

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**RICHLAND COUNTY
WAHPETON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



RICHLAND COUNTY
Wahpeton, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2012

	<u>Page(s)</u>
County Officials	1
Unmodified Opinions on Basic Financial Statements Accompanied by Supplementary Information and Other Information	2 - 3
Management's Discussion and Analysis	4 - 10
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Statement of Fiduciary Assets and Liabilities	17
Notes to the Financial Statements	18 - 32
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	33 - 39
Notes to Required Supplementary Information	40
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity - County	41 - 42
Schedule of Fund Activity - Water Resource District	43
Schedule of Expenditures of Federal Awards	44 - 45
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	46 - 47
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards	48 - 49
Schedule of Findings and Questioned Costs	50 - 51

RICHLAND COUNTY
Wahpeton, North Dakota

COUNTY OFFICIALS

December 31, 2012

Dan Thompson	Commissioner - Chairperson
Sid Berg	Commissioner - Vice-Chairperson
Tim Campbell	Commissioner
Jason Heitkamp	Commissioner
Perry Miller	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, 2012

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
Phone (701) 328-2241
Fax (701) 328-1406



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

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

**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED
SUPPLEMENTARY INFORMATION AND OTHER INFORMATION**

Independent Auditor's Report

Board of County Commissioners
Richland County
Wahpeton, North Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

RICHLAND COUNTY

Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information - Continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 4 through 10 and 33 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The *schedule of fund activity arising from cash transactions and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity arising from cash transactions* is not fairly stated in all material respects in relation to the financial statements taken as a whole. In our opinion, the *schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richland County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

March 28, 2013

RICHLAND COUNTY
Wahpeton, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

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, 2012. The intent of the MD&A is to look at the County's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

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

- The assets of Richland County exceeded its liabilities at the close of the most recent fiscal year by \$29,395,201 (net position). Of this amount, \$1,477,779 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position increased by \$2,053,985 for the year ended December 31, 2012.
- Total revenues from all sources were \$17,470,057 on the government-wide statement of activities and \$16,440,220 on the modified accrual basis.
- Total expenses were \$15,416,072 on the government-wide statement of activities and total expenditures were \$16,194,953 on the modified accrual basis.
- The County's general fund had \$6,945,438 in total revenues and \$4,696,369 in total expenditures. There was a net of \$1,076,970 used by other financing sources. Overall, the general fund balance increased by \$1,172,099 for the year ended December 31, 2012. Unreserved fund balances of the general fund totaled \$1,764,385 or 37.6% 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 \$5,239,694. Of that amount, \$1,510,886 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 Position and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's major funds in separate columns with all other governmental funds presented in total in one column.

REPORTING ON THE COUNTY AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the 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, 2012?"

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

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

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

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

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

The government-wide financial statements include not only 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 11-12 of this report.

REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

Balance Sheet – Governmental Funds

The County uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the County to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the County's major funds. Using the criteria established by GASB Statement No. 34, the County's general, 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 13-16 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 17 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 18-32 of the report.

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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

As indicated in the financial highlights above, the County's net position increased by \$2,053,985 for the year ended December 31, 2012. The increase in net position was primarily due to net infrastructure additions of \$1,139,262.

The largest portion of Richland County's net position (83%) reflects its net investment in capital assets (e.g., land, buildings, equipment and infrastructure, net of accumulated depreciation); less any related outstanding debt used to acquire those assets. 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 position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (5% or \$1,477,779) 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 position are able to report positive balances.

<u>ASSETS:</u>	<u>12-31-12</u>	<u>12-31-11</u>
Current Assets	\$ 5,808,202	\$ 5,350,171
Capital Assets (net of accumulated depreciation)	27,815,651	26,526,167
Total Assets	<u>\$33,623,853</u>	<u>\$31,876,338</u>
<u>LIABILITIES:</u>		
Current Liabilities	\$ 402,666	\$ 473,932
Long-Term Liabilities	3,825,986	4,061,190
Total Liabilities	<u>\$ 4,228,652</u>	<u>\$ 4,535,122</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	\$24,431,662	\$22,897,349
Restricted	3,485,760	4,010,854
Unrestricted	1,477,779	433,013
Total Net Position	<u>\$29,395,201</u>	<u>\$27,341,216</u>

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

<u>Revenues</u>	<u>12-31-12</u>	<u>12-31-11</u>
<u>Program Revenues:</u>		
Charges for Services	\$ 1,284,065	\$ 1,324,163
Operating Grants & Contributions	5,323,048	5,535,648
Capital Grants & Contributions	1,056,679	1,922,841
<u>General Revenues:</u>		
Property Taxes	7,556,644	7,200,701
Gain on Sale of Capital Assets		7,100
Non Restricted Grants and Contributions	1,431,331	1,090,866
Unrestricted Investment Earnings	57,536	44,297
Miscellaneous Revenue	760,754	636,305
Total Revenues	<u>\$17,470,057</u>	<u>\$17,761,921</u>

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

TABLE II – CONTINUED
CHANGES IN NET POSITION
 As of December 31, 2012 and 2011

	12-31-12	12-31-11
Expenses		
General Government	\$ 2,378,119	\$ 2,391,055
Public Safety	3,157,898	2,707,362
Highways and Bridges	4,304,733	4,994,225
Flood Repair	2,198,048	448,014
Health and Welfare	2,717,951	2,616,213
Culture and Recreation	97,914	74,670
Conservation of Natural Resources	355,430	363,926
Economic Development	104,856	630,465
Emergency		5,834
Interest and Fiscal Charges	101,123	110,828
Total Expenses	<u>\$15,416,072</u>	<u>\$14,342,592</u>
Net Change in Position	<u>\$ 2,053,985</u>	<u>\$ 3,419,329</u>
Net Position – January 1	\$27,341,216	\$23,931,622
Prior Period Adjustment	-	(9,735)
Net Position – December 31	<u>\$29,395,201</u>	<u>\$27,341,216</u>

Property taxes constituted 43%, operating grants and contributions 31%, capital grants and contributions 6%, charges for services 7%, non-restricted grants and contributions 8%, and miscellaneous revenue and investment earnings made up 5% of the total revenues of governmental activities of the County for year ended December 31, 2012. Property Taxes increased by \$355,943 due to increased valuation. Non-restricted grants and contributions increased \$340,465 from additional state highway distributions.

General government constituted 15%, public safety 21%, highways and bridges 28%, flood repair 14% and health & welfare 18% and the remaining 4% is split among four other categories of total expenditures for governmental activities for the year ended December 31, 2012. Total expenses increased by 7% (\$1,073,480) for the year ended December 31, 2012. The largest increase in functional expenses was flood repair increasing by 391% (\$1,750,034).

