

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**BOTTINEAU COUNTY
BOTTINEAU, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



BOTTINEAU COUNTY
Bottineau, North Dakota

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BOTTINEAU COUNTY
Bottineau, North Dakota

COUNTY OFFICIALS

At December 31, 2012

Jeff Beyer

Commissioner - Chairman

Daniel Marquardt
LeRoy Rude
Lance Kjelshus
Todd Streich

Commissioner - Vice-Chairman
Commissioner
Commissioner
Commissioner

Lisa Herbel
Ann Monson
Steve Watson
Helen Christenson
Rhonda Langehaug
A. Swain Benson, Jr.

Auditor
Treasurer
Sheriff
Recorder
Clerk of Court
State's 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
Bottineau County
Bottineau, North Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

BOTTINEAU COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 26-31 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 Bottineau County's basic financial statements. The *schedule of fund activity arising from cash transactions and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of fund activity arising from cash transactions and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards* 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 February 3, 2014 on our consideration of Bottineau 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 Bottineau County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
February 3, 2014

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	<u>Primary Governmental</u>	<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Units</u>
<u>ASSETS:</u>		
Cash and Investments	\$ 5,406,883	\$ 194,104
Accounts Receivable	52,135	-
Intergovernmental Receivable	853,402	-
Taxes Receivable	82,036	2,933
Road Receivables	215,621	-
Special Assessments Receivable	-	1,310
Uncertified Special Assessments Receivable	-	13,887
Capital Assets (not being depreciated):		
Land	155,004	-
Construction in Progress	5,080,660	-
Capital Assets (being depreciated):		
Infrastructure	1,777,862	-
Buildings	1,633,197	-
Vehicles and Machinery	1,970,291	12,000
Furniture and Equipment	146,077	-
Total Capital Assets	<u>\$10,763,091</u>	<u>\$ 12,000</u>
Total Assets	<u>\$17,373,168</u>	<u>\$ 224,234</u>
<u>LIABILITIES:</u>		
Accounts Payable	\$ 341,267	\$ 10,590
Grants Received in Advance	226,610	-
Retainages Payable	103,017	-
Interest Payable	2,944	-
Long-Term Liabilities:		
Due Within One Year:		
Capital Leases Payable	273,722	-
Loans Payable	-	125,000
Compensated Absences Payable	37,528	-
Due After One Year:		
Capital Leases Payable	588,372	-
Compensated Absences Payable	337,750	-
Total Liabilities	<u>\$ 1,911,210</u>	<u>\$ 135,590</u>
<u>NET POSITION:</u>		
Net investment in capital assets	\$ 9,900,997	\$ -
Restricted for:		
Public Safety	168,808	-
Highways	3,020,892	-
Health and Welfare	50,071	-
Culture and Recreation	218,117	-
Conservation of Natural Resources	124,928	-
Emergencies	154,515	-
General Government	764,952	-
Unrestricted	<u>1,058,678</u>	<u>88,644</u>
Total Net Position	<u>\$15,461,958</u>	<u>\$ 88,644</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	\$ 1,583,196	\$ 203,615	\$ 126,770	\$ -	\$ (1,252,811)	
Public Safety	1,081,690	463,764	76,270	-	(541,656)	
Highways	7,494,075	1,099,169	6,519,162	3,530,489	3,654,745	
Flood Repair	957,001	-	779,868	-	(177,133)	
Health and Welfare	760,499	490	168,283	-	(591,726)	
Culture and Recreation	219,937	29,206	22,631	-	(168,100)	
Conserv. of Natural Resources	141,745	-	24,654	-	(117,091)	
Other	348,265	-	-	-	(348,265)	
Interest Expense	23,532	-	-	-	(23,532)	
Total Primary Government	<u>\$12,609,940</u>	<u>\$ 1,796,244</u>	<u>\$ 7,717,638</u>	<u>\$ 3,530,489</u>	<u>\$ 434,431</u>	<u>\$ -</u>
Total Component Units	<u>\$ 511,779</u>	<u>\$ -</u>	<u>\$ 178,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (333,523)</u>
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes					\$ 762,486	\$ 124,421
Property taxes; levied for special purposes					2,337,760	35,919
Non Restricted Grants and Contributions					1,185,079	-
Earnings on Investments					42,376	2,310
Miscellaneous Revenue					440,125	533
Total General Revenues					<u>\$ 4,767,826</u>	<u>\$ 163,183</u>
Change in Net Position					<u>\$ 5,202,257</u>	<u>\$ (170,340)</u>
Net Position - January 1					\$10,507,959	\$ 274,252
Prior Period Adjustment					(248,258)	(15,268)
Net Position - January 1, as restated					<u>\$10,259,701</u>	<u>\$ 258,984</u>
Net Position - December 31					<u>\$15,461,958</u>	<u>\$ 88,644</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General	Farm to Market Blacktop	County Road & Bridge	Highway Tax Distribution	Oil Impact	FEMA		
ASSETS								
Cash and Investments	\$ 1,066,923	\$ 386,580	\$ 241,237	\$ 881,882	\$ -	\$ 226,610	\$ 2,603,651	\$ 5,406,883
Accounts Receivable	21,354	-	-	-	-	-	30,781	52,135
Intergovernmental Receivable	163,687	11,809	341,215	107,934	-	75,607	153,150	853,402
Taxes Receivable	20,685	247	9,892	-	-	-	51,212	82,036
Road Receivables	-	-	215,621	-	-	-	-	215,621
Due from Other Funds	19,768	-	-	-	-	-	-	19,768
Total Assets	\$ 1,292,417	\$ 398,636	\$ 807,965	\$ 989,816	\$ -	\$ 302,217	\$ 2,838,794	\$ 6,629,845
LIABILITIES AND FUND BALANCE								
<u>Liabilities:</u>								
Accounts Payable	\$ 4,926	\$ -	\$ -	\$ -	\$ -	\$ 181,727	\$ 154,614	\$ 341,267
Grants Received in Advance	-	-	-	-	-	226,610	-	226,610
Due to Other Funds	-	-	-	-	-	-	19,768	19,768
Total Liabilities	\$ 4,926	\$ -	\$ -	\$ -	\$ -	\$ 408,337	\$ 174,382	\$ 587,645
<u>Deferred Inflows of Resources:</u>								
Taxes Receivable	\$ 20,685	\$ 247	\$ 9,892	\$ -	\$ -	\$ -	\$ 51,212	\$ 82,036
Road Receivables	-	-	215,621	-	-	-	-	215,621
Total Deferred Inflows of Resources	\$ 20,685	\$ 247	\$ 225,513	\$ -	\$ -	\$ -	\$ 51,212	\$ 297,657
Total Liabilities and Deferred Inflows of Resources	\$ 25,611	\$ 247	\$ 225,513	\$ -	\$ -	\$ 408,337	\$ 225,594	\$ 885,302
<u>Fund Balances:</u>								
<u>Restricted for:</u>								
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 239,316	\$ 239,316
Highways & Public Improvement	-	398,389	582,452	989,816	-	-	614,726	2,585,383
Health and Welfare	-	-	-	-	-	-	133,926	133,926
Culture and Recreation	-	-	-	-	-	-	223,794	223,794
Conservation of Natural Resources	-	-	-	-	-	-	126,035	126,035
Emergency	-	-	-	-	-	-	154,515	154,515
Other	-	-	-	-	-	-	739,051	739,051
<u>Committed for:</u>								
Highways & Public Improvement	-	-	-	-	-	-	408,044	408,044
Unassigned	1,266,806	-	-	-	-	(106,120)	(26,207)	1,134,479
Total Fund Balances	\$ 1,266,806	\$ 398,389	\$ 582,452	\$ 989,816	\$ -	\$ (106,120)	\$ 2,613,200	\$ 5,744,543
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,292,417	\$ 398,636	\$ 807,965	\$ 989,816	\$ -	\$ 302,217	\$ 2,838,794	\$ 6,629,845

