

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**RICHLAND COUNTY
WAHPETON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2013



RICHLAND COUNTY
Wahpeton, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2013

	<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 - 33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	34 - 38
Notes to Required Supplementary Information	39
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity - County	40 - 41
Schedule of Fund Activity - Water Resource District	42
Schedule of Expenditures of Federal Awards	43 - 44
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	45 - 46
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	47 - 48
Schedule of Findings and Questioned Costs	49 - 50

RICHLAND COUNTY
Wahpeton, North Dakota

COUNTY OFFICIALS

December 31, 2013

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
Ron McBeth	State's Attorney
Justin Flack	County Engineer

WATER RESOURCE DISTRICT OFFICIALS

December 31, 2013

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

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County, Wahpeton, North Dakota, as of December 31, 2013, 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 and the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2014 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

Fargo, North Dakota
April 3, 2014

RICHLAND COUNTY
Wahpeton, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

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, 2013. 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, 2013 are as follows:

- The assets of Richland County exceeded its liabilities at the close of the most recent fiscal year by \$29,227,417 (net position). Of this amount, \$2,505,963 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position decreased by \$167,784 for the year ended December 31, 2013 due to prior period adjustments of \$(448,203).
- Total revenues from all sources were \$16,579,707 on the government-wide statement of activities and \$16,406,525 on the modified accrual basis.
- Total expenses were \$16,299,288 on the government-wide statement of activities and total expenditures were \$16,660,253 on the modified accrual basis.
- The County's general fund had \$6,986,959 in total revenues and \$4,611,031 in total expenditures. There was a total of \$1,580,374 used by other financing sources. Overall, the general fund balance increased by \$795,554 for the year ended December 31, 2013. Unreserved fund balances of the general fund totaled \$2,559,939 or 55.5% 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 \$5,515,532. Of that amount, \$2,559,939 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, 2013?"

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 the Governmental Accounting Standards, Board, the County's general, highway, social services, FEMA disaster reimbursement, 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 18-33 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 2013.

As indicated in the financial highlights above, the County's net position decreased by \$167,784 for the year ended December 31, 2013. The decrease in net position was primarily due to prior period adjustments of \$(448,203) reclassifying Grants Received in Advance as a Current Liability.

The largest portion of Richland County's net position (82%) 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 (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (8% or \$2,505,963) 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>12-31-13</u>
Current Assets	\$ 5,808,202	\$ 6,520,297
Capital Assets (net of accumulated depreciation)	27,815,651	27,450,718
Total Assets	<u>\$33,623,853</u>	<u>\$33,971,015</u>
<u>LIABILITIES:</u>		
Current Liabilities	\$ 402,666	\$ 816,908
Long-Term Liabilities	3,825,986	3,926,690
Total Liabilities	<u>\$ 4,228,652</u>	<u>\$ 4,743,598</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	\$24,431,662	\$23,929,266
Restricted	3,485,760	2,792,188
Unrestricted	1,477,779	2,505,963
Total Net Position	<u>\$29,395,201</u>	<u>\$29,227,417</u>

Table II shows the changes in net position for the fiscal year ended December 31, 2012 and 2013.

<u>Revenues</u>	<u>12-31-12</u>	<u>12-31-13</u>
<u>Program Revenues:</u>		
Charges for Services	\$ 1,284,065	\$ 1,592,270
Operating Grants & Contributions	5,323,048	5,015,604
Capital Grants & Contributions	1,056,679	-
<u>General Revenues:</u>		
Property Taxes	7,556,644	7,650,292
Gain on Sale of Capital Assets		168,607
Non Restricted Grants and Contributions	1,431,331	1,468,571
Unrestricted Investment Earnings	57,536	49,797
Miscellaneous Revenue	760,754	634,566
Total Revenues	<u>\$17,470,057</u>	<u>\$16,579,707</u>

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

TABLE II – CONTINUED
CHANGES IN NET POSITION
 As of December 31, 2012 and 2013

	12-31-12	12-31-13
Expenses		
General Government	\$ 2,378,119	\$ 2,419,878
Public Safety	3,157,898	3,086,351
Highways and Bridges	4,304,733	6,785,171
Flood Repair	2,198,048	403,345
Health and Welfare	2,717,951	2,897,762
Culture and Recreation	97,914	87,832
Conservation of Natural Resources	355,430	474,157
Economic Development	104,856	40,418
Interest and Fiscal Charges	101,123	104,374
Total Expenses	<u>\$15,416,072</u>	<u>\$16,299,288</u>
Net Change in Position	<u>\$ 2,053,985</u>	<u>\$ 280,419</u>
Net Position – January 1	\$27,341,216	\$29,395,201
Prior Period Adjustment	-	(448,203)
Net Position – December 31	<u>\$29,395,201</u>	<u>\$29,227,417</u>

Property taxes constituted 46%, operating grants and contributions 30%, charges for services 10%, non-restricted grants and contributions 9%, and miscellaneous revenue and investment earnings made up 5% of the total revenues of governmental activities of the County for year ended December 31, 2013. Property Taxes increased by \$93,648 due to increased valuation. Capital grants and contributions decreased \$1,056,679 from FEMA payments.

General government constituted 15%, public safety 19%, highways and bridges 42%, flood repair 2% and health & welfare 18% and the remaining 4% is split among four other categories of total expenses for governmental activities for the year ended December 31, 2013. Total expenses increased by 6% (\$883,216) for the year ended December 31, 2013. The largest increase in functional expenses was highways and bridges increasing by 57% (\$2,480,438).

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 2013

	Total Cost For Year Ended Dec. 31, 2012	Net Cost For Year Ended Dec. 31, 2012	Total Cost For Year Ended Dec. 31, 2013	Net Cost For Year Ended Dec. 31, 2013
General Government	\$ 2,378,119	\$2,241,430	\$ 2,419,878	\$2,312,090
Public Safety	3,157,898	2,164,321	3,086,351	2,163,589
Highways and Bridges	4,304,733	374,273	6,785,171	2,707,803
Flood Repair	2,198,048	894,313	403,345	70,370
Health and Welfare	2,717,951	1,554,068	2,897,762	1,825,311
Culture and Recreation	97,914	96,048	87,832	86,381
Conservation of Natural Resources	355,430	265,976	474,157	396,016
Economic Development	104,856	60,728	40,418	25,480
Interest and Service Charges	101,123	101,123	104,374	104,374
Total	<u>\$15,416,072</u>	<u>\$7,752,280</u>	<u>\$16,299,288</u>	<u>\$9,691,414</u>

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

Total costs increased by 6%, or \$883,216, and net costs of services increased by \$1,939,134, or 25% from year end 2012 to year end 2013. The net costs increased most significantly in highways and bridges by \$2,333,530 due to construction projects.

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 \$16,406,525 and expenditures of \$16,660,253 for the year ended December 31, 2013. The totals represent an overall 0.2% (\$33,695) decrease in revenues and 2.9% (\$465,300) increase in expenditures over the prior fiscal year-end. Of the total decrease in revenues, \$329,563 was attributable to intergovernmental revenues, offset by an increase of \$287,138 in charges for services. The increase in expenditures was primarily attributable to highway and bridge projects.

As of December 31, 2013, the County's general fund's unassigned fund balance was \$2,559,939 and total fund balance for the entire County's governmental funds was \$5,515,532. The overall fund balance increased by \$724,041, offset by prior period adjustments of \$448,203. The general fund balance increased primarily due to a reduction in transfers to the highway fund to pay for highway and bridges construction projects. The general fund revenues totaled \$6,986,959 and expenditures were \$4,611,031 for the year ended December 31, 2013. This represents an increase of \$41,521 (0.6%) in revenues and a decrease of \$85,338 (1.8%) in expenditures.

