

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**NELSON COUNTY
LAKOTA, NORTH DAKOTA**

**FOR THE YEARS ENDED
DECEMBER 31, 2012
DECEMBER 31, 2011**



NELSON COUNTY
Lakota, North Dakota

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NELSON COUNTY
Lakota, North Dakota

COUNTY OFFICIALS

At December 31, 2012

Odell Flaagan	Commissioner - Chairman
Maynard Loibl	Commissioner
Bruce Ellertson	Commissioner
Donald Fougner	Commissioner - Vice Chairman
Dan Marquart	Commissioner

W.J. Davidson	Auditor
Bernadette Matejcek	Treasurer
Kelly Janke	Sheriff
Ruth Stevens	Recorder/Clerk of Court
Douglas Manbeck	State's Attorney

At December 31, 2011

Odell Flaagan	Commissioner - Chairman
Maynard Loibl	Commissioner
Ronald Dahlen	Commissioner
Donald Fougner	Commissioner - Vice Chairman
Dan Marquart	Commissioner

W.J. Davidson	Auditor
Bernadette Matejcek	Treasurer
Kelly Janke	Sheriff
Ruth Stevens	Recorder/Clerk of Court
Douglas Manbeck	State's Attorney

STATE AUDITOR

ROBERT R. PETERSON
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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
Nelson County
Lakota, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nelson County, Lakota, North Dakota, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nelson County, Lakota, North Dakota, as of December 31, 2012 and 2011, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 33-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2013 on our consideration of Nelson 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 Nelson County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 26, 2013

NELSON COUNTY
Lakota, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	Primary Government Governmental Activities	Component Unit Water Resource Board
ASSETS:		
Cash and Investments	\$ 2,706,956	\$ 1,238,072
Road Receivable	40,461	-
Taxes Receivable	48,990	1,518
Intergovernmental Receivable	570,776	2,309
Capital Assets (not being depreciation):		
Land	15,580	-
Construction in Progress	514,809	336,910
Capital Assets (net of accumulated depreciation):		
Buildings	150,819	-
Equipment	87,654	26,709
Vehicles	89,900	-
Total Capital Assets	<u>\$ 858,762</u>	<u>\$ 363,619</u>
Total Assets	<u>\$ 4,225,945</u>	<u>\$ 1,605,518</u>
LIABILITIES:		
Accounts Payable	\$ 92,603	\$ 21,539
Salaries Payable	21,383	-
Retainages Payable	47,871	-
Long-Term Liabilities:		
Due Within One Year:		
Loan Payable	32,167	25,000
Compensated Absences Payable	31,835	-
Due After One Year:		
Bonds Payable	-	1,500,000
Loan Payable	44,723	-
Compensated Absences Payable	47,754	-
Total Liabilities	<u>\$ 318,336</u>	<u>\$ 1,546,539</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 847,912	\$ 363,619
Restricted for:		
Public Safety	30,183	-
Highways	1,747,829	-
Flood Control	420,242	-
Health and Welfare	200,654	-
Conservation of Natural Resources	193,817	-
Emergencies	55,009	-
Economic Development	8,849	-
Other Special Purposes	70,412	-
Unrestricted	<u>332,702</u>	<u>(304,640)</u>
Total Net Position	<u>\$ 3,907,609</u>	<u>\$ 58,979</u>

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

NELSON COUNTY
Lakota, 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 Contributions	Primary Governmental Activities	Component Unit Water Resource Board
Primary Government:						
<u>Governmental Activities:</u>						
General Government	\$ 1,335,052	\$ 38,814	\$ 101,198	\$ -	\$ (1,195,040)	\$ -
Public Safety	535,410	101,743	249,102	-	(184,565)	-
Highways	1,872,255	445,294	2,196,835	-	769,874	-
Flood Repair	514,923	-	502,712	-	(12,211)	-
Health and Welfare	341,989	2,789	47,983	-	(291,217)	-
Culture and Recreation	80,826	70,618	78,244	186,325	254,361	-
Conser. of Natural Resources	191,535	4,142	3,048	-	(184,345)	-
Economic Development	73,648	-	-	-	(73,648)	-
Emergencies	63,826	-	-	-	(63,826)	-
Interest & Service Charges	3,040	-	-	-	(3,040)	-
Total Primary Government	\$ 5,012,504	\$ 663,400	\$ 3,179,122	\$ 186,325	\$ (983,657)	\$ -
<u>Component Unit:</u>						
Water Resource Board	\$ 232,523	\$ 819	\$ 156,435	\$ -	\$ -	\$ (75,269)
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes					\$ 467,148	\$ 138,029
Property taxes; levied for special purposes					1,866,394	-
Property taxes; levied for debt service					35,114	-
Unrestricted State Shared Revenue					491,717	-
Earnings on investments					6,277	786
Miscellaneous revenue					57,485	452
Total General Revenues					\$ 2,924,135	\$ 139,267
Change in Net Position					\$ 1,940,478	\$ 63,998
Net Position - January 1					\$ 1,967,131	\$ (5,019)
Net Position - December 31					\$ 3,907,609	\$ 58,979