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

Total *Fund Balances* for Governmental Funds \$ 5,744,543

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	\$ 16,952,156	
Less: Accumulated Depreciation	<u>(6,189,065)</u>	10,763,091

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resource in the funds. 82,036

Road receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds. 215,621

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

Capital Leases Payable	\$ (862,094)	
Interest Payable	(2,944)	
Retainage Payable	(103,017)	
Compensated Absences	<u>(375,278)</u>	<u>(1,343,333)</u>

Total Net Position of Governmental Activities \$ 15,461,958

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General	Farm to Market Blacktop	County Road & Bridge	Highway Tax Distribution	Oil Impact	FEMA		
Revenues:								
Taxes	\$ 765,760	\$ 378,046	\$ 9,451	\$ -	\$ -	\$ -	\$ 1,954,635	\$ 3,107,892
Licenses, Permits and Fees	6,505	-	-	-	-	-	-	6,505
Intergovernmental	711,201	50,478	1,982,245	1,023,250	3,626,304	779,869	729,370	8,902,717
Charges for Services	581,425	-	-	-	-	-	1,121,960	1,703,385
Interest Income	-	-	-	-	-	-	42,376	42,376
Miscellaneous	84,713	-	88,885	-	-	-	266,527	440,125
Total Revenues	\$ 2,149,604	\$ 428,524	\$ 2,080,581	\$ 1,023,250	\$ 3,626,304	\$ 779,869	\$ 4,114,868	\$ 14,203,000
Expenditures:								
Current:								
General Government	\$ 850,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 732,265	\$ 1,583,196
Public Safety	845,444	-	-	-	-	-	267,932	1,113,376
Highways	-	905,943	2,535,764	895,623	3,628,769	-	1,249,177	9,215,276
Flood Repair	-	-	-	-	-	957,001	-	957,001
Health and Welfare	-	-	-	-	-	-	749,012	749,012
Culture and Recreation	27,500	-	-	-	-	-	213,234	240,734
Conserv. of Natural Resources	2,354	-	-	-	-	-	209,717	212,071
Emergency	13,079	-	-	-	-	-	265,480	278,559
Debt Service:								
Principal	-	-	-	-	-	-	237,833	237,833
Interest & Service Charges	-	-	-	-	-	-	25,741	25,741
Total Expenditures	\$ 1,739,308	\$ 905,943	\$ 2,535,764	\$ 895,623	\$ 3,628,769	\$ 957,001	\$ 3,950,391	\$ 14,612,799
Excess (Deficiency) of Revenues Over Expenditures	\$ 410,296	\$ (477,419)	\$ (455,183)	\$ 127,627	\$ (2,465)	\$ (177,132)	\$ 164,477	\$ (409,799)
Other Financing Sources (Uses):								
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000
Lease Financing	-	-	-	-	-	-	411,046	411,046
Transfers Out	-	-	-	-	-	-	(30,000)	(30,000)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 411,046	\$ 411,046
Net Change in Fund Balances	\$ 410,296	\$ (477,419)	\$ (455,183)	\$ 127,627	\$ (2,465)	\$ (177,132)	\$ 575,523	\$ 1,247
Fund Balance - January 1	\$ 856,510	\$ 875,808	\$ 1,037,635	\$ 862,189	\$ 2,465	\$ 194,844	\$ 2,037,677	\$ 5,867,128
Prior Period Adjustment	-	-	-	-	-	(123,832)	-	(123,832)
Fund Balance - Jan. 1, as restated	\$ 856,510	\$ 875,808	\$ 1,037,635	\$ 862,189	\$ 2,465	\$ 71,012	\$ 2,037,677	\$ 5,743,296
Fund Balance - December 31	\$ 1,266,806	\$ 398,389	\$ 582,452	\$ 989,816	\$ -	\$ (106,120)	\$ 2,613,200	\$ 5,744,543

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

BOTTINEAU COUNTY
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$	1,247
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$ 2,610,056	
Current Year Capital Contribution	3,530,489	
Current Year Depreciation Expense	<u>(736,649)</u>	5,403,896

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount that debt issuance exceeded the repayment of debt.

Lease Repayment	\$ 237,833	
Capital Lease Issuance	<u>(411,046)</u>	(173,213)

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. This consists of the following:

Change in Compensated Absences	\$ (38,663)	
Change in Retainage Payable	(71,927)	
Change in Interest Payable	<u>2,209</u>	(108,381)

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

Change in Taxes Receivable	\$ (7,646)	
Change in Road Receivables	<u>86,354</u>	<u>78,708</u>

Change in Net Position of Governmental Activities		<u><u>\$ 5,202,257</u></u>
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The notes to the financial statements are an integral part of this statement.