The introduction to GASB 54 in 2011 changed the classification of fund balance reporting. The types of fund balance include restricted, committed, and unassigned. See the Balance Sheet on page 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, 2013 was \$334,000 more than budgeted (a positive variance of 5%). The most significant variances were \$136,851 more in intergovernmental revenue and \$80,548 in taxes.

Actual general fund expenditures were \$96,429 less than budgeted, or a 2% positive variance.

See Note 2 for further information on budget amendments and other county governmental funds on pages 24-25 of this report. See also, budgetary comparison schedules for the major funds on pages 34-38 of this report.

CAPITAL ASSETS ADMINISTRATION

As of December 31, 2012, Richland County had \$27,450,651 invested in capital assets (net of accumulated depreciation) and at December 31, 2013 had \$27,450,718 invested in capital assets (net of accumulated depreciation). Table IV shows the balances at December 31, 2012 and 2013.

RICHLAND COUNTY

Management's Discussion and Analysis – Continued

TABLE IV
CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2012 and 2013

	12-31-12	12-31-13
Land	\$ 41,040	\$ 41,040
Buildings	2,427,417	2,364,492
Equipment	2,410,266	2,637,169
Vehicles	828,172	971,034
Infrastructure	20,769,710	21,436,983
Construction in Progress	1,339,046	-
Total Capital Assets (net of accumulated depreciation)	<u>\$27,815,651</u>	<u>\$27,450,718</u>

This total represents a net decrease of \$364,933 (1%), in capital assets from January 1, 2013. The capital assets decrease is due to no construction in progress and the increase in accumulated depreciation. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 10 to the audited financial statements that follow this analysis on pages 28-29 of this report.

DEBT ADMINISTRATION

At the end of the most recent fiscal year, Richland County had total debt outstanding of \$3,521,452. Of this amount, \$670,142 is due within one year.

Richland County's debt increased overall by \$137,463 (4.1%) during the current fiscal year due to new capital leases for highway equipment.

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 2013

	Total Outstanding Dec. 31, 2012	Due Within One Year	Total Outstanding Dec. 31, 2013	Due Within One Year
Bonds Payable	\$2,615,000	\$345,000	\$2,270,000	\$350,000
Capital Leases Payable	768,989	101,678	1,251,452	320,142
Total Debt	<u>\$3,383,989</u>	<u>\$446,678</u>	<u>\$3,521,452</u>	<u>\$670,142</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 16 to the audited financial statements on pages 29-30 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 4.1 percent, which is a decrease from a rate of 4.1 percent a year ago. This compares unfavorably to the state's unemployment rate of 3.5 percent and favorably to the national average rate of 7.0 percent. The taxable valuation of the County increased from \$65,877,206 in 2012 to \$70,194,419 in 2013. The budget for the general fund, special revenue funds and debt service fund in 2014 reflects an increase in expenditures to \$16,890,054 (from \$13,937,622) due to scheduling of major construction projects and an increase in revenues to \$16,827,247 (from \$13,616,337) due to increased state funding for highway and bridge 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, 2013

	Primary Government	
	Governmental Activities	Water Resource District
ASSETS		
Cash and investments	\$ 5,007,504	\$ 2,753,044
Accounts receivable	9,113	-
Intergovernmental receivable	650,124	-
Due from county	-	1,178
Advance to other government	133,800	-
Loan receivable	506,422	-
Road accounts receivable	68,287	-
Taxes receivable	145,047	13,486
Capital Assets Not Being Depreciated:		
Land	41,040	724,570
Construction in progress	-	380,475
Capital Assets (net of accumulated depreciation):		
Buildings	2,364,492	-
Equipment	2,637,169	2,167
Vehicles	971,034	-
Infrastructure	21,436,983	2,277,054
Total Capital Assets	<u>\$ 27,450,718</u>	<u>\$ 3,384,266</u>
Total Assets	<u>\$ 33,971,015</u>	<u>\$ 6,151,974</u>
LIABILITIES		
<u>Current Liabilities:</u>		
Accounts payable	\$ 226,048	\$ -
Salaries payable	73,277	-
Grants received in advance	492,106	-
Retainage payable	-	4,407
Interest payable	25,477	-
<u>Non-Current Liabilities</u>		
Due Within One Year:		
Bonds payable	350,000	-
Capital leases payable	320,142	-
Compensated absences payable	101,309	755
Due After One Year:		
Bonds payable	1,920,000	-
Capital leases payable	931,310	-
Compensated absences payable	303,929	6,790
Total Liabilities	<u>\$ 4,743,598</u>	<u>\$ 11,952</u>
NET POSITION		
Net Investment in Capital Assets	\$ 23,929,266	\$ 3,384,266
Restricted for:		
Highways and bridges	288,123	-
Flood repair	24,833	-
Health and welfare	948,123	-
Culture and recreation	20,554	-
Conservation of natural resources	407,311	2,657,157
Emergencies	220,185	-
Economic development	883,059	-
Unrestricted	<u>2,505,963</u>	<u>98,599</u>
Total Net Position	<u>\$ 29,227,417</u>	<u>\$ 6,140,022</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, 2013

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
					Governmental	District
					Activities	
<u>Governmental Activities:</u>						
General government	\$ 2,419,878	\$ 107,788	\$ -	\$ -	\$ (2,312,090)	\$ -
Public safety	3,086,351	734,394	188,368	-	(2,163,589)	-
Highways and bridges	6,785,171	340,742	3,736,626	-	(2,707,803)	-
Flood repair	403,345	-	332,975	-	(70,370)	-
Health and welfare	2,897,762	314,816	757,635	-	(1,825,311)	-
Culture and recreation	87,832	1,451	-	-	(86,381)	-
Conservation of natural resources	474,157	78,141	-	-	(396,016)	-
Economic development	40,418	14,938	-	-	(25,480)	-
Interest and fiscal charges	104,374	-	-	-	(104,374)	-
Total Governmental Activities	\$ 16,299,288	\$ 1,592,270	\$ 5,015,604	\$ -	\$ (9,691,414)	\$ -
Water Resource District	\$ 958,464	\$ -	\$ 168,735	\$ -	\$ -	\$ (789,729)
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes					\$ 4,747,452	\$ 263,798
Property taxes; levied for special purposes					2,797,155	809,525
Property taxes; levied for debt service					105,685	13,331
Gain on sale of capital assets					168,607	-
State aid (non restricted grant)					1,279,971	22,676
Other non restricted state grants and contributions					188,600	2,346
Unrestricted investment earnings					49,797	1,315
Miscellaneous revenue					634,566	27,073
Total General Revenues					\$ 9,971,833	\$ 1,140,064
Change in Net Position					\$ 280,419	\$ 350,335
Net Position - January 1					\$ 29,395,201	\$ 5,789,687
Prior Period Adjustments					(448,203)	-
Net Position - January 1, as restated					\$ 28,946,998	\$ 5,789,687
Net Position - December 31					\$ 29,227,417	\$ 6,140,022

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

RICHLAND COUNTY
Wahpeton, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013