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

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

	Total Cost For Year Ended Dec. 31, 2012	Net Cost For Year Ended Dec. 31, 2012	Total Cost For Year Ended Dec. 31, 2011	Net Cost For Year Ended Dec. 31, 2011
General Government	\$ 2,378,119	\$2,241,430	\$ 2,391,055	\$2,215,111
Public Safety	3,157,898	2,164,321	2,707,362	2,020,056
Highways and Bridges	4,304,733	374,273	4,994,225	(5,932)
Flood Repair	2,198,048	894,313	448,014	(714,671)
Health and Welfare	2,717,951	1,554,068	2,616,213	1,490,950
Culture and Recreation	97,914	96,048	74,670	74,670
Conservation of Natural Resources	355,430	265,976	363,926	309,813
Economic Development	104,856	60,728	630,465	53,281
Emergency	-	-	5,834	5,834
Interest and Service Charges	101,123	101,123	110,828	110,828
Total	<u>\$15,416,072</u>	<u>\$7,752,280</u>	<u>\$14,342,592</u>	<u>\$5,559,940</u>

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

Total costs increased by 7%, or \$1,073,480 and net costs of services increased by \$2,192,340, or 39% from year end 2011 to year end 2012. The net costs increased most significantly in flood repair by \$1,608,984 due to timing differences between incurring costs and FEMA reimbursements.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the County's governmental funds statements 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 \$16,440,220 and expenditures of \$16,194,953 for the year ended December 31, 2012. The totals represent an overall 3.6% (\$564,388) increase in revenues and 1.3% (\$211,387) decrease in expenditures over the prior fiscal year-end. Of the total increase in revenues, \$215,947 came from property taxes and \$187,221 was attributable to intergovernmental revenues. The increase in intergovernmental revenue was primarily due to increases in grants and Fed/State reimbursements. The decrease in expenditures was primarily attributable to timing differences in highway and flood repairs.

As of December 31, 2012, the County's general fund's unassigned fund balance was \$1,764,385 and total fund balance for the entire County's governmental funds was \$5,239,694. The overall fund balance increased by \$519,817. The general fund balance increased primarily due to transfers from the highway fund to reimburse payments for highway and bridges construction expenses for FEMA projects. The general fund revenues totaled \$6,945,438 and expenditures were \$4,696,369 for the year ended December 31, 2012. This represents an increase of \$606,791 (9.6%) in revenues and an increase of \$455,605 (10.7%) 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 13 and Note 1H on pages 22-24 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, 2012 was \$740,074 more than budgeted (a positive variance of 11.9%). The most significant variances were \$613,226 more in intergovernmental revenue and \$113,752 in taxes.

Actual general fund expenditures were \$169,203, less than budgeted, or a 3.5% positive variance.

See Note 2 for further information on budget amendments and other county governmental funds on page 24 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, 2012, Richland County had \$27,815,651 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, 2012 and 2011.

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

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

	12-31-12	12-31-11
Land	\$ 41,040	\$ 41,040
Buildings	2,427,417	2,392,857
Equipment	2,410,266	2,280,069
Vehicles	828,172	830,144
Infrastructure	20,769,710	17,196,682
Construction in Progress	1,339,046	3,785,375
Total Capital Assets (net of accumulated depreciation)	<u>\$27,815,651</u>	<u>\$26,526,167</u>

This total represents a net increase of \$1,292,484 (5%), in capital assets from January 1, 2012. The capital assets increase is due to completion of four road projects (\$2,084,152) and four bridge projects (\$1,817,448) leaving two bridge projects in construction in progress. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 8 to the audited financial statements that follow this analysis on pages 27-28 of this report.

DEBT ADMINISTRATION

At the end of the most recent fiscal year, Richland County had total debt outstanding of \$3,383,989. Of this amount, \$446,678 is due within one year.

Richland County's debt decreased overall by \$244,829 (6.7%) 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 \$34,119,194.

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

	Total Outstanding Dec. 31, 2012	Due Within One Year	Total Outstanding Dec. 31, 2011	Due Within One Year
Loan Payable	\$ -	\$ -	\$ 82,396	\$ 82,396
Bonds Payable	2,615,000	345,000	2,950,000	335,000
Capital Leases Payable	768,989	101,678	596,422	77,692
Total Debt	<u>\$3,383,989</u>	<u>\$446,678</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 10 to the audited financial statements on pages 28-29 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 5.1 percent, which is a decrease from a rate of 5.3 percent a year ago. This compares unfavorably to the state's unemployment rate of 3.9 percent and favorably to the national average rate of 7.6 percent. The taxable valuation of the County increased from \$59,645,506 in 2011 to \$65,877,206 in 2012. The budget for the general fund, special revenue funds and debt service fund in 2013 reflects a decrease in expenditures to \$13,937,622 (from \$15,314,514) due to reduction of major construction projects and a decrease in revenues to \$13,616,337 (from \$15,138,877) due to decreased mill levies and a decrease 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 POSITION
December 31, 2012

	Primary Governmental Activities	Water Resource District
ASSETS		
Cash and investments	\$ 4,295,103	\$ 2,739,871
Loan receivable	555,087	-
Intergovernmental receivable	749,253	-
Road accounts receivable	53,720	-
Taxes receivable	155,039	14,161
Capital Assets Not Being Depreciated:		
Land	41,040	711,480
Construction in progress	1,339,046	72,233
Capital Assets (net of accumulated depreciation):		
Buildings	2,427,418	-
Equipment	2,410,266	2,890
Vehicles	828,172	-
Infrastructure	20,769,709	2,367,282
Total Capital Assets	<u>\$ 27,815,651</u>	<u>\$ 3,153,885</u>
Total Assets	<u>\$ 33,623,853</u>	<u>\$ 5,907,917</u>
LIABILITIES		
<u>Current Liabilities:</u>		
Accounts payable	\$ 359,749	\$ -
Retainage payable	26,739	-
Interest payable	16,178	1,000
<u>Non-Current Liabilities</u>		
Due Within One Year:		
Bonds payable	345,000	80,000
Capital leases payable	101,678	-
Compensated absences payable	110,499	1,808
Due After One Year:		
Bonds payable	2,270,000	30,000
Capital leases payable	667,311	-
Compensated absences payable	331,498	5,422
Total Liabilities	<u>\$ 4,228,652</u>	<u>\$ 118,230</u>
NET POSITION		
Net Investment in Capital Assets	\$ 24,431,662	\$ 3,043,885
Restricted for:		
Debt service	-	131,567
Highways and streets	267,430	-
Flood Repair	543,406	-
Health and welfare	1,089,811	-
Culture and recreation	3,011	-
Conservation of natural resources	476,121	2,614,235
Emergencies	220,061	-
Economic development	885,661	-
Other Restricted Sources	259	-
Unrestricted	1,477,779	-
Total Net Position	<u>\$ 29,395,201</u>	<u>\$ 5,789,687</u>