BOTTINEAU COUNTY WATER RESOURCE DISTRICT
Bottineau, North Dakota

COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
December 31, 2012

	Bottineau Co. Water Resource Dist.	Boundary Creek Water Resource Dist.	Oak Creek Water Resource Dist.	Total
<u>ASSETS:</u>				
Cash and Invesments	\$ 82,336	\$ 31,501	\$ 80,267	\$ 194,104
Taxes Receivable	867	181	1,885	2,933
Special Assessments Receivable	1,310	-	-	1,310
Uncertified Special Assessments Receivable	13,887	-	-	13,887
Capital Assets (being depreciated):				
Vehicles and Machinery	12,000	-	-	12,000
Total Assets	\$ 110,400	\$ 31,682	\$ 82,152	\$ 224,234
<u>LIABILITIES:</u>				
Accounts Payable	\$ -	\$ -	\$ 10,590	\$ 10,590
Long-Term Liabilities:				
Due Within One Year:				
Loans Payable	125,000	-	-	125,000
Total Liabilities	\$ 125,000	\$ -	\$ 10,590	\$ 135,590
<u>NET POSITION:</u>				
Unrestricted	\$ (14,600)	\$ 31,682	\$ 71,562	\$ 88,644
Total Net Position	\$ (14,600)	\$ 31,682	\$ 71,562	\$ 88,644

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

BOTTINEAU COUNTY
Bottineau, North Dakota

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Operating Grants and Contributions	Bottineau County WRD	Boundary Creek WRD	Oak Creek WRD	Total
<u>Component Units:</u>						
Bottineau Co. WRD	\$ 313,836	\$ 87,481	\$ (226,355)	\$ -	\$ -	(226,355)
Boundary Creek WRD	29,748	9,425	-	(20,323)	-	(20,323)
Oak Creek WRD	168,195	81,350	-	-	(86,845)	(86,845)
Total Component Units	\$ 511,779	\$ 178,256	\$ (226,355)	\$ (20,323)	\$ (86,845)	\$ (333,523)
<u>General Revenues:</u>						
Taxes:						
Property taxes;						
levied for general purposes			\$ 52,713	\$ 9,082	\$ 62,626	\$ 124,421
Property taxes;						
levied for special assessments			35,919	-	-	35,919
Earnings on Investments			1,821	123	366	2,310
Miscellaneous Revenue			231	76	226	533
Total General Revenues			\$ 90,684	\$ 9,281	\$ 63,218	\$ 163,183
Change in Net Position			\$ (135,671)	\$ (11,042)	\$ (23,627)	\$ (170,340)
Net Position - January 1			\$ 136,339	\$ 42,724	\$ 95,189	\$ 274,252
Prior Period Adjustment			(15,268)	-	-	(15,268)
Net Position - January 1, as restated			\$ 121,071	\$ 42,724	\$ 95,189	\$ 258,984
Net Position - December 31			\$ (14,600)	\$ 31,682	\$ 71,562	\$ 88,644

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2012

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 1,910,741</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>\$ 1,910,741</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bottineau County, North Dakota 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 Bottineau County. The county has considered all potential component units for which the county is financially accountable and other organizations for which the nature and significance of their relationships with the county such that exclusion would cause the county's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Bottineau County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Bottineau County.

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

COMPONENT UNITS

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity of the government-wide statements as 'aggregate' discretely presented component units.

Aggregate Discretely Presented Component Units: The component units' column in the combined government-wide financial statements includes the financial data of the county's three component units aggregated. These component units are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the county. Additionally, combining statements for the individual water resource districts are also shown for the component units following the fund financial statements.

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

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

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

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

Component Unit Financial Statements: Complete financial statements of the Bottineau County Water Resource District can be obtained from their administrative office. Financial statements of the Oak Creek Water Resource District and Boundary Creek Water Resource District are included with these financial statements.

Administrative Office:

Bottineau County Water Resource District
521 Main Street, Suite 3
Bottineau, North Dakota 58318

BLENDED COMPONENT UNIT

Blended component units, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government's funds and activities.

Bottineau County Park Board – The activities of the park board have been blended in the activities of the county park fund reported in other governmental funds in the primary government's fund financial statements, as well as in applicable areas in the primary government's activities. The park board does not have the right to sue in its own name without recourse to the county. Therefore it is reported as if it were part of the county's operations.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar item are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

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.

Farm to Market Blacktop Fund. This fund accounts for repair and improvement of highways and bridges. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

County Road and Bridge Fund. This fund accounts for the maintenance and repair of county roads within the county. The major source of revenue is restricted State/Federal grants/reimbursements.

Highway Tax Distribution Fund. This fund accounts for Highway Tax Distribution from the State for payroll expenses for roads within the county. The major source of revenues is restricted State/Federal grants/reimbursements.

Oil Impact Fund. This fund accounts for the maintenance and repair of county roads within the county. The major source of revenue is restricted State/Federal grants/reimbursements.

FEMA Fund. This fund accounts for state and federal grants related for flood disaster repairs and the related disbursements. The major source of revenue is restricted grants (reimbursements) for disaster related repair expenditures/projects.

Additionally, the county reports the following fund type:

Agency Funds. These fund accounts 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

D. Cash and Investments

Cash includes amounts in demand deposits, money market accounts, and certificates of deposit with a maturity of 3 months or less. Investments consist of certificates of deposit with a maturity of more than 3 months.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns 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.

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.

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

ASSETS	YEARS
Buildings	30-50
Infrastructure	5-99
Furniture and Equipment	5-20
Vehicles and Machinery	5-20

F. Compensated Absences

Full time employees are granted vacation benefits from one to two days per month depending on tenure with the County. Upon termination of employment, employees will be paid for vacation benefits that have accrued. Sick leave benefits accrue at the rate of one day per month. Unused sick leave benefits are allowed to accumulate up to an unlimited amount. Upon termination of employment or retirement unused sick leave will be paid for Social Service employees at a rate of 15% of unused days up to a maximum of 144 hours, while other employees will be paid for 15% of unused days up to a maximum of 120 days. Severance pay for both County employees and Social Service employees will be provided to employees who have completed 10 consecutive years of service with the County. The employee will receive 10 days severance pay at his/her current salary level.

G. Long-Term Obligations

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

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

H. 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.

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

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

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

I. Fund Balances / Net Position

GASB Statement No. 54 requires 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 Bottineau County to spend restricted resources first followed by committed 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 (farm to market blacktop, county road and bridge, highway tax distribution, oil impact, and FEMA funds) are disclosed in more detail in Note 1B.

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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

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

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

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

Bottineau County reports amounts in the restricted, committed, and unassigned fund balances in the balance sheet at December 31, 2012.

Restricted Fund Balances – consist of the following items at December 31, 2012:

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & public improvement, health and welfare, culture & recreation, conservation of natural resources, emergencies, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements). Restricted fund balances totaled \$4,202,020 at year-end.