	General	Highway	Social Services	FEMA Disaster Reimb.	Job Develop. Authority	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 2,262,371	\$ 812	\$ 754,984	\$ 492,106	\$ 372,325	\$ 1,124,906	\$ 5,007,504
Accounts receivable	-	-	-	-	-	9,113	9,113
Intergovernmental receivable	272,734	218,484	55,333	24,833	4,497	74,243	650,124
Advance to other government	133,800	-	-	-	-	-	133,800
Loans receivable	-	-	-	-	506,422	-	506,422
Road receivables	-	68,287	-	-	-	-	68,287
Taxes receivable	90,534	9,760	18,300	-	-	26,453	145,047
Total Assets	\$ 2,759,439	\$ 297,343	\$ 828,617	\$ 516,939	\$ 883,244	\$ 1,234,715	\$ 6,520,297
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
<u>Liabilities:</u>							
Accounts payable	\$ 108,966	\$ 47,421	\$ 45,117	\$ -	\$ 185	\$ 24,359	\$ 226,048
Salaries payable	-	39,829	33,448	-	-	-	73,277
Grants received in advance	-	-	-	492,106	-	-	492,106
Total Liabilities	\$ 108,966	\$ 87,250	\$ 78,565	\$ 492,106	\$ 185	\$ 24,359	\$ 791,431
<u>Deferred Inflows of Resources:</u>							
Road receivables	\$ -	\$ 68,287	\$ -	\$ -	\$ -	\$ -	\$ 68,287
Taxes receivable	90,534	9,760	18,300	-	-	26,453	145,047
Total Deferred Inflows of Resources	\$ 90,534	\$ 78,047	\$ 18,300	\$ -	\$ -	\$ 26,453	\$ 213,334
Total Liabilities and Deferred Inflows of Resources	\$ 199,500	\$ 165,297	\$ 96,865	\$ 492,106	\$ 185	\$ 50,812	\$ 1,004,765
<u>Fund Balances:</u>							
<u>Nonspendable:</u>							
Loan receivable	\$ -	\$ -	\$ -	\$ -	\$ 506,422	\$ -	\$ 506,422
<u>Restricted:</u>							
Public safety	-	-	-	-	-	62,590	62,590
Highways and bridges	-	132,046	-	-	-	128,221	260,267
Flood repair	-	-	-	24,833	-	-	24,833
Health and welfare	-	-	731,752	-	-	325,574	1,057,326
Culture and recreation	-	-	-	-	-	19,334	19,334
Conservation of natural resources	-	-	-	-	-	403,063	403,063
Emergency	-	-	-	-	-	226,512	226,512
Economic development	-	-	-	-	376,637	-	376,637
Debt service	-	-	-	-	-	18,458	18,458
Other purposes	-	-	-	-	-	151	151
Unassigned	2,559,939	-	-	-	-	-	2,559,939
Total Fund Balances	\$ 2,559,939	\$ 132,046	\$ 731,752	\$ 24,833	\$ 883,059	\$ 1,183,903	\$ 5,515,532
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,759,439	\$ 297,343	\$ 828,617	\$ 516,939	\$ 883,244	\$ 1,234,715	\$ 6,520,297

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, 2013

Total *Fund Balances* for Governmental Funds \$ 5,515,532

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	\$ 36,076,412	
Less Accumulated Depreciation	<u>(8,625,694)</u>	
Net Capital Assets		27,450,718

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	\$ 145,047	
Road Department Accounts Receivable	<u>68,287</u>	213,334

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, 2013 are:

Bonds Payable	\$ (2,270,000)	
Capital Leases Payable	(1,251,452)	
Interest Payable	(25,477)	
Compensated Absences	<u>(405,238)</u>	
Total Long-Term Liabilities		<u>(3,952,167)</u>

Total Net Position of Governmental Activities \$ 29,227,417

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, 2013

	General	Highway	Social Services	FEMA Disaster Reimb.	Job Develop. Authority	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 4,753,848	\$ 522,745	\$ 980,090	\$ -	\$ 2,145	\$ 1,401,456	\$ 7,660,284
Intergovernmental	1,343,102	3,648,281	557,772	332,975	21,504	580,541	6,484,175
Licenses, permits and fees	4,140	-	-	-	-	-	4,140
Charges for services	357,608	326,175	16,031	-	14,938	858,811	1,573,563
Interest income	49,797	-	-	-	-	-	49,797
Miscellaneous	478,464	22,504	33,863	-	-	99,735	634,566
Total Revenues	\$ 6,986,959	\$ 4,519,705	\$ 1,587,756	\$ 332,975	\$ 38,587	\$ 2,940,543	\$ 16,406,525
Expenditures:							
Current:							
General government	\$ 2,396,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,396,243
Public safety	2,170,259	-	-	-	-	879,716	3,049,975
Highways and bridges	-	4,840,839	-	-	-	1,846,231	6,687,070
Flood repair	-	-	-	403,345	-	-	403,345
Health and welfare	20,029	-	1,659,011	-	-	1,226,505	2,905,545
Culture and recreation	17,500	-	-	-	-	70,332	87,832
Conserv. of natural resources	7,000	-	-	-	-	489,639	496,639
Economic development	-	-	-	-	40,100	-	40,100
Debt Service:							
Principal	-	-	-	-	-	498,429	498,429
Interest and fees	-	-	-	-	-	95,075	95,075
Total Expenditures	\$ 4,611,031	\$ 4,840,839	\$ 1,659,011	\$ 403,345	\$ 40,100	\$ 5,105,927	\$ 16,660,253
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,375,928	\$ (321,134)	\$ (71,255)	\$ (70,370)	\$ (1,513)	\$ (2,165,384)	\$ (253,728)
Other Financing Sources (Uses):							
Lease financing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 635,892	\$ 635,892
Sale of equipment	-	-	-	-	-	341,877	341,877
Transfers in	-	767,000	-	-	-	1,660,574	2,427,574
Transfers out	(1,580,374)	(527,000)	(20,200)	-	-	(300,000)	(2,427,574)
Total Other Financing Sources and Uses	\$ (1,580,374)	\$ 240,000	\$ (20,200)	\$ -	\$ -	\$ 2,338,343	\$ 977,769
Net Change in Fund Balances	\$ 795,554	\$ (81,134)	\$ (91,455)	\$ (70,370)	\$ (1,513)	\$ 172,959	\$ 724,041
Fund Balances - January 1	\$ 1,764,385	\$ 213,180	\$ 823,207	\$ 543,406	\$ 884,572	\$ 1,010,944	\$ 5,239,694
Prior Period Adjustments	-	-	-	(448,203)	-	-	(448,203)
Fund Balances - Jan. 1, as restated	\$ 1,764,385	\$ 213,180	\$ 823,207	\$ 95,203	\$ 884,572	\$ 1,010,944	\$ 4,791,491
Fund Balances - December 31	\$ 2,559,939	\$ 132,046	\$ 731,752	\$ 24,833	\$ 883,059	\$ 1,183,903	\$ 5,515,532

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, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ 724,041

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 depreciation expense exceeded capital outlay in the current year:

Current Year Capital Outlay	\$ 1,280,769	
Current Year Depreciation Expense	<u>(1,319,941)</u>	(39,172)

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

(325,761)

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	\$ 153,429	
Repayment of Debt - Bonds	345,000	
Issuance of Debt - Capital Leases	<u>(635,891)</u>	(137,462)

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	\$ 36,759	
Net Change in Interest Payable	(9,299)	
Net Change in Retainage Payable	<u>26,739</u>	54,199

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

Net Change in Taxes Receivable	\$ (9,992)	
Net Change in Road Department Receivables	<u>14,566</u>	<u>4,574</u>

Change in Net Position of Governmental Activities \$ 280,419

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

RICHLAND COUNTY
Wahpeton, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 6,648,496</u>
<u>Liabilities:</u>	
Due to other governments	<u>\$ 6,648,496</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, 2013

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 to exclude. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability and misleading to exclude in GASB Statement No. 61 "The Financial Reporting Entity". This criteria requires a legally separate entity to be included as a component unit if (1) it is fiscally dependent on the primary government, and (2) a financial benefit or burden relationship exists.