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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
						Water Resource District
<u>Governmental Activities:</u>						
General government	\$ 2,378,119	\$ 128,541	\$ 8,148	\$ -	\$ (2,241,430)	\$ -
Public safety	3,157,898	626,803	366,774	-	(2,164,321)	-
Highways and bridges	4,304,733	120,741	2,753,040	1,056,679	(374,273)	-
Flood repair	2,198,048	-	1,303,735	-	(894,313)	-
Health and welfare	2,717,951	292,710	871,173	-	(1,554,068)	-
Culture and recreation	97,914	1,866	-	-	(96,048)	-
Conservation of natural resources	355,430	89,454	-	-	(265,976)	-
Economic development	104,856	23,950	20,178	-	(60,728)	-
Interest and fiscal charges	101,123	-	-	-	(101,123)	-
Total Governmental Activities	\$ 15,416,072	\$ 1,284,065	\$ 5,323,048	\$ 1,056,679	\$ (7,752,280)	\$ -
Water Resource District	\$ 1,110,452	\$ 23,657	\$ 785,712	\$ -	\$ -	\$ (301,083)
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes					\$ 4,726,231	\$ 238,488
Property taxes; levied for special purposes					2,724,989	862,041
Property taxes; levied for debt service					105,424	16,365
State aid (non restricted grant)					1,314,541	21,234
Other non restricted state grants and contributions					116,790	2,346
Unrestricted investment earnings					57,536	1,596
Miscellaneous revenue					760,754	670
Total General Revenues					\$ 9,806,265	\$ 1,142,740
Change in Net Position					\$ 2,053,985	\$ 841,657
Net Position - January 1					\$ 27,341,216	\$ 4,948,030
Net Position - December 31					\$ 29,395,201	\$ 5,789,687

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

RICHLAND COUNTY
Wahpeton, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	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	\$ 1,573,362	\$ 16	\$ 88	\$ 73,838	\$ 787,831	\$ 448,203	\$ 337,610	\$ 1,074,155	\$ 4,295,103
Loans receivable	-	-	-	-	-	-	555,087	-	555,087
Intergovernmental receivable	262,328	213,164	-	26,724	62,108	95,203	-	89,726	749,253
Road receivables	-	53,720	-	-	-	-	-	-	53,720
Taxes receivable	96,929	9,894	-	19,361	18,552	-	1,089	9,214	155,039
Total Assets	\$ 1,932,619	\$ 276,794	\$ 88	\$ 119,923	\$ 868,491	\$ 543,406	\$ 893,786	\$ 1,173,095	\$ 5,808,202
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
<u>Liabilities:</u>									
Accounts payable	\$ 71,305	\$ -	\$ 253,587	\$ -	\$ 26,732	\$ -	\$ 8,125	\$ -	\$ 359,749
<u>Deferred Inflows of Resources:</u>									
Road Receivables	\$ -	\$ 53,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,720
Taxes Receivable	96,929	9,894	-	19,361	18,552	-	1,089	9,214	155,039
Total Deferred Inflows of Resources	\$ 96,929	\$ 63,614	\$ -	\$ 19,361	\$ 18,552	\$ -	\$ 1,089	\$ 9,214	\$ 208,759
Total Liabilities & Deferred Inflows of Resources	\$ 168,234	\$ 63,614	\$ 253,587	\$ 19,361	\$ 45,284	\$ -	\$ 9,214	\$ 9,214	\$ 568,508
<u>Fund Balances:</u>									
Nonspendable:									
Loan receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 555,087	\$ -	\$ 555,087
Restricted:									
Public safety	-	-	-	-	-	-	-	75,269	75,269
Highways and bridges	-	213,180	-	100,562	-	-	-	955	314,697
Flood repair	-	-	-	-	-	543,406	-	-	543,406
Health and welfare	-	-	-	-	823,207	-	-	371,682	1,194,889
Culture and recreation	-	-	-	-	-	-	-	1,967	1,967
Conservation of natural resources	-	-	-	-	-	-	-	470,569	470,569
Emergency	-	-	-	-	-	-	-	226,070	226,070
Economic development	-	-	-	-	-	-	329,485	-	329,485
Debt Service	-	-	-	-	-	-	-	17,369	17,369
Unassigned	1,764,385	-	(253,499)	-	-	-	-	-	1,510,886
Total Fund Balances	\$ 1,764,385	\$ 213,180	\$ (253,499)	\$ 100,562	\$ 823,207	\$ 543,406	\$ 884,572	\$ 1,163,881	\$ 5,239,694
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,932,619	\$ 276,794	\$ 88	\$ 119,923	\$ 868,491	\$ 543,406	\$ 893,786	\$ 1,173,095	\$ 5,808,202

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 POSITION
December 31, 2012

Total Fund Balances for Governmental Funds \$ 5,239,694

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

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

Cost of Capital Assets	\$ 35,783,006	
Less Accumulated Depreciation	<u>(7,967,355)</u>	
Net Capital Assets		27,815,651

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

Property Taxes Receivable	\$ 155,039	
Road Department Accounts Receivable	<u>53,720</u>	208,759

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2012 are:

Bonds Payable	\$ (2,615,000)	
Capital Leases Payable	(768,989)	
Interest Payable	(16,178)	
Retainage Payable	(26,739)	
Compensated Absences	<u>(441,997)</u>	
Total Long-Term Liabilities		<u>(3,868,903)</u>

Total Net Position of Governmental Activities \$ 29,395,201

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, 2012

	General	Highway	Bridge Replace- ment	15 Mill Road	Social Services	FEMA Disaster Reimb.	Job Develop. Authority	Other Governmental Funds	Total Governmental Funds
Revenues:									
Taxes	\$ 4,700,264	\$ 475,287	\$ -	\$ 918,247	\$ 891,115	\$ -	\$ 80,931	\$ 453,328	\$ 7,519,172
Intergovernmental	1,431,588	2,752,059	16,318	124,647	585,329	1,303,735	16,158	583,904	6,813,738
Licenses, permits and fees	2,595	-	-	-	-	-	-	-	2,595
Charges for services	333,700	125,694	-	-	22,872	-	23,951	780,208	1,286,425
Interest income	57,536	-	-	-	-	-	-	-	57,536
Miscellaneous	419,755	212,878	-	-	30,932	-	-	97,189	760,754
Total Revenues	\$ 6,945,438	\$ 3,565,918	\$ 16,318	\$ 1,042,894	\$ 1,530,248	\$ 1,303,735	\$ 121,040	\$ 1,914,629	\$ 16,440,220
Expenditures:									
Current:									
General government	\$ 2,445,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,445,474
Public safety	2,211,772	-	-	-	-	-	-	981,726	3,193,498
Highways and bridges	-	2,915,346	587,912	528,282	-	-	-	437,012	4,468,552
Flood repair	-	-	-	-	-	2,198,048	-	-	2,198,048
Health and welfare	14,623	-	-	-	1,546,462	-	-	1,133,355	2,694,440
Culture and recreation	17,500	-	-	-	-	-	-	80,414	97,914
Conserv. of natural resources	7,000	-	-	-	-	-	-	361,145	368,145
Economic development	-	-	-	-	-	-	84,502	20,178	104,680
Debt Service:									
Principal	-	-	-	335,000	-	-	-	184,379	519,379
Interest and fees	-	-	-	79,393	-	-	-	25,430	104,823
Total Expenditures	\$ 4,696,369	\$ 2,915,346	\$ 587,912	\$ 942,675	\$ 1,546,462	\$ 2,198,048	\$ 84,502	\$ 3,223,639	\$ 16,194,953
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,249,069	\$ 650,572	\$ (571,594)	\$ 100,219	\$ (16,214)	\$ (894,313)	\$ 36,538	\$ (1,309,010)	\$ 245,267
Other Financing Sources (Uses):									
Lease proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 274,550	\$ 274,550
Transfers in	1,220,000	1,448,000	570,000	-	-	-	-	1,252,754	4,490,754
Transfers out	(2,296,970)	(2,048,000)	-	-	(19,300)	-	-	(126,484)	(4,490,754)
Total Other Financing Sources and Uses	\$ (1,076,970)	\$ (600,000)	\$ 570,000	\$ -	\$ (19,300)	\$ -	\$ -	\$ 1,400,820	\$ 274,550
Net Change in Fund Balances	\$ 1,172,099	\$ 50,572	\$ (1,594)	\$ 100,219	\$ (35,514)	\$ (894,313)	\$ 36,538	\$ 91,810	\$ 519,817
Fund Balances - January 1	\$ 592,286	\$ 162,608	\$ (251,905)	\$ 343	\$ 858,721	\$ 1,437,719	\$ 848,034	\$ 1,072,071	\$ 4,719,877
Fund Balances - December 31	\$ 1,764,385	\$ 213,180	\$ (253,499)	\$ 100,562	\$ 823,207	\$ 543,406	\$ 884,572	\$ 1,163,881	\$ 5,239,694