Restricted & Committed Fund Balances – Special Revenue Funds:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies (enabling legislation) – includes fund balances for various tax levies other than the general fund, including the road and bridge fund, farm to market road fund, and various other tax levy funds reported in other governmental funds.
 - Restricted grants/reimbursements – primarily includes amounts in county road and bridge fund, farm to market road fund, oil impact fund, FEMA fund, highway tax distribution fund, and other grant funds.
- (b) Committed fund balances (special revenue fund) – committed by governing board county commission action;
- Committed in special revenue funds for road work and snow removal performed for cities, townships, and private citizens reported in other governmental funds totaling \$408,044.

Unassigned fund balances – reported in the general fund at year end totaling \$1,266,806, and for negative fund balances in the FEMA fund (\$106,120) and the other governmental funds totaling (\$26,207).

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.

Unrestricted net position is primarily unrestricted amounts related to general fund governmental activities, and is the portion of net position that is not restricted or reported as net investment in capital assets. The unrestricted net position is available to meet the district's ongoing obligations.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt used to purchase or finance capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

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

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETSBUDGET AMENDMENTS - COUNTY

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

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Special Revenue Funds:</u>			
County Road and Bridge	\$2,458,000	\$163,815	\$2,621,815
Oil Impact	-	3,628,770	3,628,770
FEMA	-	780,959	780,959
Miscellaneous Road	710,000	96,377	806,377
Weed Control	215,884	7,100	222,984
County Park	49,355	7,421	56,776

NOTE 3: DEPOSITS

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

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

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

Primary Government:

At the year ended December 31, 2012, the county's carrying amount of deposits was \$7,316,075 and the bank balances were \$7,119,694. Of the bank balances, \$1,463,775 was covered by Federal Depository Insurance. The remaining balance of \$5,655,919 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Discretely Presented Component Units:

At the year ended December 31, 2012, the Bottineau County Water Resource District's carrying amount of deposits was \$82,336 and the bank balances were \$88,019, all of which was covered by Federal Depository Insurance.

At the year ended December 31, 2012, the Oak Creek Water Resource District's carrying amount of deposits was \$80,267 and the bank balances were \$81,391, all of which was covered by Federal Depository Insurance.

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

At year ended December 31, 2012, the Boundary Creek Water Resource District's carrying amount of deposits was \$31,500 and the bank balances were \$32,323, all of which was covered by Federal Depository Insurance.

Credit Risk:

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

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

As of December 31, 2012, the county held certificates of deposit in the amount of \$2,620,955, which are all considered deposits.

The discretely presented component units had the following certificates of deposit on hand at December 31, 2012, which are considered deposits:

Discretely Presented Component Units:	2012
Oak Creek Water Resource District	\$36,194
Boundary Creek Water Resource District	22,897

Concentration of Credit Risk:

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

NOTE 4: TAXES RECEIVABLE

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

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

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

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

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due for contract policing and 911 fees.

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

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

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

NOTE 7: ROAD ACCOUNTS RECEIVABLE

Road accounts receivable consist of amounts due for road work for townships, cities and private citizens.

NOTE 8: CAPITAL ASSETS

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

Primary Government:	Balance 1-1-12	Adjustments	Increases	Decreases	Transfers	Balance 12-31-12
Governmental Activities:						
<i>Capital assets not being depreciated:</i>						
Land	\$ 155,004	\$ -	\$ -	\$ -	\$ -	\$ 155,004
Construction Progress	1,837,124	(282,638)	5,088,438	-	(1,562,264)	5,080,660
Total Capital Assets, not being depreciated	\$1,992,128	\$(282,638)	\$5,088,438	\$ -	\$(1,562,264)	\$ 5,235,664
<i>Capital assets being depreciated:</i>						
Buildings	\$3,389,880	\$ -	\$ 110,369	\$ -	\$ -	\$ 3,500,249
Furniture and Equipment	507,822	-	46,784	-	-	554,606
Vehicles and Machinery	5,361,884	150,114	799,216	575,032	-	5,736,182
Infrastructure	100,914	166,539	95,738	-	1,562,264	1,925,455
Total Capital Assets, Being Depreciated	\$9,360,500	\$ 316,653	\$1,052,107	\$575,032	\$ 1,562,264	\$11,716,492
<i>Less Accumulated Depreciation for:</i>						
Buildings	\$1,784,652	\$ -	\$ 82,400	\$ -	\$ -	\$ 1,867,052
Furniture and Equipment	360,757	-	47,774	-	-	408,531
Vehicles and Machinery	3,633,408	150,114	557,400	575,032	-	3,765,890
Infrastructure	90,190	8,327	49,075	-	-	147,592
Total Accumulated Depreciation	\$5,869,007	\$ 158,441	\$ 736,649	\$575,032	\$ -	\$ 6,189,065
Total Capital Assets Being Depreciated, Net	\$3,491,493	\$ 158,212	\$ 315,458	\$ -	\$ 1,562,264	\$ 5,527,427
Governmental Activities- Capital Assets, Net	\$5,483,621	\$(124,426)	\$5,403,896	\$ -	\$ -	\$10,763,091

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

Governmental Activities:	Amounts
General Government	\$ 74,244
Public Safety	72,652
Highways and Bridges	566,192
Culture and Recreation	21,299
Conservation of Natural Resources	2,262
Total Depreciation Expense-Governmental Activities	\$736,649

Bottineau County Water Resource District:

The following is a summary of changes in capital assets for the Bottineau County WRD, a discretely presented component unit of Bottineau County, for the year ended December 31, 2012:

Bottineau County Water Resource District	Balance 1-1-12	Adjustments	Increases	Decreases	Transfers	Balance 12-31-12
Governmental Activities:						
<i>Capital assets being depreciated:</i>						
Vehicles and Machinery	\$ -	\$16,000	\$ -	\$ -	\$ -	\$16,000
<i>Less Accumulated Depreciation for:</i>						
Vehicles and Machinery	\$ -	\$ 2,000	\$ 2,000	\$ -	\$ -	\$ 4,000
Governmental Activities- Capital Assets, Net	\$ -	\$14,000	\$(2,000)	\$ -	\$ -	\$12,000

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

NOTE 9: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2012 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 10: GRANTS RECEIVED IN ADVANCE

Grants received in advance is a liability consisting of funds received in the FEMA fund where the cash has been received but the eligibility requirements have not been met at December 31, 2012.

NOTE 11: DEFERRED INFLOWS OF RESOURCES

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

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and road receivables 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 receivables are measurable but not available.

NOTE 12: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long term debt outstanding at December 31, 2012.

