #12	124,936.71	48,731.14	74.22	-	9,502.03	164,240.04
Drain #14	23,758.05	111,292.82	966.36	557.60	42,093.76	93,365.87
Drain #15	108,557.87	18,430.70	-	-	9,122.53	117,866.04
Drain #17	29,238.35	4,807.16	-	-	4,764.50	29,281.01
Drain #18	18,104.60	20,737.89	-	-	4,419.25	34,423.24
Drain #19	13,690.62	2,034.62	-	-	510.00	15,215.24
Drain #26	20,450.98	12,627.85	-	-	11,302.50	21,776.33
Drain #31	177,499.64	97,390.79	390.62	-	49,197.92	226,083.13
Drain #34	(3,988.50)	6,051.86	-	-	1,887.50	175.86
Drain #35	2,860.52	4,439.46	-	-	1,750.00	5,549.98
Drain #39	98,718.84	30,878.39	-	-	10,143.81	119,453.42
Drain #41	20,254.30	9,623.31	-	-	2,482.50	27,395.11
Drain #48	6,756.07	3,419.39	-	-	5,651.25	4,524.21
Drain #55	36,212.13	27,620.59	-	-	6,795.00	57,037.72
Drain #58	5,641.45	8,082.95	-	-	1,863.75	11,860.65
Drain #62	24,169.22	9,927.73	2,638.87	-	14,831.37	21,904.45
Drain #63	37,328.97	9,884.80	145.54	-	22,453.22	24,906.09
Drain #65	(39,093.69)	68,977.41	951.27	-	18,819.74	12,015.25
Drain #66	82,639.93	14,197.33	-	-	3,542.25	93,295.01
Drain #67-8	89,578.04	29,087.96	-	-	11,995.10	106,670.90
Drain #72	52,333.50	49,003.88	1,283.63	-	22,594.76	80,026.25
Drain #95	(27,477.58)	52,627.48	4,282.12	-	217,928.83	(188,496.81)
Drain #97	14,959.70	4,512.58	-	-	1,080.00	18,392.28
Drain RS #1	100,527.94	65,148.66	-	-	150,667.88	15,008.72
Drain #SW2	15,077.24	12.48	-	-	736.25	14,353.47
SWC Ring Dikes	-	11,473.00	-	-	11,473.00	-
Waterways	235,355.85	33,080.33	70,000.00	-	99,849.39	238,586.79
FEMA Administrative Fee	5,640.66	1,821.96	-	-	-	7,462.62
FEMA Under-Run	16,133.87	-	265.20	11,914.89	-	4,484.18
Total Special Revenue Funds	\$ 1,767,645.03	\$ 1,034,291.59	\$ 82,472.49	\$ 12,472.49	\$ 925,928.77	\$ 1,946,007.85
<u>Debt Service Funds:</u>						
Bond #95	\$ 247,214.99	\$ 174.16	\$ -	\$ -	\$ 72,655.00	\$ 174,734.15
Bond #97	26,148.12	16,243.29	-	-	13,378.00	29,013.41
Total Debt Service Funds	\$ 273,363.11	\$ 16,417.45	\$ -	\$ -	\$ 86,033.00	\$ 203,747.56
Total All Funds	\$ 2,146,092.69	\$ 1,301,861.76	\$ 82,472.49	\$ 82,472.49	\$ 1,193,685.45	\$ 2,254,269.00