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, 2012

Net Change in *Fund Balances* - Total Governmental Funds \$ 519,817

The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$ 1,658,837	
Capital Grants and Contributions	997,319	
Current Year Depreciation Expense	<u>(1,253,890)</u>	1,402,266

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		(112,781)
-------------------------------------	--	-----------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt issuances exceeded debt repayments:

Repayment of Debt - Leases	\$ 101,983	
Repayment of Debt - Loans	82,396	
Repayment of Debt - Bonds	335,000	
Issuance of Debt - Capital Leases	<u>(274,550)</u>	244,829

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences	\$ (9,625)	
Net Change in Interest Payable	3,700	
Net Change in Retainage Payable	<u>(26,739)</u>	(32,664)

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

Net Change in Taxes Receivable	\$ 37,472	
Net Change in Road Department Receivables	<u>(4,954)</u>	<u>32,518</u>

Change in Net Position of Governmental Activities		<u>\$ 2,053,985</u>
---	--	---------------------

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, 2012

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 7,388,874</u>
<u>Liabilities:</u>	
Due to other governments	<u>\$ 7,388,874</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, 2012

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	\$196,994
------------	-----------

B. Basis of Presentation

Government-wide statements: The statement of net position 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 non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County’s and the component 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 Services 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. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year 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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

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 government as assets with an initial, individual cost of more than \$5,000. 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, 2012 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 position.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position for the primary government and the discretely presented component unit. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

H. Fund Balances / Net Position

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of 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, 2012.

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, 2012:

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

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 Position:

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

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

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

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

I. Interfund Transactions

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

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

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

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
General Fund	\$4,571,172	\$ 294,400	\$4,865,572
<u>Special Revenue Funds:</u>			
Highway Department	3,434,050	433,800	3,867,850
Bridge Replacement	335,000	267,000	602,000
Social Services	1,472,381	48,000	1,520,381
FEMA Disaster Reimbursement	1,000,000	1,200,000	2,200,000
DSR Administration	3,000	3,400	6,400
Emergency Assistance	2,000	1,300	3,300
Water Rescue Team	85,055	2,200	87,255
Sobriety Test	800	100	900
County Park	63,900	17,600	81,500
County Special Agent	13,600	300	13,900

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, 2012, the county's carrying amount of deposits was \$11,682,897 and the bank balances totaled \$11,800,070. Of the bank balances, \$3,421,133 was covered by Federal Depository Insurance. The remaining bank balances totaling \$8,378,937 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2012, the water resource district's carrying amount of deposits was \$2,739,871 and the bank balances totaled \$2,851,355. Of the bank balances, \$365,477 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,485,878 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, 2012, 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

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

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: TRANSFERS

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

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$1,220,000	\$2,296,970
Highway Fund	1,448,000	2,048,000
Bridge Replacement	570,000	-
Social Services Fund	-	19,300
<u>Special Revenue Funds:</u>		
DSR Administration	963	-
Road and Bridge Equipment	278,000	-
911 Communications	544,000	-
911 Wireless	-	105,000
Special Assessments-Co. Property	1,484	20,000
Water Rescue Team Fund	2,500	-
Public Health Fund	244,300	-
Home Health Care Holding Fund	150,000	-
Family Planning Fund	31,507	-
<u>Debt Service Fund</u>		
County Loan Payment Fund	-	1,484
Total Transfers	\$4,490,754	\$4,490,754

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 8: CAPITAL ASSETS

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

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	3,785,375	1,516,791	-	(3,963,120)	1,339,046
Total Capital Assets, Not Being Depreciated	\$ 3,826,415	\$1,516,791	\$ -	\$(3,963,120)	\$ 1,380,086
<i>Capital assets, being depreciated:</i>					
Buildings	\$ 4,478,467	\$ 67,114	\$ -	\$ 61,519	\$ 4,607,100
Equipment	4,396,774	556,842	365,240	-	4,588,376
Vehicles	1,692,921	180,481	62,542	-	1,810,860
Infrastructure	19,160,057	334,928	-	3,901,601	23,396,586
Total Capital Assets, Being Depreciated	\$29,728,219	\$1,139,365	\$427,782	\$ 3,963,120	\$34,402,922
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 2,085,610	\$ 94,073	\$ -	\$ -	\$ 2,179,683
Equipment	2,116,705	331,958	270,553	-	2,178,110
Vehicles	862,777	164,358	44,447	-	982,688
Infrastructure	1,963,375	663,501	-	-	2,626,876
Total Accumulated Depreciation	\$ 7,028,467	\$1,253,890	\$315,000	\$ -	\$ 7,967,357
Total Capital Assets Being Depreciated, Net	\$22,699,752	\$(114,525)	\$112,782	\$ 3,963,120	\$26,435,565
Governmental Activities-Capital Assets, Net	\$26,526,167	\$1,402,266	\$112,782	\$ -	\$27,815,651

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

Governmental Activities:	
General Government	\$ 79,772
Public Safety	176,364
Highways	976,821
Conservation of Natural Resources	13,903
Health and Welfare	7,030
Total Depreciation Expense - Governmental Activities	\$1,253,890

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, 2012:

Governmental Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 709,097	\$ 2,383	\$ -	\$ -	\$ 711,480
Construction in Progress	-	72,233	-	-	72,233
Total Capital Assets, Not Being Depreciated	\$ 709,097	\$ 74,616	\$ -	\$ -	\$ 783,713
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 5,057	\$ -	\$ -	\$ -	\$ 5,057
Infrastructure	2,434,057	272,799	-	-	2,706,856
Total Capital Assets, Being Depreciated	\$2,439,114	\$272,799	\$ -	\$ -	\$2,711,913
<i>Less accumulated depreciation for:</i>					
Equipment	\$ 1,445	\$ 722	\$ -	\$ -	\$ 2,167
Infrastructure	258,438	81,136	-	-	339,574
Total Accumulated Depreciation	\$ 259,883	\$ 81,858	\$ -	\$ -	\$ 341,741
Total Capital Assets Being Depreciated, Net	\$2,179,231	\$190,941	\$ -	\$ -	\$2,370,172
Governmental Activities-Capital Assets, Net	\$2,888,328	\$265,557	\$ -	\$ -	\$3,153,885

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Depreciation expense totaling \$81,858 was charged to the conservation of natural resources function.