NOTE 13: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in long-term liabilities for Bottineau County and the component unit:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Capital Leases	\$ 688,881	\$411,046	\$237,833	\$ 862,094	\$273,722
Compensated Absences *	336,615	38,663	-	375,278	37,528
Total Governmental Activities	\$1,025,496	\$449,709	\$237,833	\$1,237,372	\$311,250

* - 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 Payable:

Motor Grader Lease #1 – due in annual installments of 88,262 through November 2014, interest at 6%.	\$167,911
Motor Grader Lease #2 – due in annual installments of \$102,935 to \$155,092 through October, 2013, interest at 4.65%.	98,361
Motor Grader Lease #3 – due in annual installments of \$30,263 to \$40,839 through August, 2016, interest at 3.75%.	29,170

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

Capital Leases Payable (Cont'd):

Motor Grader Lease #4 – due in annual installments of \$42,113 through December 2016, interest at 9%.	\$155,606
Motor Grader Lease #5 – due in annual installments of \$86,893 through January 2017, interest at 5%.	<u>411,046</u>
Total Capital Leases Payable	<u>\$862,094</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012 were as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Leases Payable	
	Principal	Interest
2013	\$334,032	\$16,435
2014	201,275	15,994
2015	119,371	9,635
2016	122,931	6,075
2017	84,485	2,408
Totals	\$862,094	\$50,547

DISCRETELY PRESENTED COMPONENT UNIT:

Bottineau County Water Resource District:

Changes in Long-Term Liabilities – During the year ended December 31, 2012, the following changes occurred in governmental activities long-term liabilities for the Bottineau County Water Resource District:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loan Payable	\$ -	\$125,000	\$ -	\$125,000	\$125,000

Note: All debt principal of \$125,000 is due in 2013, as is \$5,015 of interest.

NOTE 14: TRANSFERS

The following is a summary of transfers in and transfers out reported in the basic financial statements for the year ended December 31, 2012:

	Transfers In	Transfers Out
<u>Non-Major Funds:</u>		
Library	\$ -	\$30,000
Library Building	30,000	-
Total Transfers	\$30,000	\$30,000

The purpose of the transfer from the library fund to the library building fund was to help with costs of a library project.

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

NOTE 15: PENSION PLAN

Bottineau County contributes to the North Dakota Public Employees' 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.

During January 1, 2012 through December 31, 2012, plan members were required to contribute 5% of their annual covered salary. Bottineau County has elected to contribute the employees required contribution. The county was required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$152,209, \$124,223, and \$116,346, respectively, equal to the required contributions for the year.

NOTE 16: RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Bottineau County pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and auto coverage and to \$5,529,237 for public assets (mobile equipment and portable property) coverage.

Bottineau County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Bottineau 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 Bottineau County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees and provides Bottineau County Water Resource District, a discretely presented component unit of Bottineau County, with blanket fidelity bond coverage in the amount of \$135,000. The State Bonding Fund does not currently charge any premium for this coverage.

Bottineau County has workers compensation with the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 17: DEFICIT FUND BALANCES

Bottineau County had the following deficit fund balances at December 31, 2012:

Fund	2012
FEMA	\$(106,120)
Multi-Hazard Mitigation	(10,500)
Law Enforcement Block Grant	(15,707)

BOTTINEAU COUNTY

Notes to the Financial Statements - Continued

The deficits will be relieved by future revenues and transfers from the General Fund and reimbursements as applicable for the grant funds.

NOTE 18: COMMITMENTSCommitments:

At December 31, 2012, Bottineau County had commitments for remaining project costs related to Project CP-0537(011) Souris South Project. As of December 31, 2012, the remaining construction commitments are as follows:

Project	Original Contract	Total Completed	Retainage	Remaining Balance	Percent Completed
County Road 6 (COI-0506(054))	\$5,150,846	\$5,080,660	\$103,017	\$173,203	98.64%

Retainages Payable:

Retainages payable is reported in the government-wide statement of net position for the above listed road project with construction commitments remaining at year-end.

NOTE 19: PRIOR PERIOD ADJUSTMENTSCounty:

There were prior period adjustments for the period ending December 31, 2012 for Governmental Activities involving adjustments to capital assets, and to the beginning fund balance to remove unearned revenue from the reported government funds.

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$10,507,959
Adjustments to restate the January 1, 2012 Net Position:	
Capital Asset net adjustment	(124,426)
Fund Balance net adjustment to unearned revenue	(123,832)
Net Position January 1, as restated	\$10,259,701

Governmental Activities (County):	Other Governmental Funds
Beginning Fund Balance, as previously reported	\$5,867,128
Adjustments to restate the January 1, 2011 Fund Balance	
Fund Balance adjustment to unearned revenue	(123,832)
Fund Balance January 1, as restated	\$5,743,296

Bottineau County Water Resource District:

There were prior period adjustments for the period ending December 31, 2012 for Bottineau County Water Resource District involving adjustments to capital assets and special assessments receivable.

Governmental Activities (Component Units):	Amounts
Beginning Net Position, as previously reported	\$274,252
Adjustments to restate the January 1, 2012 Net Position:	
Capital Asset net adjustment	14,000
Special Assessment Receivable adjustment	(29,268)
Net Position January 1, as restated	\$258,984

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 776,300	\$ 776,300	\$ 765,760	\$ (10,540)
Licenses, Permits and Fees	6,600	6,600	6,505	(95)
Intergovernmental	535,200	535,200	711,201	176,001
Charges for Services	486,880	486,880	581,425	94,545
Miscellaneous	47,700	47,700	84,713	37,013
Total Revenues	\$ 1,852,680	\$ 1,852,680	\$ 2,149,604	\$ 296,924
<u>Expenditures:</u>				
Current:				
General Government	\$ 968,135	\$ 968,135	\$ 850,931	\$ 117,204
Public Safety	835,252	835,252	845,444	(10,192)
Culture and Recreation	27,500	27,500	27,500	-
Conser. of Natural Resources	2,122	2,122	2,354	(232)
Other	15,000	15,000	13,079	1,921
Total Expenditures	\$ 1,848,009	\$ 1,848,009	\$ 1,739,308	\$ 108,701
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,671	\$ 4,671	\$ 410,296	\$ 405,625
Fund Balance - January 1	\$ 856,510	\$ 856,510	\$ 856,510	\$ -
Fund Balance - December 31	\$ 861,181	\$ 861,181	\$ 1,266,806	\$ 405,625