Richland County (primary government) is financially accountable if it appoints a voting majority of an organization's governing body, and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Richland County, regardless of whether the organization has a separately elected governing board, or a governing board appointed by a higher level of government, or a jointly appointed board.

An organization has a financial benefit or burden relationship with the primary government if any of the following conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources;
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization;
- The primary government is obligated in some manner for the debt of the organization.

Based on GASB Statement No. 61 criteria, there is one discretely presented component unit and one blended component unit to be included within Richland County's reporting entity.

COMPONENT UNITS

In conformity with accounting principles generally accepted in the United States of America as amended by GASB Statement No. 61, the financial statements of the Water Resource District 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 discretely presented component unit. This component unit is reported in a separate column to emphasize that it is legally separate from the county, and is considered a major component unit.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Richland County Water Resource District - The primary government's governing board appoints a voting majority of the members of the Richland County Water Resource District Board and is able to impose its will on the district. 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. No significant transactions were noted between the district and the county.

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. Criteria outlined in GASB Statement No. 61 for blending component units occurs under these circumstances: (a) the component units governing body is substantively the same as the governing body of the primary government, and there is a financial benefit or burden relationship, or management of the primary government has operational responsibility for the component unit. Operational responsibility exists if it manages the component unit in essentially the same manner in which it manages its own programs, departments, or agencies; (b) the component unit provides services entirely, or almost entirely, to the primary government, or exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it; (c) the component units total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government.

When a component unit is blended, the funds of the component unit are subject to the same financial reporting requirements as the primary government's 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 governing body of the JDA is essentially the same as the governing body of the primary government. 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 JDA has the authority to issue bonded debt. The activities of the JDA are blended at the government-wide level in the appropriate activities, and shown as a major (special revenue) fund at the fund level.

Component Unit Financial Statements: The financial statements of the discretely presented component unit and the blended component unit are presented in the County's basic financial statements. Complete financial statements of the individual discretely presented component unit can be obtained from the Secretary-Treasurer, Richland County Water Resource District, 418 2nd Ave. N., Wahpeton, North Dakota, 58030. Complete financial statements of the blended component unit can be obtained from the County Auditor (Office of Finance and Administration), Richland County, 418 2nd Ave. N., Wahpeton, ND 58030.

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 units, including the discretely presented component unit and blended 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 & 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 (agency) funds. Separate statements for each fund category—*governmental* and *fiduciary*—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The county reports the following major governmental funds:

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

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.

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.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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

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

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets

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
Building Improvements	15 - 40
Office Equipment	5 - 20
Machinery & Equipment	15 - 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.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

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, 2013 as construction in progress.

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

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, 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

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

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

Richland County only has non-spendable, restricted, and unassigned fund balances at December 31, 2013.

Nonspendable Fund Balance:

Non-spendable fund balance is reported in the job development authority major fund for loans receivable totaling \$506,422.

Restricted Fund Balances – consist of the following items at December 31, 2013:

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, debt service, economic development, 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.

Unassigned Fund Balances:

Unassigned fund balances are shown for the positive fund balance of the general fund totaling \$2,559,939.

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 restricted for highways and bridges, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and economic development.

Unrestricted net position is primarily unrestricted amounts related to the general 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 2013 for various funds as follows on the next page:

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
General Fund	\$4,686,860	\$ 20,600	\$4,707,460
<u>Special Revenue Funds:</u>			
Highway Fund	2,803,120	1,950,500	4,753,620
Bridge Replacement	130,000	365,700	495,700
FEMA Disaster Reimbursement	367,104	36,300	403,404
Road and Bridge Equipment	350,519	353,100	703,619
Emergency Assistance	2,400	4,100	6,500
Drug Court	-	5,900	5,900
Water Rescue	2,280	10,100	12,380
County Agent	137,377	900	138,277
VSO Officer	69,795	1,600	71,395
County Health	585,207	17,200	602,407
Sobriety Test	1,000	2,300	3,300
County Park	63,900	6,500	70,400

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, 2013, the county's carrying amount of deposits was \$11,654,330 and the bank balances totaled \$11,978,346. Of the bank balances, \$1,528,300 was covered by Federal Depository Insurance. The remaining bank balances totaling \$10,450,046 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2013, the water resource district's carrying amount of deposits was \$2,753,044 and the bank balances totaled \$2,856,329. Of the bank balances, \$359,891 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,496,438 were collateralized with securities held by the pledging financial institution's agent in the government's name.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Credit Risk:

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

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

As of December 31, 2013, 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 two years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

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

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

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

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable of the primary government consists of amounts due for E-911 fees earned but not collected prior to year-end.

NOTE 6: ROAD / ACCOUNTS RECEIVABLE

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

NOTE 7: 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 8: ADVANCE TO OTHER GOVERNMENT

Richland County entered into transactions as of December 31, 2013 that involved loans to townships that would enable them to fix roads that were damaged during spring flooding. The amounts will be paid back to Richland County by the townships once the applicable FEMA reimbursements are received.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 9: 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, 2013.

Name/Business	Balance January 1	New Loans/ Additions	Principal Payments	Balance December 31
Aurora Group Inc.	\$ 33,111	\$ -	\$ 2,372	\$ 30,739
Barth Investments	48,542	-	-	48,542
Berger Body and Glass	4,582	-	-	4,582
Blotske, Jason & Larie	33,034	-	4,058	28,976
Boutain Inc.	6,670	-	3,470	3,200
Bullinger Enterprises, LLLP	59,607	-	10,612	48,995
City of Wahpeton (RRV & WRR)	834	-	834	-
Dyste's Food Pride	28,164	-	1,965	26,199
Faulk / Bladow	-	-	-	-
Faulk / Bladow	-	-	-	-
Precision Powder Coating	6,576	-	1,750	4,826
Giant Snacks, Inc.	42,070	-	-	42,070
Haninson CDC (Heartland Candies, Inc. Bld)	32,205	-	1,967	30,238
Hankinson Hardware	20,199	-	4,608	15,591
Hot Cakes & Lodging, Inc. (1)	9,568	-	2,677	6,891
Hot Cakes & Lodging, Inc. (2)	5,751	-	5,751	-
Dee's Bar and Grill	17,695	-	2,391	15,304
Fit Chicks Fitness	8,790	-	8,790	-
Lidgerwood Golf Course	9,094	-	9,093	1
Lidgerwood-Hankinson Rural Health	-	-	-	-
Mr. Michael & Mrs. Gwen Loll	-	-	-	-
Lost Sock Laundry, LLLP	27,629	-	2,899	24,730
Machine Design Inc.	22,578	-	-	22,578
Jeff's Tree Service	6,505	-	2,420	4,085
Mr. Cara & Todd Rikke	-	-	-	-
Smykowski, Breanna	29,027	-	1,227	27,800
Storbakken Sanitation Inc.	11,981	-	6,415	5,566
Mr. Mike & Linda Storbakken	31,597	-	2,073	29,524
Thompson Customizing LLC	4,915	-	4,915	-
Tublicks LLC	23,368	-	-	23,368
Karizma Salon	6,917	-	1,325	5,592
Mr. Nathan & Janell Berseth	20,578	-	998	19,580
Hankinson Hardware, Inc.	9,108	-	1,852	7,256
Mike and Lynda Storbakken	15,904	-	1,230	14,674
Wahpeton Fabrication	8,431	-	1,593	6,838
Anderson Offroad, LLC	-	40,000	3,130	36,870
Total	\$585,030	\$40,000	\$90,414	\$534,615
Allowance for Doubtful Accounts	\$ -	\$ -	\$ -	\$ (28,193)
Net Loans Receivable	\$585,030	\$40,000	\$90,414	\$506,422