NOTE 9: ACCOUNTS PAYABLE

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

NOTE 10: LONG-TERM DEBTPrimary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2012; 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	\$ 596,422	\$274,550	\$101,983	\$ 768,989	\$101,678
Bonds Payable	2,950,000	-	335,000	2,615,000	345,000
Loans Payable	82,396	-	82,396	-	-
Compensated Absences *	432,372	9,625	-	441,997	110,499
Total Governmental Activities	\$4,061,190	\$284,175	\$519,379	\$3,825,986	\$557,177

* 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 \$1,064,197). 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, 2012, were as follows:

Year Ending December 31	Capital Leases
2013	\$124,553
2014	286,529
2015	78,103
2016	168,698
2017	170,252
Total Payments	\$828,135
Less: amount representing interest	(59,146)
Present value of minimum lease payments	\$768,989

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%.

\$2,615,000

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	
	Principal	Interest
2013	\$ 345,000	\$ 71,761
2014	350,000	63,505
2015	360,000	54,180
2016	370,000	43,680
2017	385,000	32,355
2018 - 2022	805,000	27,230
Total	\$2,615,000	\$292,711

DISCRETELY PRESENTED COMPONENT UNIT:

Richland County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2012, 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	\$190,000	\$ -	\$80,000	\$110,000	\$80,000
Compensated Absences *	8,045	-	815	7,230	1,808
Total Governmental Activities	\$198,045	\$ -	\$80,815	\$117,230	\$81,808

* 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%.	\$ 40,000
\$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%.	<u>70,000</u>
Total Special Assessment Bonds Payable	<u>\$110,000</u>

Debt service requirements on long-term debt for the discretely presented component unit governmental activities for bonds payable at December 31, 2012 are as follows:

WATER RESOURCE DISTRICT		
Year Ending December 31	Bonds Payable	
	Principal	Interest
2013	\$ 80,000	\$3,150
2014	10,000	1,250
2015	10,000	750
2016	10,000	250
Total	\$110,000	\$5,400

RICHLAND COUNTYNotes to the Financial Statements – Continued

NOTE 11: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the road accounts receivable in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes and road accounts receivable are measurable but not available.

NOTE 12: PENSION PLAN

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

Plan members are required to contribute 5% of their annual covered salary. The county is required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$554,087, \$451,529, and \$439,228, 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, 2012, 2011, and 2010, were \$5,705, \$4,555, and \$4,405, 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Richland County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence for general liability and automobile and \$5,658,142 for mobile equipment and portable property. The coverage for the Water Resource District by NDRIF 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

Notes to the Financial Statements – Continued

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

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 net position cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution depends on where the Red River Joint Water Resource Board projects are being undertaken.

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

	Red River Joint Water Resource District
Total Assets	\$4,972,670
Total Liabilities	447,210
Net Position	\$4,525,460
Revenues	\$1,440,397
Expenditures	897,230
Net Change in Position	\$ 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, 2012 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, 2012 as follows:

Project	Original Contract	Change Orders	Total Contract w/Change Orders	Total Completed	Retainage	Remaining Balance w/Retainages	% Complete
Bridge 118-35	\$ 912,690	\$ -	\$ 912,690	\$ 858,564	\$17,171	\$71,298	94.07%
Bridge 126-33	478,370	2,112	480,482	480,482	9,567	9,567	100.00%
Total	\$1,391,060	\$2,112	\$1,393,172	\$1,339,046	\$26,739	\$80,865	96.11%

NOTE 17: 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, 2012.

Name/Business	Balance January 1	New Loans/ Additions	Principal Payments	Balance December 31
Aurora Group Inc.	\$ 35,492	\$ -	\$ 2,381	\$ 33,111
Barth Investments	48,542	-	-	48,542
Berger Body and Glass	4,582	-	-	4,582
Blotske, Jason & Larie	35,000	-	1,966	33,034
Boutain Inc.	10,892	-	4,222	6,670
Bullinger Enterprises, LLLP	59,607	-	-	59,607
City of Wahpeton (RRV & WRR)	3,542	-	2,708	834
Dyste's Food Pride	30,044	-	1,880	28,164
Faulk / Bladow	13,909	-	13,909	-
Faulk / Bladow	17,668	-	17,668	-
Precision Powder Coating	9,125	-	2,549	6,576
Giant Snacks, Inc.	42,070	-	-	42,070
Haninson CDC (Heartland Candies, Inc. Bld)	34,112	-	1,907	32,205
Hankinson Hardware	25,055	-	4,856	20,199
Hot Cakes & Lodging, Inc. (1)	12,168	-	2,600	9,568
Hot Cakes & Lodging, Inc. (2)	6,332	-	581	5,751
Dee's Bar and Grill	20,020	-	2,325	17,695
Fit Chicks Fitness	11,462	-	2,672	8,790
Lidgerwood Golf Course	12,355	-	3,261	9,094
Lidgerwood-Hankinson Rural Health	8,086	-	8,086	-
Mr. Michael & Mrs. Gwen Loll	39,388	-	39,388	-
Lost Sock Laundry, LLLP	30,000	-	2,371	27,629
Machine Design Inc.	22,578	-	-	22,578
Jeff's Tree Service	8,852	-	2,347	6,505
Mr. Cara & Todd Rikke	2,538	-	2,538	-
Smykowski, Breanna	30,000	-	973	29,027
Storbakken Sanitation Inc.	17,868	-	5,887	11,981
Mr. Mike & Linda Storbakken	33,409	-	1,812	31,597
Thompson Customizing LLC	9,705	-	4,790	4,915
Tublicks LLC	23,368	-	-	23,368
Karizma Salon	8,201	-	1,284	6,917
Mr. Nathan & Janell Berseth	-	21,000	422	20,578
Hankinson Hardware, Inc.	-	10,000	892	9,108
Mike and Lynda Storbakken	-	16,425	521	15,904
Wahpeton Fabrication	-	10,000	1,569	8,431
Total	\$665,970	\$57,425	\$138,365	\$585,030
Allowance for Doubtful Accounts	\$ -	\$ -	\$ -	\$ (29,943)
Net Loans Receivable	\$665,970	\$57,425	\$138,365	\$555,087