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET BLACKTOP FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 396,780	\$ 396,780	\$ 378,046	\$ (18,734)
Intergovernmental	1,049,350	1,049,350	50,478	(998,872)
Total Revenues	<u>\$ 1,446,130</u>	<u>\$ 1,446,130</u>	<u>\$ 428,524</u>	<u>\$ (1,017,606)</u>
<u>Expenditures:</u>				
Current:				
Hwy. & Public Improve.	<u>\$ 1,350,000</u>	<u>\$ 1,350,000</u>	<u>\$ 905,943</u>	<u>\$ 444,057</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 96,130</u>	<u>\$ 96,130</u>	<u>\$ (477,419)</u>	<u>\$ (573,549)</u>
Fund Balance - January 1	<u>\$ 875,808</u>	<u>\$ 875,808</u>	<u>\$ 875,808</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 971,938</u>	<u>\$ 971,938</u>	<u>\$ 398,389</u>	<u>\$ (573,549)</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 9,700	\$ 9,700	\$ 9,451	\$ (249)
Intergovernmental	900	900	1,982,245	1,981,345
Miscellaneous	-	-	88,885	88,885
Total Revenues	\$ 10,600	\$ 10,600	\$ 2,080,581	\$ 2,069,981
<u>Expenditures:</u>				
Current:				
Hwy. & Public Improve.	\$ 2,458,000	\$ 2,621,815	\$ 2,535,764	\$ 86,051
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,447,400)	\$ (2,611,215)	\$ (455,183)	\$ 2,156,032
Fund Balance - January 1	\$ 1,037,635	\$ 1,037,635	\$ 1,037,635	\$ -
Fund Balance - December 31	<u>\$ (1,409,765)</u>	<u>\$ (1,573,580)</u>	<u>\$ 582,452</u>	<u>\$ 2,156,032</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	<u>\$ 860,000</u>	<u>\$ 860,000</u>	<u>\$ 1,023,250</u>	<u>\$ 163,250</u>
<u>Expenditures:</u>				
<u>Current:</u>				
Hwy. & Public Improve.	<u>\$ 922,650</u>	<u>\$ 922,650</u>	<u>\$ 895,623</u>	<u>\$ 27,027</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (62,650)</u>	<u>\$ (62,650)</u>	<u>\$ 127,627</u>	<u>\$ 190,277</u>
Fund Balance - January 1	<u>\$ 862,189</u>	<u>\$ 862,189</u>	<u>\$ 862,189</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 799,539</u>	<u>\$ 799,539</u>	<u>\$ 989,816</u>	<u>\$ 190,277</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 3,626,304	\$ 3,626,304
<u>Expenditures:</u>				
<u>Current:</u>				
Hwy. & Public Improve.	\$ -	\$ 3,628,770	\$ 3,628,769	\$ 1
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (3,628,770)	\$ (2,465)	\$ 3,626,305
Fund Balance - January 1	\$ 2,465	\$ 2,465	\$ 2,465	\$ -
Fund Balance - December 31	\$ 2,465	\$ (3,626,305)	\$ -	\$ 3,626,305

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 779,869	\$ 779,869
<u>Expenditures:</u>				
<u>Current:</u>				
Flood Repair	\$ -	\$ 780,958	\$ 957,001	\$ (176,043)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (780,958)	\$ (177,132)	\$ 603,826
Net Change in Fund Balance	\$ -	\$ (780,958)	\$ (177,132)	\$ 603,826
Fund Balance - January 1	\$ 194,844	\$ 194,844	\$ 194,844	\$ -
Prior Period Adjustment	-	-	(123,832)	(123,832)
Fund Balance - January 1 (Restated)	\$ 194,844	\$ 194,844	\$ 71,012	\$ (123,832)
Fund Balance - December 31	\$ 194,844	\$ (586,114)	\$ (106,120)	\$ 479,994

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

BOTTINEAU COUNTY
Bottineau, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

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

	Budget	Actual	Excess
Special Revenue Funds:			
FEMA	\$780,958	\$957,001	\$(176,043)
Infrastructure	-	112,365	(112,365)
Emergency	175,000	213,862	(38,862)
Homeland Security	-	7,421	(7,421)
County Park	56,776	78,258	(21,482)
LAW Enforcement Grant	-	45,504	(45,504)

No remedial action is anticipated or required regarding these excess expenditures

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
Major Funds:						
General Fund	\$ 630,648.55	\$ 2,221,337.40	\$ -	\$ -	\$ 1,765,295.49	\$ 1,086,690.46
Farm to Market Blacktop	861,582.71	430,940.84	-	-	905,943.35	386,580.20
County Road & Bridge	684,727.25	2,135,723.44	-	-	2,579,213.56	241,237.13
Highway Tax Distribution	759,213.25	1,018,291.67	-	-	895,623.45	881,881.47
Oil Impact	(71,983.71)	3,700,752.64	-	-	3,628,768.93	-
FEMA	123,831.84	878,051.56	-	-	775,273.81	226,609.59
Total Major Funds	\$ 2,988,019.89	\$ 10,385,097.55	\$ -	\$ -	\$ 10,550,118.59	\$ 2,822,998.85
Nonmajor Funds:						
Miscellaneous Road	\$ 258,989.04	\$ 970,811.31	\$ -	\$ -	\$ 806,376.58	\$ 423,423.77
County Road Repair	(22,391.47)	214,199.30	-	-	188,958.17	2,849.66
Township Road Construction	-	201,000.00	-	-	15,100.00	185,900.00
Social Service	448,417.71	702,977.49	-	-	743,986.87	407,408.33
Infrastructure	138,785.03	98,441.52	-	-	112,365.49	124,861.06
Emergency	163,364.08	161,836.51	-	-	213,862.08	111,338.51
9-1-1	163,175.57	140,552.80	-	-	132,415.14	171,313.23
Veteran Service Officer	7,683.19	35,756.80	-	-	28,291.04	15,148.95
Health Care Insurance	231,194.02	293,260.72	-	-	176,155.92	348,298.82
Social Security/Rtmt/Tech	103,021.88	473,233.26	-	-	430,288.56	145,966.58
Property Insurance Reserve	65,030.91	151,694.41	-	-	106,189.07	110,536.25
Advertising	1,983.21	21,389.30	-	-	16,735.03	6,637.48
Library	185,732.22	164,742.66	-	30,000.00	134,113.81	186,361.07
Library Building	52,965.33	1,184.01	30,000.00	-	861.90	83,287.44
Weed Control Fund	173,740.30	209,567.21	-	-	222,984.57	160,322.94
Multi-Hazard Mitigation	(10,500.00)	-	-	-	-	(10,500.00)
Hazardous Chemical	6,398.94	2,887.50	-	-	-	9,286.44
Homeland Security - 2009	-	7,421.40	-	-	7,421.40	-
Courthouse Building Imp. & Equip.	14,289.07	39,707.38	-	-	22,902.24	31,094.21
County Park	38,341.97	66,008.18	-	-	78,257.92	26,092.23
County Zoning	10,236.41	1,450.00	-	-	909.67	10,776.74
Document Preservation	37,751.94	24,652.72	-	-	19,657.19	42,747.47
Law Enforcement Block Grant	(15,740.39)	51,976.34	-	-	45,503.93	(9,267.98)
Total Nonmajor Funds	\$ 2,052,468.96	\$ 4,034,750.82	\$ 30,000.00	\$ 30,000.00	\$ 3,503,336.58	\$ 2,583,883.20
Total Government Funds	\$ 5,040,488.85	\$ 14,419,848.37	\$ 30,000.00	\$ 30,000.00	\$ 14,053,455.17	\$ 5,406,882.05
Agency Funds:						
Flexible Benefits Plan	\$ 5,702.42	\$ 41,324.79	\$ -	\$ -	\$ 43,059.95	\$ 3,967.26
Airport Authority	1,526.82	33,424.04	-	-	34,793.56	157.30
NDSU Extension	40,652.98	138,960.28	-	-	101,613.55	77,999.71
Jobs Development Authority	310.29	128,713.15	-	-	128,497.47	525.97
Senior Citizens Fund	95.14	70,391.23	-	-	70,311.04	175.33
State Tax	95.14	38,486.54	-	-	38,406.35	175.33
Game and Fish Licenses	-	61,229.00	-	-	53,957.00	7,272.00
Protest	-	7,146.11	-	-	7,146.11	-
County Health-1st District	285.85	128,734.55	-	-	111,943.07	17,077.33
Garrison Diversion	95.14	42,978.24	-	-	42,898.05	175.33
Safe Communities	26.98	2,390.09	-	-	812.96	1,604.11
County Historical Society	59.49	9,137.68	-	-	9,129.19	67.98
Unlocatable Mineral Owners	7,169.39	183.13	-	-	-	7,352.52
Trust Fund	1,242,727.71	1,662,778.93	-	-	1,288,211.77	1,617,294.87