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 10: CAPITAL ASSETS

The following is a summary of changes in capital assets for Richland County for the year ended December 31, 2013:

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	1,339,045	15,000	-	(1,354,045)	-
Total Capital Assets, Not Being Depreciated	\$ 1,380,085	\$ 15,000	\$ -	\$(1,354,045)	\$ 41,040
<i>Capital assets, being depreciated:</i>					
Buildings	\$ 4,607,100	\$ 32,839	\$ -	\$ -	\$ 4,639,939
Equipment	4,588,376	907,955	788,418	-	4,707,913
Vehicles	1,810,860	324,975	198,944	-	1,936,891
Infrastructure	23,396,586	-	-	1,354,045	24,750,631
Total Capital Assets, Being Depreciated	\$34,402,922	\$1,265,769	\$987,362	\$ 1,354,045	\$36,035,374
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 2,179,683	\$ 95,765	\$ -	\$ -	\$ 2,275,448
Equipment	2,178,110	373,589	480,956	-	2,070,743
Vehicles	982,688	163,815	180,646	-	965,857
Infrastructure	2,626,876	686,772	-	-	3,313,648
Total Accumulated Depreciation	\$ 7,967,357	\$1,319,941	\$661,602	\$ -	\$ 8,625,696
Total Capital Assets Being Depreciated, Net	\$26,435,565	\$ (54,172)	\$325,760	\$ 1,354,045	\$27,409,678
Governmental Activities-Capital Assets, Net	\$27,815,650	\$ (39,172)	\$325,760	\$ -	\$27,450,718

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

Governmental Activities:	Amount
General Government	\$ 83,686
Public Safety	184,108
Highways	1,027,885
Conservation of Natural Resources	9,444
Health and Welfare	14,818
Total Depreciation Expense - Governmental Activities	\$1,319,941

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, 2013:

Governmental Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 711,480	\$ 13,090	\$ -	\$ -	\$ 724,570
Construction in Progress	72,233	308,242	-	-	380,475
Total Capital Assets, Not Being Depreciated	\$ 783,713	\$321,332	\$ -	\$ -	\$1,105,045
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 5,057	\$ -	\$ -	\$ -	\$ 5,057
Infrastructure	2,706,856	-	-	-	2,706,856
Total Capital Assets, Being Depreciated	\$2,711,913	\$ -	\$ -	\$ -	\$2,711,913
<i>Less accumulated depreciation for:</i>					
Equipment	\$ 2,167	\$ 722	\$ -	\$ -	\$ 2,889
Infrastructure	339,574	90,229	-	-	429,803
Total Accumulated Depreciation	\$ 341,741	\$ 90,951	\$ -	\$ -	\$ 432,692
Total Capital Assets Being Depreciated, Net	\$2,370,172	\$ (90,951)	\$ -	\$ -	\$2,279,221
Governmental Activities-Capital Assets, Net	\$3,153,885	\$230,381	\$ -	\$ -	\$3,384,266

RICHLAND COUNTY

Notes to the Financial Statements – Continued

Depreciation expense totaling \$90,951 was charged to the conservation of natural resources function.

NOTE 11: 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, 2013.

NOTE 12: SALARIES PAYABLE

Salaries payable consists of a liability account reflecting amounts owing to employees for work provided on behalf of the county prior to December 31 of each year-end.

NOTE 13: GRANTS RECEIVED IN ADVANCE

Grants received in advance consist of funds received in the FEMA fund where the eligibility requirements have not been met at December 31, 2013.

NOTE 14: RETAINAGES PAYABLE

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at December 31, 2013 by the Water Resource District (component unit).

NOTE 15: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2013.

NOTE 16: LONG-TERM DEBTPrimary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2013; 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	\$ 768,989	\$635,892	\$153,429	\$1,251,452	\$320,142
Bonds Payable	2,615,000	-	345,000	2,270,000	350,000
Compensated Absences *	441,997	-	36,759	405,238	101,309
Total Governmental Activities	\$3,825,986	\$635,892	\$535,188	\$3,926,690	\$771,451

* 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.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

Year Ending December 31	Capital Leases
2013	\$ 348,603
2014	140,177
2015	230,772
2016	232,325
2017	395,886
Total Payments	\$1,347,763
Less: amount representing interest	(96,311)
Present value of minimum lease payments	\$1,251,452

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%. \$2,270,000

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
2014	\$ 350,000	\$ 63,505
2015	360,000	54,180
2016	370,000	43,680
2017	385,000	32,355
2018	395,000	20,260
2019 - 2023	410,000	6,970
Total	\$2,270,000	\$220,950

DISCRETELY PRESENTED COMPONENT UNIT:

Richland County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2013, 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	\$110,000	\$ -	\$110,000	\$ -	\$ -
Compensated Absences *	7,230	315	-	7,545	755
Total Governmental Activities	\$117,230	\$315	\$110,000	\$7,545	\$755

* 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.

NOTE 17: 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.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 18: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2013:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ -	\$1,580,374
Highway Fund	767,000	527,000
Social Services Fund	-	20,200
Special Revenue Funds:		
Road and Bridge Equipment	359,000	-
Bridge Replacement	368,000	-
15 Mill Road Fund	-	200,000
911 Communications	479,000	-
911 Wireless	-	100,000
NDIRN Fees	11,400	-
Drug Court	5,900	-
Water Rescue Team Fund	2,500	-
Public Health Fund	280,200	-
Home Health Care Holding Fund	120,000	-
Family Planning Fund	34,574	-
Total Transfers	\$2,427,574	\$2,427,574

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.

NOTE 19: 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 required contributions to NDPERS for the years ending December 31, 2013, 2012, and 2011 were \$475,126 \$357,254, and \$256,484, respectively. The water resource district's required contributions to NDPERS for the years ended December 31, 2013, 2012, and 2011, were \$3,473, \$3,678, and \$2,596, respectively.

NOTE 20: 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.

RICHLAND COUNTY

Notes to the Financial Statements – Continued

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Richland County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence for general liability and automobile and \$5,322,053 for mobile equipment and portable property. The coverage for the Water Resource District by NDIRF is limited to losses of two million dollars for general liability and automobile and \$12,700 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.

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

NOTE 21: 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, 2012, which is the most current audited information available.

	Red River Joint Water Resource District
Total Assets	\$6,082,576
Total Liabilities	37,515
Net Position	\$6,045,061
Revenues	\$2,105,063
Expenditures	585,461
Change in Net Position	\$1,519,601

RICHLAND COUNTY

Notes to the Financial Statements – Continued

NOTE 22: 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, 2013 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.