RICHLAND COUNTY
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,586,512	\$ 4,586,512	\$ 4,700,264	\$ 113,752
Intergovernmental	818,362	818,362	1,431,588	613,226
Licenses, permits and fees	2,500	2,500	2,595	95
Charges for services	329,787	329,787	333,700	3,913
Interest income	30,000	30,000	57,536	27,536
Miscellaneous	438,203	438,203	419,755	(18,448)
Total Revenues	<u>\$ 6,205,364</u>	<u>\$ 6,205,364</u>	<u>\$ 6,945,438</u>	<u>\$ 740,074</u>
<u>Expenditures:</u>				
Current:				
General government	\$ 2,419,370	\$ 2,494,370	\$ 2,445,474	\$ 48,896
Public safety	2,110,802	2,330,202	2,211,772	118,430
Health and welfare	16,500	16,500	14,623	1,877
Culture and recreation	17,500	17,500	17,500	-
Conservation of natural resources	7,000	7,000	7,000	-
Total Expenditures	<u>\$ 4,571,172</u>	<u>\$ 4,865,572</u>	<u>\$ 4,696,369</u>	<u>\$ 169,203</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,634,192</u>	<u>\$ 1,339,792</u>	<u>\$ 2,249,069</u>	<u>\$ 909,277</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (2,296,970)	\$ (2,296,970)
Net Change in Fund Balances	<u>\$ 1,634,192</u>	<u>\$ 1,339,792</u>	<u>\$ 1,172,099</u>	<u>\$ (167,693)</u>
Fund Balances - January 1	<u>\$ 592,286</u>	<u>\$ 592,286</u>	<u>\$ 592,286</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 2,226,478</u>	<u>\$ 1,932,078</u>	<u>\$ 1,764,385</u>	<u>\$ (167,693)</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 467,005	\$ 467,005	\$ 475,287	\$ 8,282
Intergovernmental	2,171,749	2,171,749	2,752,059	580,310
Charges for services	130,000	130,000	125,694	(4,306)
Miscellaneous	175,000	175,000	212,878	37,878
Total Revenues	\$ 2,943,754	\$ 2,943,754	\$ 3,565,918	\$ 622,164
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 3,404,250	\$ 3,838,050	\$ 2,915,346	\$ 922,704
Excess (Deficiency) of Revenues Over Expenditures	\$ (460,496)	\$ (894,296)	\$ 650,572	\$ 1,544,868
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 1,050,000	\$ 1,050,000	\$ 1,448,000	\$ 398,000
Transfers out	(585,000)	(585,000)	(2,048,000)	(1,463,000)
Total Other Financing Sources and Uses	\$ 465,000	\$ 465,000	\$ (600,000)	\$ (1,065,000)
Net Change in Fund Balances	\$ 4,504	\$ (429,296)	\$ 50,572	\$ 479,868
Fund Balances - January 1	\$ 162,608	\$ 162,608	\$ 162,608	\$ -
Fund Balances - December 31	\$ 167,112	\$ (266,688)	\$ 213,180	\$ 479,868

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 16,318	\$ (58,682)
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 335,000	\$ 602,000	\$ 587,912	\$ 14,088
Excess (Deficiency) of Revenues Over Expenditures	\$ (260,000)	\$ (527,000)	\$ (571,594)	\$ (44,594)
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 570,000	\$ 570,000
Net Change in Fund Balances	\$ (260,000)	\$ (527,000)	\$ (1,594)	\$ 525,406
Fund Balances - January 1	\$ (251,905)	\$ (251,905)	\$ (251,905)	\$ -
Fund Balances - December 31	\$ (511,905)	\$ (778,905)	\$ (253,499)	\$ 525,406

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 901,822	\$ 901,822	\$ 918,247	\$ 16,425
Intergovernmental	64,385	64,385	124,647	60,262
Total Revenues	\$ 966,207	\$ 966,207	\$ 1,042,894	\$ 76,687
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 575,000	\$ 575,000	\$ 528,282	\$ 46,718
Debt Service:				
Principal	335,000	335,000	335,000	-
Interest & Service Charges	78,993	78,993	79,393	(400)
Total Expenditures	\$ 988,993	\$ 988,993	\$ 942,675	\$ 46,318
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,786)	\$ (22,786)	\$ 100,219	\$ 123,005
Fund Balances - January 1	\$ 343	\$ 343	\$ 343	\$ -
Fund Balances - December 31	<u>\$ (22,443)</u>	<u>\$ (22,443)</u>	<u>\$ 100,562</u>	<u>\$ 123,005</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 875,897	\$ 875,897	\$ 891,115	\$ 15,218
Intergovernmental	426,086	426,086	585,329	159,243
Charges for services	9,100	9,100	22,872	13,772
Miscellaneous	27,000	27,000	30,932	3,932
Total Revenues	\$ 1,338,083	\$ 1,338,083	\$ 1,530,248	\$ 192,165
<u>Expenditures:</u>				
Current:				
Health and welfare	\$ 1,472,381	\$ 1,520,381	\$ 1,546,462	\$ (26,081)
Excess (Deficiency) of Revenues Over Expenditures	\$ (134,298)	\$ (182,298)	\$ (16,214)	\$ 166,084
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (19,300)	\$ (19,300)
Net Change in Fund Balances	\$ (134,298)	\$ (182,298)	\$ (35,514)	\$ 146,784
Fund Balances - January 1	\$ 858,721	\$ 858,721	\$ 858,721	\$ -
Fund Balances - December 31	\$ 724,423	\$ 676,423	\$ 823,207	\$ 146,784

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 1,303,735	\$ 1,003,735
<u>Expenditures:</u>				
Current:				
Flood repair	\$ 1,000,000	\$ 2,200,000	\$ 2,198,048	\$ 1,952
Excess (Deficiency) of Revenues Over Expenditures	\$ (700,000)	\$ (1,900,000)	\$ (894,313)	\$ 1,005,687
Fund Balances - January 1	\$ 1,437,719	\$ 1,437,719	\$ 1,437,719	\$ -
Fund Balances - December 31	\$ 737,719	\$ (462,281)	\$ 543,406	\$ 1,005,687

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 81,933	\$ 81,933	\$ 80,931	\$ (1,002)
Intergovernmental	10,460	10,460	16,158	5,698
Charges for services	90,000	90,000	23,951	(66,049)
 Total Revenues	 \$ 182,393	 \$ 182,393	 \$ 121,040	 \$ (61,353)
<u>Expenditures:</u>				
Current:				
Economic development	\$ 198,000	\$ 198,000	\$ 84,502	\$ 113,498
 Excess (Deficiency) of Revenues Over Expenditures	 \$ (15,607)	 \$ (15,607)	 \$ 36,538	 \$ 52,145
 Fund Balances - January 1	 \$ 848,034	 \$ 848,034	 \$ 848,034	 \$ -
 Fund Balances - December 31	 \$ 832,427	 \$ 832,427	 \$ 884,572	 \$ 52,145