Continued on next page...

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
CONTINUED....						
<u>Agency Funds (Cont.):</u>						
County Fair	\$ 95.14	\$ 72,345.57	\$ -	\$ -	\$ 72,265.38	\$ 175.33
County Fair Bldg. & Improvements	47.60	18,988.89	-	-	18,948.82	87.67
ND Income Tax	6,571.10	25,947.03	-	-	32,518.13	-
Domestic Violence Prevention	105.00	1,015.00	-	-	1,050.00	70.00
Coalition Domestic Violence	475.00	5,769.00	-	-	5,945.00	299.00
Cheer-Social Service	341.38	-	-	-	-	341.38
Total Water Management Districts	418.49	147,849.01	-	-	147,444.91	822.59
Total Ambulance Districts	190.28	86,943.55	-	-	86,783.16	350.67
Total Cities	11,062.29	789,404.34	-	-	788,956.84	11,509.79
Total Park Districts	9,470.40	637,809.70	-	-	644,939.05	2,341.05
Total School Districts	126,372.19	4,939,338.95	-	-	4,909,493.38	156,217.76
Total Townships	1,314.27	995,151.44	-	-	993,308.75	3,156.96
Total Fire Districts	544.91	241,875.71	-	-	241,285.22	1,135.40
Total Soil Conservation Districts	208.08	83,795.20	-	-	83,615.18	388.10
Total Agency Funds	\$ 1,455,963.48	\$ 10,412,111.15	\$ -	\$ -	\$ 9,957,333.89	\$ 1,910,740.74
Total Primary Government	\$ 6,496,452.33	\$ 24,831,959.52	\$ 30,000.00	\$ 30,000.00	\$ 24,010,789.06	\$ 7,317,622.79
<u>Bottineau County WRD:</u>						
General Fund	\$ 222,885.09	\$ 29,449.74	\$ -	\$ -	\$ 72,213.98	\$ 180,120.85
Russel O & M	13,997.09	107.26	-	-	22,785.25	(8,680.90)
White Spur O & M	17,570.57	132.97	-	-	-	17,703.54
Kane/Tacoma O & M	29,093.68	227.35	-	-	60.00	29,261.03
Gessner O & M	(4,678.53)	5,156.51	-	-	5,631.00	(5,153.02)
Baumann O & M	4,203.69	52.60	-	-	-	4,256.29
Overgard O & M	(462.12)	6,019.32	-	-	18,284.53	(12,727.33)
Brander Capital Projects	63,468.75	1,087.83	-	-	20,149.01	44,407.57
Stone Creek Debt Service	(46,792.91)	-	-	-	-	(46,792.91)
White Spur Debt Service	(134,223.73)	13,505.24	-	-	-	(120,718.49)
Stone Creek Lateral	3,250.44	6.24	-	-	2,847.60	409.08
Stone Creek O & M	35,116.78	382.17	-	-	180.00	35,318.95
Houmann	-	-	-	-	20,273.30	(20,273.30)
Brandt Blada	(12,382.42)	5,635.46	-	-	6,603.68	(13,350.64)
Stead Drain O & M	2,480.18	-	-	-	2,320.00	160.18
Willow Creek	-	-	-	-	3,294.18	(3,294.18)
Total Water Resource District Funds	\$ 193,526.56	\$ 61,762.69	\$ -	\$ -	\$ 174,642.53	\$ 80,646.72
Boundary Creek WRD	\$ 45,182.62	\$ 10,732.22	\$ -	\$ -	\$ 13,386.64	\$ 42,528.20
Oak Creek WRD	56,577.72	59,700.96	-	-	22,412.58	93,866.10
Total Discretely Presented Component Units	\$ 295,286.90	\$ 132,195.87	\$ -	\$ -	\$ 210,441.75	\$ 217,041.02
Total Reporting Entity	\$ 6,791,739.23	\$ 24,964,155.39	\$ 30,000.00	\$ 30,000.00	\$ 24,221,230.81	\$ 7,534,663.81