NOTE 23: CONSTRUCTION COMMITMENTS

Richland County Water Resource District had the following open construction commitment as of December 31, 2013 as follows:

Project	Original Contract	Total Completed	Retainage	Remaining Balance w/Retainages	% Complete
Drain #65	\$245,798	\$220,330	\$4,407	\$29,875	89.64%

NOTE 24: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for the 2013 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds consist of a beginning balance adjustment to remove prior year unearned revenue for grants received in advance (\$448,203) in the FEMA fund. The effect of the prior period adjustment to beginning fund balance is as follows:

Governmental Fund Balance:	Amounts
FEMA Fund Balance, as previously reported	\$ 543,406
Adjustments to restate the January 1, 2013 Fund Balance:	
Unearned revenue	(448,203)
Fund Balance January 1, as restated	\$ 95,203

The prior period adjustments for the 2013 Statement of Activities consist of beginning balance adjustments to remove unearned revenue (\$448,203). The effect of the prior period adjustments to beginning Net Position is as follows:

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$29,395,201
Adjustments to restate the January 1, 2013 Net Position:	
Unearned revenue	(448,203)
Net Position January 1, as restated	\$28,946,998

RICHLAND COUNTY
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,673,300	\$ 4,673,300	\$ 4,753,848	\$ 80,548
Intergovernmental	1,206,251	1,206,251	1,343,102	136,851
Licenses, permits and fees	2,500	2,500	4,140	1,640
Charges for services	321,598	321,598	357,608	36,010
Interest income	45,000	45,000	49,797	4,797
Miscellaneous	403,710	403,710	478,464	74,754
Total Revenues	<u>\$ 6,652,359</u>	<u>\$ 6,652,359</u>	<u>\$ 6,986,959</u>	<u>\$ 334,600</u>
<u>Expenditures:</u>				
Current:				
General government	\$ 2,492,335	\$ 2,512,935	\$ 2,396,243	\$ 116,692
Public safety	2,155,225	2,155,225	2,170,259	(15,034)
Health and welfare	14,800	14,800	20,029	(5,229)
Culture and recreation	17,500	17,500	17,500	-
Conservation of natural resources	7,000	7,000	7,000	-
Total Expenditures	<u>\$ 4,686,860</u>	<u>\$ 4,707,460</u>	<u>\$ 4,611,031</u>	<u>\$ 96,429</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,965,499</u>	<u>\$ 1,944,899</u>	<u>\$ 2,375,928</u>	<u>\$ 431,029</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	<u>\$ (1,646,500)</u>	<u>\$ (1,646,500)</u>	<u>\$ (1,580,374)</u>	<u>\$ 66,126</u>
Net Change in Fund Balances	<u>\$ 318,999</u>	<u>\$ 298,399</u>	<u>\$ 795,554</u>	<u>\$ 497,155</u>
Fund Balances - January 1	<u>\$ 1,764,385</u>	<u>\$ 1,764,385</u>	<u>\$ 1,764,385</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 2,083,384</u></u>	<u><u>\$ 2,062,784</u></u>	<u><u>\$ 2,559,939</u></u>	<u><u>\$ 497,155</u></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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 517,270	\$ 517,270	\$ 522,745	\$ 5,475
Intergovernmental	1,863,550	1,863,550	3,648,281	1,784,731
Charges for services	130,000	130,000	326,175	196,175
Miscellaneous	22,000	22,000	22,504	504
Total Revenues	\$ 2,532,820	\$ 2,532,820	\$ 4,519,705	\$ 1,986,885
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 2,803,120	\$ 4,753,620	\$ 4,840,839	\$ (87,219)
Excess (Deficiency) of Revenues Over Expenditures	\$ (270,300)	\$ (2,220,800)	\$ (321,134)	\$ 1,899,666
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 740,000	\$ 740,000	\$ 767,000	\$ 27,000
Transfers out	(469,000)	(469,000)	(527,000)	(58,000)
Total Other Financing Sources and Uses	\$ 271,000	\$ 271,000	\$ 240,000	\$ (31,000)
Net Change in Fund Balances	\$ 700	\$ (1,949,800)	\$ (81,134)	\$ 1,868,666
Fund Balances - January 1	\$ 213,180	\$ 213,180	\$ 213,180	\$ -
Fund Balances - December 31	\$ 213,880	\$ (1,736,620)	\$ 132,046	\$ 1,868,666

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 969,970	\$ 969,970	\$ 980,090	\$ 10,120
Intergovernmental	470,633	470,633	557,772	87,139
Charges for servcies	16,400	16,400	16,031	(369)
Miscellaneous	29,900	29,900	33,863	3,963
Total Revenues	\$ 1,486,903	\$ 1,486,903	\$ 1,587,756	\$ 100,853
<u>Expenditures:</u>				
Current:				
Health and welfare	\$ 1,589,470	\$ 1,637,470	\$ 1,659,011	\$ (21,541)
Excess (Deficiency) of Revenues Over Expenditures	\$ (102,567)	\$ (150,567)	\$ (71,255)	\$ 79,312
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (20,200)	\$ (20,200)	\$ (20,200)	\$ -
Net Change in Fund Balances	\$ (122,767)	\$ (170,767)	\$ (91,455)	\$ 79,312
Fund Balances - January 1	\$ 823,207	\$ 823,207	\$ 823,207	\$ -
Fund Balances - December 31	\$ 700,440	\$ 652,440	\$ 731,752	\$ 79,312

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 332,975	\$ 332,975
<u>Expenditures:</u>				
Current:				
Flood repair	\$ 367,104	\$ 403,404	\$ 403,345	\$ 59
Excess (Deficiency) of Revenues Over Expenditures	\$ (367,104)	\$ (403,404)	\$ (70,370)	\$ 333,034
Fund Balances - January 1	\$ 543,406	\$ 543,406	\$ 543,406	\$ -
Prior Period Adjustments	-	-	(448,203)	(448,203)
Fund Balances - Jan. 1, as restated	\$ 543,406	\$ 543,406	\$ 95,203	\$ (448,203)
Fund Balances - December 31	\$ 176,302	\$ 140,002	\$ 24,833	\$ (115,169)

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,075	\$ 2,075	\$ 2,145	\$ 70
Intergovernmental	15,980	15,980	21,504	5,524
Charges for services	100,000	100,000	14,938	(85,062)
Total Revenues	<u>\$ 118,055</u>	<u>\$ 118,055</u>	<u>\$ 38,587</u>	<u>\$ (79,468)</u>
<u>Expenditures:</u>				
Current:				
Economic development	<u>\$ 188,350</u>	<u>\$ 188,350</u>	<u>\$ 40,100</u>	<u>\$ 148,250</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (70,295)</u>	<u>\$ (70,295)</u>	<u>\$ (1,513)</u>	<u>\$ 68,782</u>
Fund Balances - January 1	<u>\$ 884,572</u>	<u>\$ 884,572</u>	<u>\$ 884,572</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 814,277</u></u>	<u><u>\$ 814,277</u></u>	<u><u>\$ 883,059</u></u>	<u><u>\$ 68,782</u></u>