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, 2012

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

RICHLAND COUNTY
Wahpeton, North Dakota

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

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
Major Funds:						
General Fund	\$ 353,606.05	\$ 6,963,619.63	\$ 1,220,000.00	\$ 2,296,969.97	\$ 4,666,893.89	\$ 1,573,361.82
Special Revenue Funds:						
Highway Fund	\$ 888.73	\$ 3,659,124.93	\$ 1,448,000.00	\$ 2,048,000.00	\$ 3,059,997.52	\$ 16.14
Bridge Replacement	241.85	31,743.59	570,000.00	-	601,897.21	88.23
15 Mill Road Fund	342.69	1,016,170.56	-	-	942,674.96	73,838.29
Social Services Fund	813,065.55	1,513,795.76	-	19,300.00	1,519,729.95	787,831.36
FEMA Disaster Reimb. Fund	643,000.77	2,003,250.52	-	-	2,198,048.38	448,202.91
Job Development Authority	182,065.86	259,402.57	-	-	103,858.83	337,609.60
Total Major Special Revenue Funds	\$ 1,639,605.45	\$ 8,483,487.93	\$ 2,018,000.00	\$ 2,067,300.00	\$ 8,426,206.85	\$ 1,647,586.53
Total Major Funds	\$ 1,993,211.50	\$ 15,447,107.56	\$ 3,238,000.00	\$ 4,364,269.97	\$ 13,093,100.74	\$ 3,220,948.35
Nonmajor Special Revenue Funds:						
DSR Administration	\$ 5,404.94	\$ -	\$ 963.41	\$ -	\$ 6,368.35	\$ -
Road and Bridge Equipment	86.68	9,883.00	278,000.00	-	287,015.05	954.63
Emergency Assistance Fund	1,070.78	2,666.22	-	-	3,241.03	495.97
Emergency Fund	225,574.38	-	-	-	-	225,574.38
911 Communications	77.96	307,694.76	544,000.00	-	850,983.95	788.77
911 Wireless	760.11	130,851.67	-	105,000.00	26,179.16	432.62
NDIRN Fees	15,306.00	19,157.22	-	-	25,898.53	8,564.69
Special Assessments-Co. Property	375.24	18,140.57	1,484.19	20,000.00	-	-
Water Rescue Team Fund	3,126.28	82,696.31	2,500.00	-	87,182.53	1,140.06
County Agent	49,885.40	130,613.09	-	-	124,400.20	56,098.29
Veteran's Service Officer	24,157.71	75,753.27	-	-	65,097.99	34,812.99
Weed Control Levy	313,981.20	277,890.87	-	-	196,993.70	394,878.37
Public Health Fund	138,463.97	305,442.73	244,300.00	-	543,996.66	144,210.04
Home Health Care Holding Fund	61,854.14	179,243.72	150,000.00	-	305,022.58	86,075.28
Family Planning Fund	32,543.45	124,063.32	31,506.56	-	146,632.57	41,480.76
WIC Program Fund	3,361.48	69,579.53	-	-	69,364.52	3,576.49
Hazardous Chemicals Fund	5,872.62	2,687.50	-	-	823.02	7,737.10
Jail Concession Fund	26,326.71	14,059.47	-	-	9,242.43	31,143.75
Sobriety Test Fund	35.14	1,247.00	-	-	826.00	456.14
County Park	29,548.30	65,562.67	-	-	80,414.24	14,696.73
Sheriff-Counteract Fund	246.48	250.00	-	-	120.95	375.53
County Agent Special Account	1,980.24	15,164.90	-	-	13,852.22	3,292.92
Off-Book Activity	-	20,177.60	-	-	20,177.60	-
Total Nonmajor Special Revenue Funds	\$ 940,039.21	\$ 1,852,825.42	\$ 1,252,754.16	\$ 125,000.00	\$ 2,863,833.28	\$ 1,056,785.51
Nonmajor Debt Service Fund:						
County Loan Payment Fund	\$ 101,815.34	\$ 2,293.62	\$ -	\$ 1,484.19	\$ 85,256.04	\$ 17,368.73
Total Nonmajor Funds	\$ 1,041,854.55	\$ 1,855,119.04	\$ 1,252,754.16	\$ 126,484.19	\$ 2,949,089.32	\$ 1,074,154.24
Total Governmental Funds	\$ 3,035,066.05	\$ 17,302,226.60	\$ 4,490,754.16	\$ 4,490,754.16	\$ 16,042,190.06	\$ 4,295,102.59
Agency Funds:						
State Medical Center	\$ 246.41	\$ 60,706.12	\$ -	\$ -	\$ 60,396.09	\$ 556.44
Game and Fish	28,260.00	66,025.55	-	-	68,337.00	25,948.55
Three Rivers Crisis Center	-	22,869.80	-	-	22,869.80	-
Overload Fines	-	27,980.00	-	-	19,735.00	8,245.00
Garrison Diversion	246.41	67,175.43	-	-	67,073.87	347.97
Domestic Violence	175.00	2,905.00	-	-	2,940.00	140.00
Financial Institution Tax Fund	-	209,039.03	-	-	209,039.03	-
Township Share Gas & Oil Taxes	-	917,933.61	-	-	917,933.61	-
Telecommunications Tax Fund	-	185,292.44	-	-	185,292.44	-
State Aid Distribution	-	182,813.16	-	-	182,813.16	-
SEMCA Program Fund	(10,256.29)	196,051.38	-	-	208,326.20	(22,531.11)
ND State Income Tax W/H Fund	13,092.69	51,800.82	-	-	51,917.72	12,975.79
Senior Citizens	246.41	108,626.37	-	-	108,524.81	347.97
Historical Society	61.60	18,572.40	-	-	18,546.98	87.02
Soil Conservation District	246.41	62,439.12	-	-	62,337.64	347.89
Water Management Levy	985.64	262,250.67	-	-	261,844.47	1,391.84
Red River Joint Water Resource	458.77	124,647.69	-	-	124,410.68	695.78
Estimated Real Estate Tax	199.45	98,305.91	-	-	97,997.64	507.72
Taxes Paid in Advance	5,792,049.72	7,231,455.28	-	-	5,792,049.72	7,231,455.28
Payroll Deduction Holding Fund	-	210.78	-	-	210.78	-

RICHLAND COUNTY
Wahpeton, North Dakota

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

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
CONTINUED.....						
<u>Agency Funds (Continued):</u>						
Total Cities	\$ 20,532.44	\$ 3,964,872.13	\$ -	\$ -	\$ 3,962,604.02	\$ 22,800.55
Total Park Districts	2,684.66	576,629.67	-	-	576,640.23	2,674.10
Total School Districts	35,753.34	8,795,889.77	-	-	8,749,744.09	81,899.02
Total Townships	10,584.28	1,040,669.23	-	-	1,041,638.38	9,615.13
County Drain Assessments	1,405.91	849,313.45	-	-	847,502.45	3,216.91
Total Fire Protection Districts	1,642.52	424,132.99	-	-	420,496.20	5,279.31
Total Ambulance Districts	748.44	107,083.94	-	-	104,959.34	2,873.04
Total Vector Districts	14.76	361.49	-	-	376.25	-
Total Agency Funds	\$ 5,899,378.57	\$ 25,656,053.23	\$ -	\$ -	\$ 24,166,557.60	\$ 7,388,874.20
Total Primary Government	\$ 8,934,444.62	\$ 42,958,279.83	\$ 4,490,754.16	\$ 4,490,754.16	\$ 40,208,747.66	\$ 11,683,976.79
<u>Component Unit:</u>						
Water Resource District	\$ 2,254,269.00	\$ -	\$ -	\$ -	\$ -	\$ 2,254,269.00
Total Primary Government	\$ 11,188,713.62	\$ 42,958,279.83	\$ 4,490,754.16	\$ 4,490,754.16	\$ 40,208,747.66	\$ 13,938,245.79