RICHLAND COUNTY
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASS-THROUGH PROGRAMS:</u>		
<u>Passed Through the State Department of Human Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 6,494
Temporary Assistance for Needy Families	93.558	114,281
Child Support Enforcement	93.563	1,037
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,982
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,615
Foster Care-Title IV-E	93.658	62,338
Adoption Assistance	93.659	719
Children's Health Insurance Program	93.767	1,310
Maternal and Child Health Services Block Grant to the States	93.994	1,389
<u>Passed Through the State Department of Health:</u>		
Public Health Emergency Preparedness	93.069	7,143
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	930
Family Planning_Services	93.217	68,842
Immunization Grants	93.268	7,360
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	47,542
HIV Care Formula Grants	93.917	1,169
HIV Prevention Activities-Health Department Based	93.940	1,825
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	312
Preventive Health and Health Services Block Grant	93.991	2,000
Maternal and Child Health Services Block Grant to the States	93.994	19,381
Total U.S. Department of Health and Human Services Pass-Through Programs		<u>\$ 356,669</u>
<u>U.S. DEPARTMENT OF JUSTICE PASS-THROUGH PROGRAMS:</u>		
<u>Passed Through the State Office of Attorney General:</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>\$ 89,420</u>
<u>U.S. DEPARTMENT OF AGRICULTURE PASS-THROUGH PROGRAMS:</u>		
<u>Passed Through the State Department of Health:</u>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	<u>\$ 66,711</u>
<u>U.S. DEPARTMENT OF COMMERCE PASS-THROUGH PROGRAMS:</u>		
<u>Passed Through the State Department of Emergency Services:</u>		
Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 2,212</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY PASS-THROUGH PROGRAMS:</u>		
<u>Passed Through the State Department of Emergency Services:</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	** 97.036	\$ 397,097
Emergency Management Performance Grants	97.042	30,421
Homeland Security Grant Program	97.067	<u>9,586</u>
Total U.S. Department of Transportation Pass-Through Programs		<u>\$ 437,104</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASS-THROUGH PROGRAMS:</u>		
<u>Passed Through the State Department of Commerce:</u>		
Community Development Block Grants/State's program	** 14.228	<u>\$ 569,829</u>

Continued on next page....

RICHLAND COUNTY
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
CONTINUED.....		
<u>U.S. DEPARTMENT OF TRANSPORTATION PASS-THROUGH PROGRAMS:</u>		
<u>Passed Through the State Department of Transportation:</u>		
Highway Planning and Construction	20.205	\$ 129,318
State and Community Highway Safety	20.600	1,912
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>2,321</u>
Total U.S. Department of Transportation Pass-Through Programs		<u>\$ 133,551</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 1,655,496</u></u>

** - Major program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Richland County under programs of the federal government for the year ended December 31, 2011. 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 Richland County, it is not intended to and does not present the financial position or changes in net assets of Richland 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

ROBERT R. PETERSON
Phone (701) 328-2241
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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
Richland County
Wahpeton, 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 Richland County, Wahpeton, North Dakota as of and for the year ended December 31, 2011, which collectively comprise Richland County's basic financial statements and have issued our report thereon dated May 23, 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

In planning and performing our audit, we considered Richland 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 Richland County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Richland 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 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 above. However, we identified one deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs as item 2011-01* that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richland 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 one matter that we reported to management of Richland County in a separate letter dated May 23, 2012.

Richland County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. We did not audit Richland County's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the County, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Robert R. Peterson
State Auditor

May 23, 2012

STATE AUDITOR

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Richland County
Wahpeton, North Dakota

Compliance

We have audited Richland 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 each of Richland County's major federal programs for the year ended December 31, 2011. Richland County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Richland County's management. Our responsibility is to express an opinion on Richland County's compliance based on our audit.

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. 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 Richland 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. Our audit does not provide a legal determination of Richland County's compliance with those requirements.

In our opinion, Richland County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Richland County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Richland County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Richland County's internal control over compliance.

A *deficiency in internal control over compliance* 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, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the county, federal awarding agencies, and pass-through entities 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".

Robert R. Peterson
State Auditor

May 23, 2012

RICHLAND COUNTY

Schedule of Findings and Questioned Costs - Continued

Section II - Financial Statement Findings

2011-01 – LACK OF SEGREGATION OF DUTIES – WRD

Condition:

The Richland County WRD has one Secretary/Treasurer responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

Criteria:

An accounting system should segregate the duties of authorizing transactions, posting of transactions, custody of assets, and reconciliation.

Effect:

The lack of segregation of duties in this key control area creates a higher risk that the financial statements could be misstated due to errors or fraud.

Recommendation:

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

Views of Responsible Officials:

The Richland County Water Resource District agrees and will segregate duties as it becomes feasible.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.