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, 2013

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, 2013

	Balance 1-1-13	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-13
Major Funds:							
General Fund	\$ 1,573,361.82	\$ 6,976,551.99	\$ -	\$ -	\$ 1,580,373.61	\$ 4,707,169.76	\$ 2,262,370.44
Special Revenue Funds:							
Highway Fund	\$ 16.14	\$ 4,514,385.15	\$ 767,000.00	\$ -	\$ 527,000.00	\$ 4,753,589.52	\$ 811.77
Social Services Fund	787,831.36	1,594,531.22	-	-	20,200.00	1,607,177.94	754,984.64
FEMA Disaster Reimb. Fund	448,202.91	447,247.54	-	-	-	403,344.77	492,105.68
Job Development Authority	337,609.60	122,755.81	-	-	-	88,040.06	372,325.35
Total Major Special Revenue Funds	\$ 1,573,660.01	\$ 6,678,919.72	\$ 767,000.00	\$ -	\$ 547,200.00	\$ 6,852,152.29	\$ 1,620,227.44
Total Major Funds	\$ 3,147,021.83	\$ 13,655,471.71	\$ 767,000.00	\$ -	\$ 2,127,573.61	\$ 11,559,322.05	\$ 3,882,597.88
Nonmajor Special Revenue Funds:							
Road and Bridge Equipment	\$ 954.63	\$ 2,000.00	\$ 359,000.00	\$ 341,877.00	\$ -	\$ 703,550.99	\$ 280.64
Bridge Replacement	88.23	127,944.65	368,000.00	-	-	495,685.52	347.36
15 Mill Road Fund	73,838.29	1,085,432.58	-	-	200,000.00	858,192.89	101,077.98
Emergency Assistance Fund	495.97	6,877.00	-	-	-	6,435.14	937.83
Emergency Fund	225,574.38	-	-	-	-	-	225,574.38
911 Communications	788.77	322,230.71	479,000.00	-	-	801,532.03	487.45
911 Wireless	432.62	131,830.85	-	-	100,000.00	31,539.64	723.83
NDIRN Fees	8,564.69	17,588.52	11,400.00	-	-	37,466.30	86.91
Special Assessments-Co. Property	-	151.29	-	-	-	-	151.29
Drug Court	-	-	5,900.00	-	-	5,880.91	19.09
Water Rescue Team Fund	1,140.06	10,797.14	2,500.00	-	-	12,352.06	2,085.14
Special Response	-	2,000.00	-	-	-	-	2,000.00
County Agent	56,098.29	143,255.15	-	-	-	138,217.26	61,136.18
Veteran's Service Officer	34,812.99	73,293.40	-	-	-	71,393.06	36,713.33
Weed Control Levy	394,878.37	241,981.06	-	-	-	304,837.69	332,021.74
Public Health Fund	144,210.04	323,887.56	280,200.00	-	-	602,314.12	145,983.48
Home Health Care Holding Fund	86,075.28	195,560.56	120,000.00	-	-	311,376.84	90,259.00
Family Planning Fund	41,480.76	111,867.64	34,573.61	-	-	156,371.77	31,550.24
WIC Program Fund	3,576.49	67,231.14	-	-	-	67,343.90	3,463.73
Hazardous Chemicals Fund	7,737.10	2,687.50	-	-	-	476.26	9,948.34
Jail Concession Fund	31,143.75	18,955.14	-	-	-	13,281.09	36,817.80
Sobriety Test Fund	456.14	4,837.00	-	-	-	3,250.00	2,043.14
County Park	14,696.73	73,473.62	-	-	-	70,332.49	17,837.86
Sheriff-Counteract Fund	375.53	700.00	-	-	-	117.26	958.27
County Agent Special Account	3,292.92	7,965.49	-	-	-	7,314.63	3,943.78
Total Nonmajor Special Revenue Funds	\$ 1,130,712.03	\$ 2,972,548.00	\$ 1,660,573.61	\$ 341,877.00	\$ 300,000.00	\$ 4,699,261.85	\$ 1,106,448.79
Nonmajor Debt Service Fund:							
County Loan Payment Fund	\$ 17,368.73	\$ 1,089.24	\$ -	\$ -	\$ -	\$ -	\$ 18,457.97
Total Nonmajor Funds	\$ 1,148,080.76	\$ 2,973,637.24	\$ 1,660,573.61	\$ 341,877.00	\$ 300,000.00	\$ 4,699,261.85	\$ 1,124,906.76
Total Governmental Funds	\$ 4,295,102.59	\$ 16,629,108.95	\$ 2,427,573.61	\$ 341,877.00	\$ 2,427,573.61	\$ 16,258,583.90	\$ 5,007,504.64
Agency Funds:							
State Medical Center	\$ 556.44	\$ 66,730.69	\$ -	\$ -	\$ -	\$ 66,962.28	\$ 324.85
Game and Fish	25,948.55	64,104.45	-	-	-	74,146.00	15,907.00
Three Rivers Crisis Center	-	5,829.20	-	-	-	5,829.20	-
Overload Fines	8,245.00	650.00	-	-	-	8,895.00	-
Garrison Diversion	347.97	73,713.76	-	-	-	73,886.34	175.39
Domestic Violence	140.00	3,080.00	-	-	-	2,975.00	245.00
Financial Institution Tax Fund	-	267,895.07	-	-	-	267,895.07	-
Township Share Gas & Oil Taxes	-	1,492,406.00	-	-	-	1,492,406.00	-
Telecommunications Tax Fund	-	185,292.44	-	-	-	185,292.44	-
State Aid Distribution	-	195,224.35	-	-	-	195,224.35	-
SEMCA Program Fund	(22,531.11)	255,300.81	-	-	-	241,452.66	(8,682.96)
ND State Income Tax W/H Fund	12,975.79	50,736.74	-	-	-	51,439.21	12,273.32
Senior Citizens	347.97	116,814.99	-	-	-	116,987.57	175.39
Historical Society	87.02	19,413.59	-	-	-	18,034.79	1,465.82
Soil Conservation District	347.89	68,582.71	-	-	-	68,755.21	175.39
Water Management Levy	1,391.84	287,494.62	-	-	-	288,184.87	701.59
Red River Joint Water Resource	695.78	137,484.56	-	-	-	137,829.51	350.83
Estimated Real Estate Tax	507.72	12,553.27	-	-	-	12,344.39	716.60
Taxes Paid in Advance	7,231,455.28	6,550,486.57	-	-	-	7,231,455.28	6,550,486.57

Continued on next page....

RICHLAND COUNTY
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2013

	Balance 1-1-13	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-13
CONTINUED.....							
<u>Agency Funds (Continued):</u>							
Total Cities	\$ 22,800.55	\$ 3,967,532.18	\$ -	\$ -	\$ -	\$ 3,971,414.22	\$ 18,918.51
Total Park Districts	2,674.10	596,573.25	-	-	-	597,124.71	2,122.64
Total School Districts	81,899.02	9,464,305.87	-	-	-	9,503,849.41	42,355.48
Total Townships	9,615.13	1,100,421.52	-	-	-	1,104,581.50	5,455.15
County Drain Assessments	3,216.91	804,419.69	-	-	-	807,159.90	476.70
Total Fire Protection Districts	5,279.31	448,818.32	-	-	-	451,176.86	2,920.77
Total Ambulance Districts	2,873.04	123,356.18	-	-	-	124,296.85	1,932.37
Total Vector Districts	-	141.89	-	-	-	141.89	-
Total Agency Funds	<u>\$ 7,388,874.20</u>	<u>\$ 26,359,362.72</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,099,740.51</u>	<u>\$ 6,648,496.41</u>
Total Primary Government	<u>\$ 11,683,976.79</u>	<u>\$ 42,988,471.67</u>	<u>\$ 2,427,573.61</u>	<u>\$ 341,877.00</u>	<u>\$ 2,427,573.61</u>	<u>\$ 43,358,324.41</u>	<u>\$ 11,656,001.05</u>
<u>Component Unit:</u>							
Water Resource District	<u>\$ 2,739,871.41</u>	<u>\$ 1,308,294.37</u>	<u>\$ 182,172.22</u>	<u>\$ -</u>	<u>\$ 182,172.22</u>	<u>\$ 1,295,122.04</u>	<u>\$ 2,753,043.74</u>
Total Primary Government	<u>\$ 14,423,848.20</u>	<u>\$ 44,296,766.04</u>	<u>\$ 2,609,745.83</u>	<u>\$ 341,877.00</u>	<u>\$ 2,609,745.83</u>	<u>\$ 44,653,446.45</u>	<u>\$ 14,409,044.79</u>

RICHLAND COUNTY WATER RESOURCE DISTRICT
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
WATER RESOURCE DISTRICT
For the Year Ended December 31, 2013