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, 2012

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
General Fund	\$ 104,513.59	\$ 262,609.60	\$ 753.00	\$ 75,000.00	\$ 176,415.45	\$ 116,460.74
<u>Special Revenue Funds:</u>						
Drain #1	\$ 47,750.05	\$ 7,084.63	\$ -	\$ -	\$ 1,003.00	\$ 53,831.68
Drain #2	64,032.24	26,460.94	-	-	10,022.00	80,471.18
Drain #3	179,793.13	33,735.99	-	-	15,933.23	197,595.89
Drain #4	29,658.50	42,490.69	341.97	-	15,924.55	56,566.61
Drain #5	233,545.00	58,699.97	4,283.54	-	16,856.40	279,672.11
Drain #7	110.16	79,095.36	-	-	77,502.25	1,703.27
Drain #10	14,261.72	35,776.71	-	-	43,180.08	6,858.35
Drain #12	164,240.04	30,404.16	-	-	54,559.45	140,084.75
Drain #14	93,365.87	114,709.91	-	1,857.55	77,463.20	128,755.03
Drain #15	117,866.04	25,643.70	-	1,599.05	19,338.27	122,572.42
Drain #17	29,281.01	4,793.97	-	-	280.00	33,794.98
Drain #18	34,423.24	20,714.32	-	-	45,306.73	9,830.83
Drain #19	15,215.24	2,030.48	-	-	-	17,245.72
Drain #26	21,776.33	12,617.45	-	-	32,672.18	1,721.60
Drain #31	226,083.13	96,110.12	1,737.29	-	22,984.90	300,945.64
Drain #34	175.86	5,996.94	-	-	6,233.75	(60.95)
Drain #35	5,549.98	4,418.49	-	-	885.00	9,083.47
Drain #39	119,453.42	30,816.62	-	-	2,768.50	147,501.54
Drain #41	27,395.11	6,983.21	-	-	48,981.59	(14,603.27)
Drain #48	4,524.21	3,420.56	-	-	1,083.50	6,861.27
Drain #55	57,037.72	27,193.42	-	-	86,543.29	(2,312.15)
Drain #58	11,860.65	8,114.29	-	-	3,468.00	16,506.94
Drain #62	21,904.45	9,687.27	-	-	1,067.00	30,524.72
Drain #63	24,906.09	34,806.66	-	-	69,191.93	(9,479.18)
Drain #65	12,015.25	231,367.55	656.77	-	11,714.98	232,324.59
Drain #66	93,295.01	14,391.86	-	-	3,760.00	103,926.87
Drain #67-8	106,670.90	29,125.06	1,022.81	-	8,660.75	128,158.02
Drain #72	80,026.25	62,542.65	96.67	-	85,149.03	57,516.54
Drain #95	(188,496.81)	397,008.19	4,429.25	753.00	303,857.14	(91,669.51)
Drain #97	18,392.28	4,537.08	-	-	1,367.50	21,561.86
Drain RS #1	15,008.72	97,731.92	-	-	15,840.87	96,899.77
Drain #SW2	14,353.47	7.29	-	-	2,698.75	11,662.01
SWC Ring Dikes	-	40,000.00	-	-	40,000.00	-
Waterways	238,586.79	73,035.78	75,000.00	-	76,528.97	310,093.60
FEMA Administrative Fee	7,462.62	4,017.88	-	4,627.52	1,156.26	5,696.72
FEMA Under-Run	4,484.18	-	3,456.60	7,940.78	-	-
Total Special Revenue Funds	\$ 1,946,007.85	\$ 1,675,571.12	\$ 91,024.90	\$ 16,777.90	\$ 1,203,983.05	\$ 2,491,842.92
<u>Debt Service Funds:</u>						
Bond #95	\$ 174,734.15	\$ 65.07	\$ -	\$ -	\$ 74,951.00	\$ 99,848.22
Bond #97	29,013.41	15,578.12	-	-	12,872.00	31,719.53
Total Debt Service Funds	\$ 203,747.56	\$ 15,643.19	\$ -	\$ -	\$ 87,823.00	\$ 131,567.75
Total All Funds	\$ 2,254,269.00	\$ 1,953,823.91	\$ 91,777.90	\$ 91,777.90	\$ 1,468,221.50	\$ 2,739,871.41

RICHLAND COUNTY
Wahpeton, North Dakota

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF 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	\$ 3,999
Temporary Assistance for Needy Families	93.558	105,621
Child Support Enforcement	93.563	1,099
Child Care and Development Block Grant	93.575	348
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	11,441
Children's Justice Grants to States	93.643	731
Stephanie Tubbs Jones Child Welfare Services Program	93.645	16,457
Foster Care_Title IV-E	93.658	62,879
Adoption Assistance	93.659	979
Children's Health Insurance Program	93.767	1,470
Medical Assistance Program	93.778	230
Maternal and Child Health Services Block Grant to the States	93.994	1,846
<u>Passed Through the State Department of Health:</u>		
Public Health Emergency Preparedness	93.069	10,278
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2,998
Family Planning_Services	93.217	60,746
Immunization Grants	93.268	6,876
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	18,983
Billing Immunization Services in Local Public Health	93.539	2,191
Women's Way Screening PPHF	93.744	1,044
HIV Care Formula Grants	93.917	398
HIV Prevention Activities_Health Department Based	93.940	1,350
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	480
Maternal and Child Health Services Block Grant to the States	93.994	13,949
Total U.S. Department of Health and Human Services Pass-Through Programs		<u>\$ 326,393</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>\$ 62,126</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>\$ 69,580</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	\$ 1,641,809
Emergency Management Performance Grants	97.042	33,722
Homeland Security Grant Program	** 97.067	<u>401,701</u>
Total U.S. Department of Transportation Pass-Through Programs		<u>\$ 2,077,232</u>

Continued on next page....

RICHLAND COUNTY
Wahpeton, North Dakota

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION PASS-THROUGH PROGRAMS:</u>		
<u>Passed Through the State Department of Transportation:</u>		
Highway Planning and Construction	20.205	\$ 119,842
State and Community Highway Safety	20.600	1,064
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>1,077</u>
Total U.S. Department of Transportation Pass-Through Programs		<u>\$ 121,983</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 2,657,314</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, 2012. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Richland County, it is not intended to and does not present the net position or changes in net position 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
Fax (701) 328-1406



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

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

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

Independent Auditor's Report

Board of County Commissioners
Richland County
Wahpeton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Richland County's basic financial statements, and have issued our report thereon dated March 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Richland County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Richland County's internal control. Accordingly, we do not express an opinion on the effectiveness of Richland County's internal control.

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

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

Compliance and Other Matters

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

RICHLAND COUNTY

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards - Continued

Richland County's Response to Findings

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

March 28, 2013

STATE AUDITOR

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



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

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

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

Independent Auditor's Report

Board of County Commissioners
Richland County
Wahpeton, North Dakota

Report on Compliance for Each Major Federal Programs

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 Richland County's major federal programs for the year ended December 31, 2012. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Richland County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal programs occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for the major federal programs. However, our audit does not provide a legal determination of Richland County's compliance.

Opinion on Each Major Federal Programs

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

RICHLAND COUNTY

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

Report on Internal Control Over Compliance

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

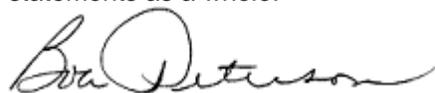
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

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

We have audited the financial statements of Richland County as of and for the year ended December 31, 2012, and have issued our report thereon dated March 28, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

March 28, 2013

RICHLAND COUNTY
Wahpeton, North Dakota

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

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

Material weakness identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> No
Type of auditor's report issued on compliance for major programs?	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	_____ <u>X</u> No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and B programs: \$300,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

RICHLAND COUNTY

Schedule of Findings and Questioned Costs – Continued

Section II - Financial Statement Findings

2012-01 – 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 reported.