BOTTINEAU COUNTY
Bottineau, North Dakota

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through the State Department of Transportation:</u>		
Highway Planning & Construction	20.205	\$ 555,132
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	3,733
Total U.S. Department of Transportation		<u>\$ 558,865</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed Through State Department of Human Services:</u>		
Foster Care-Title IV-E	93.658	\$ 28,094
Child Support Enforcement	93.563	17
Adoption Assistance	93.659	550
Children's Health Insurance Program	93.767	1,475
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,693
Maternal & Child Health Services Block Grant to the States	93.994	877
Promoting Safe & Stable Families	93.556	1,214
Temporary Assistance for Needy Families	93.558	27,333
Child Care and Development Block Grant	93.575	275
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	3,554
Block Grants for Prevention and Treatment of Substance Abuse	93.959	75
Total Department of Health and Human Services		<u>\$ 65,157</u>
<u>U.S. DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SERVICES:</u>		
<u>Passed Through State Department of Human Services:</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 45
<u>U.S. DEPARTMENT OF GAME AND FISH:</u>		
<u>Passed through State Department of the Interior Fish and Wildlife Service:</u>		
Wildlife Restoration and Basic Hunter Education	15.611	\$ 759
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed Through the State Department Emergency Management:</u>		
Emergency Management Performance Grants	97.042	\$ 22,190
Homeland Security Grant Programs	97.067	62,103
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	684,065
Total U.S. Department of Homeland Security		<u>\$ 768,358</u>
Total Expenditure of Federal Awards		<u>\$ 1,393,184</u>

Continued on next page....

BOTTINEAU COUNTY
Bottineau, North Dakota

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

CONTINUED....

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bottineau County under programs of the federal government for the year ended December 31, 2012. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Bottineau County, it is not intended to and does not present the financial position or changes in net position of Bottineau 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
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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

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

Independent Auditor's Report

Board of County Commissioners
Bottineau County
Bottineau, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Bottineau County's basic financial statements, and have issued our report thereon dated February 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bottineau 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 Bottineau County's internal control. Accordingly, we do not express an opinion on the effectiveness of Bottineau 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 certain deficiencies in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be significant deficiencies [2012-01 and 2012-02].

BOTTINEAU COUNTY

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

Compliance and Other Matters

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

Bottineau County's Response to Findings

Bottineau County's response to the findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Bottineau 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
February 3, 2014

STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Bottineau County
Bottineau, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Bottineau County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bottineau County's major federal programs for the year ended December 31, 2012. Bottineau County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

BOTTINEAU 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 Bottineau 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 Bottineau County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Bottineau 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 Bottineau County as of and for the years ended December 31, 2012, and have issued our report thereon dated February 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
February 3, 2014

BOTTINEAU COUNTY
Bottineau, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes None noted

Significant deficiencies identified not considered to be material weaknesses? Yes None noted

Noncompliance material to financial statements noted? Yes None noted

Federal Awards

Internal control over major programs:

Material weakness identified? Yes None noted

Significant deficiencies identified not considered to be material weaknesses? Yes 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 None noted

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

2012-01 – Prior Period Adjustments – Capital Assets & FEMA Funds

Condition:

Per review of the results of capital asset testing of the County's capital assets, a net amount of \$124,426 of adjustments decreasing capital assets for vehicles & machinery, infrastructure and construction in progress consists of a net cost increase to capital assets totaling \$34,015, and an accumulated depreciation increase totaling \$158,441 were proposed to correct prior period capital asset errors.

BOTTINEAU COUNTYSchedule of Findings and Questioned Costs - Continued

Additionally, a beginning balance adjustment to remove prior year revenue for FEMA grants totaling \$123,832 was proposed in the governmental fund statement of revenues, expenditures and changes in fund balances, and in the government-wide statement of activities due to all applicable revenue reporting requirements not being met as of year-end.

Effect:

The capital assets and unearned revenue prior period errors resulted in a net decrease to beginning net position totaling \$248,258, and beginning fund balances totaling \$123,832. Unearned revenue prior period errors totaled a \$123,832 decrease to the beginning fund balance in other governmental funds. Capital asset prior period errors netted to an overall net decrease of \$124,426 to beginning net capital asset balances, consisting of an increase of \$34,015 to capital assets cost, and an increase of \$158,441 to capital assets accumulated depreciation that was reflected on the statement of activities.

Cause:

Related to capital assets, the primary cause was missing capital assets from the prior period including vehicles/machinery, infrastructure and construction in progress. Related to FEMA disaster grant liabilities, the primary cause was incorrectly showing disaster grant revenue as earned prior to all revenue recognition requirements being met. Disaster grant revenue is not earned until the grant funds are expended.

Criteria:

Proper internal controls surrounding capital assets and accounting principles generally accepted in the United States of America require that capital assets balances and activities are fairly stated, including costs to be capitalized and depreciated.

Accounting principles generally accepted in the United States of America, specifically outlined in Governmental Accounting Standards Board Statement No. 33, require proper grant revenue recognition after all eligibility requirements have been met and the revenue is properly earned.

Recommendation:

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

Related to grant revenue recognition, we recommend that the county only report revenue earned when all eligibility requirements are met, and report a liability at year-end for any grant funds not expended.

Views of Responsible Officials / Planned Corrective Actions:

I agree with the recommendation. Capital assets will be closely monitored to ensure nothing is missed. The additions and deletions will be kept current. Liabilities will also be carefully monitored.

2012-02 – UNDER-PLEDGED SECURITIES

Condition:

Per review of client documentation of securities pledged over county deposits indicated that Bottineau County was under-pledged at First National Bank and Trust Company at February 29, 2012 by \$6,957,942.

BOTTINEAU COUNTYSchedule of Findings and Questioned Costs - Continued

Effect:

Non-compliance with state law requiring maintaining pledges at 110% above federal depository insurance corporation coverage as outlined in NDCC section 21-04-09.

Cause:

The County had pledges at the bank; however, during the high balance month of February there were more deposits than the bank had anticipated, and there was not an increase in pledges for Bottineau County which resulted in an inadequate amount of pledges.

Criteria:

NDCC section 21-04-09 states in part "when securities are so pledged to the board of any public corporation, the board shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits." Pledges are to be maintained in the amount of 110% above FDIC coverage.

Recommendation:

We recommend that Bottineau County ensures maintenance of adequate pledges of securities at any depository institution where the bank balances could exceed applicable FDIC Insurance coverage. We recommend that the client pay special attention to high-balance months, ensuring that the bank increases pledges on hand as needed to meet the increasing bank account balances during these periods.

Views of Responsible Officials / Planned Corrective Actions:

I agree with the recommendation. The Treasurer now currently calls the bank ahead of time whenever she is going to have a huge cash fluctuation due to larger amounts of cash deposits. This should allow the bank to go get the extra securities needed to be adequately pledged.

Section III - Federal Award Findings and Questioned Costs

No matters reported.