	Balance 1-1-13	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-13
General Fund	\$ 116,460.74	\$ 291,117.95	\$ -	\$ -	\$ 150,000.00	\$ 157,015.51	\$ 100,563.18
Special Revenue Funds:							
Drain #1	\$ 53,831.68	\$ 3,931.63	\$ -	\$ -	\$ -	\$ 935.00	\$ 56,828.31
Drain #2	80,471.18	35,913.96	-	-	-	25,067.38	91,317.76
Drain #3	197,595.89	16,789.37	-	-	-	133,125.15	81,260.11
Drain #4	56,566.61	39,568.57	-	-	-	6,607.00	89,528.18
Drain #5	279,672.11	55,386.63	-	-	-	11,919.50	323,139.24
Drain #7	1,703.27	55,323.04	-	-	-	49,262.80	7,763.51
Drain #10	6,858.35	19,739.24	-	-	-	1,650.00	24,947.59
Drain #12	140,084.75	54,792.44	-	-	-	13,571.95	181,305.24
Drain #14	128,755.03	58,953.34	-	-	-	11,907.50	175,800.87
Drain #15	122,572.42	18,385.31	-	-	-	1,662.50	139,295.23
Drain #17	33,794.98	4,783.82	-	-	-	150.00	38,428.80
Drain #18	9,830.83	20,735.48	-	-	-	11,625.12	18,941.19
Drain #19	17,245.72	4.83	-	-	-	-	17,250.55
Drain #26	1,721.60	12,583.85	-	-	-	7,342.90	6,962.55
Drain #31	300,945.64	63,724.19	-	-	-	40,980.70	323,689.13
Drain #34	(60.95)	5,996.05	-	-	-	1,042.50	4,892.60
Drain #35	9,083.47	4,435.78	-	-	-	1,072.50	12,446.75
Drain #39	147,501.54	30,802.04	-	-	-	5,365.00	172,938.58
Drain #41	(14,603.27)	7,833.28	-	-	-	2,140.00	(8,909.99)
Drain #48	6,861.27	3,414.28	-	-	-	2,245.00	8,030.55
Drain #55	(2,312.15)	27,938.22	-	-	-	4,671.28	20,954.79
Drain #58	16,506.94	8,078.31	-	-	-	2,173.50	22,411.75
Drain #62	30,524.72	9,843.21	-	-	-	1,133.75	39,234.18
Drain #63	(9,479.18)	11,679.43	-	-	-	2,394.80	(194.55)
Drain #65	232,324.59	74,977.73	-	-	-	244,530.88	62,771.44
Drain #66	103,926.87	13,923.05	-	-	-	2,427.50	115,422.42
Drain #67-8	128,158.02	29,080.42	-	-	-	10,452.50	146,785.94
Drain #72	57,516.54	80,525.13	-	-	-	52,898.59	85,143.08
Drain #95	(91,669.51)	59,150.27	28,004.29	-	-	4,002.00	(8,516.95)
Drain #97	21,561.86	2,838.92	4,167.93	-	-	1,100.00	27,468.71
Drain RS #1	96,899.77	78,271.19	-	-	-	25,915.84	149,255.12
Drain #SW2	11,662.01	3.23	-	-	-	450.00	11,215.24
Waterways	310,093.60	93,616.21	150,000.00	-	-	344,733.89	208,975.92
FEMA Administrative Fee	5,696.72	-	-	-	-	-	5,696.72
Total Special Revenue Funds	\$ 2,491,842.92	\$ 1,003,022.45	\$ 182,172.22	\$ -	\$ -	\$ 1,024,557.03	\$ 2,652,480.56
Debt Service Funds:							
Bond #95	\$ 99,848.22	\$ 13.07	\$ -	\$ -	\$ 28,004.29	\$ 71,857.00	\$ -
Bond #97	31,719.53	14,140.90	-	-	4,167.93	41,692.50	-
Total Debt Service Funds	\$ 131,567.75	\$ 14,153.97	\$ -	\$ -	\$ 32,172.22	\$ 113,549.50	\$ -
Total All Funds	\$ 2,739,871.41	\$ 1,308,294.37	\$ 182,172.22	\$ -	\$ 182,172.22	\$ 1,295,122.04	\$ 2,753,043.74

RICHLAND COUNTY
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

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	\$ 7,295
Temporary Assistance for Needy Families	93.558	108,284
Child Support Enforcement	93.563	3,649
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	12,738
Stephanie Tubbs Jones Child Welfare Services Program	93.645	15,108
Foster Care - Title IV-E	93.658	72,754
Adoption Assistance	93.659	1,010
Children's Health Insurance Program	93.767	851
Medical Assistance Program	93.778	614
Maternal and Child Health Services Block Grant to the States	93.994	2,081
<u>Passed Through the State Department of Health:</u>		
Public Health Emergency Preparedness	93.069	9,891
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	935
Family Planning - Services	93.217	41,617
Immunization Grants	93.268	7,238
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	12,880
Prevention and Public Health Fund and other Capacity-Building Activities	93.521	650
Billing Immunization Services in Local Public Health	93.539	12,127
Women's Way Screening PPHF	93.744	1,070
HIV Care Formula Grants	93.917	86
National Breast and Cervical Cancer Early Detection Program	93.919	9,940
HIV Prevention Activities-Health Department Based	93.940	1,550
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	398
Maternal and Child Health Services Block Grant to the States	93.994	15,626
Total U.S. Department of Health and Human Services Pass-Through Programs		<u>\$ 338,392</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>		
<u>Passed Through the State Department of Commerce:</u>		
Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	14.228	<u>\$ 1,500</u>
<u>U.S. DEPARTMENT OF THE INTERIOR:</u>		
<u>Passed Through the State Game & Fish:</u>		
Sport Fish Restoration Program	15.605	<u>\$ 1,600</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	\$ 49,029
Recovery Act - Edward Byren Memorial Justice Assistance Grant Program	16.803	<u>9,347</u>
Total U.S. Department of Agriculture Pass-Through Programs		<u>\$ 58,376</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>\$ 67,231</u>

Continued on next page....

RICHLAND COUNTY
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title		Federal CFDA Number	Federal Expenditures
CONTINUED.....			
<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	\$ 355,893
Hazard Mitigation Grant		97.039	8,920
Emergency Management Performance Grants		97.042	34,017
Homeland Security Grant Program		97.067	<u>128,737</u>
Total U.S. Department of Transportation Pass-Through Programs			<u>\$ 527,567</u>
<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	\$ 206,996
State and Community Highway Safety		20.600	951
Alcohol Impaired Driving Countermeasures Incentive Grants I		20.601	<u>1,346</u>
Total U.S. Department of Transportation Pass-Through Programs			<u>\$ 209,293</u>
Total Expenditures of Federal Awards			<u>\$ 1,203,959</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, 2013. 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, 2013, and the related notes to the financial statements, which collectively comprise Richland County's basic financial statements, and have issued our report thereon dated April 3, 2014.

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 [2013-01].

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

Fargo, North Dakota
April 3, 2014

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 program for the year ended December 31, 2013. Richland County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Richland County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 program. 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 program for the year ended December 31, 2013.

RICHLAND COUNTY

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

Report on Internal Control Over Compliance

Management of 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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, 2013, and have issued our report thereon dated April 3, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
April 3, 2014

RICHLAND COUNTY
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

Material weakness identified?	_____ Yes	_____ <u>X</u> None noted
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None noted
Type of auditor's report issued on compliance for major programs?	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	_____ <u>X</u> None noted

Identification of Major Programs:

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

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

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

Section II - Financial Statement Findings

2013-01 – 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.