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

NELSON COUNTY
Lakota, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Stump Lake Café Project	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Investments	\$ 349,701	\$ 672,762	\$ 379,781	\$ 641,896	\$ 43,611	\$ -	\$ 619,205	\$ 2,706,956
Road Receivable	-	-	-	40,461	-	-	-	40,461
Taxes Receivable	9,589	6,421	-	2,333	-	-	30,647	48,990
Intergovernmental Receivable	121,082	-	-	-	398,708	-	50,986	570,776
Due from Other Funds	101,943	-	-	-	-	-	-	101,943
Total Assets	\$ 582,315	\$ 679,183	\$ 379,781	\$ 684,690	\$ 442,319	\$ -	\$ 700,838	\$ 3,469,126
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$ -	\$ -	\$ -	\$ 21,446	\$ -	\$ 38,250	\$ 32,907	\$ 92,603
Salaries Payable	-	-	-	21,383	-	-	-	21,383
Due to Other Funds	-	-	-	-	-	97,169	4,774	101,943
Total Liabilities	\$ -	\$ -	\$ -	\$ 42,829	\$ -	\$ 135,419	\$ 37,681	\$ 215,929
Deferred Inflows of Resources:								
Road Receivable	\$ -	\$ -	\$ -	\$ 40,461	\$ -	\$ -	\$ -	\$ 40,461
Taxes Receivable	9,589	6,421	-	2,333	-	-	30,647	48,990
Total Deferred Inflows of Resources	\$ 9,589	\$ 6,421	\$ -	\$ 42,794	\$ -	\$ -	\$ 30,647	\$ 89,451
Total Liabilities and Deferred Inflows of Resources	\$ 9,589	\$ 6,421	\$ -	\$ 85,623	\$ -	\$ 135,419	\$ 68,328	\$ 305,380
Fund Balances:								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,877	\$ 40,877
Highways and bridges	-	672,762	-	599,067	442,319	-	61,435	1,775,583
Flood Control	-	-	379,781	-	-	-	-	379,781
Health and welfare	-	-	-	-	-	-	204,947	204,947
Culture and recreation	-	-	-	-	-	-	5,724	5,724
Conservation of natural resources	-	-	-	-	-	-	191,011	191,011
Economic development	-	-	-	-	-	-	7,180	7,180
Emergency	-	-	-	-	-	-	53,643	53,643
Debt Service	-	-	-	-	-	-	413	413
General Government	-	-	-	-	-	-	75,978	75,978
Unassigned:	572,726	-	-	-	-	(135,419)	(8,698)	428,609
Total Fund Balances	\$ 572,726	\$ 672,762	\$ 379,781	\$ 599,067	\$ 442,319	\$ (135,419)	\$ 632,510	\$ 3,163,746
Total Liabilities and Fund Balances	\$ 582,315	\$ 679,183	\$ 379,781	\$ 684,690	\$ 442,319	\$ -	\$ 700,838	\$ 3,469,126

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

NELSON COUNTY
Lakota, North Dakota

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

Total *Fund Balances* for Governmental Funds \$ 3,163,746

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	\$ 2,841,541	
Less Accumulated Depreciation	<u>(1,982,779)</u>	
Net Capital Assets		858,762

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

Property Taxes Receivable	\$ 48,990	
Road Department Accounts Receivable	<u>40,461</u>	89,451

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:

Loan Payable	\$ (76,890)	
Retainage Payable	(47,871)	
Compensated Absences	<u>(79,589)</u>	
Total Long-Term Liabilities		<u>(204,350)</u>

Total Net Position of Governmental Activities \$ 3,907,609

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

NELSON COUNTY
Lakota, North Dakota

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

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Stump Lake Café Project	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	\$ 467,988	\$ 304,344	\$ -	\$ 108,817	\$ -	\$ -	\$ 1,489,760	\$ 2,370,909
Intergovernmental	500,160	1,194,196	502,713	42,433	950,674	75,000	405,663	3,670,839
Charges for Services	137,708	-	-	527,659	-	-	80,398	745,765
Interest Income	5,068	1,209	-	-	-	-	-	6,277
Miscellaneous	5,476	-	-	24,368	-	5,000	22,641	57,485
Total Revenues	\$ 1,116,400	\$ 1,499,749	\$ 502,713	\$ 703,277	\$ 950,674	\$ 80,000	\$ 1,998,462	\$ 6,851,275
Expenditures:								
Current:								
General Government	\$ 573,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 790,771	\$ 1,364,252
Public Safety	304,932	-	-	-	-	-	247,744	552,676
Highways	-	641,978	-	1,207,045	-	-	67,267	1,916,290
Flood Repair	-	-	514,923	-	-	-	-	514,923
Health and Welfare	595	-	-	-	-	-	342,252	342,847
Culture and Recreation	-	-	-	-	-	215,419	156,828	372,247
Conservation of Natural Resources	-	-	-	-	-	-	141,771	141,771
Economic Development	-	-	-	-	-	-	73,648	73,648
Emergency	-	-	-	-	-	-	63,826	63,826
Debt Service:								
Principal	-	-	-	-	-	-	83,960	83,960
Interest & Service Charges	-	-	-	-	-	-	3,040	3,040
Total Expenditures	\$ 879,008	\$ 641,978	\$ 514,923	\$ 1,207,045	\$ -	\$ 215,419	\$ 1,971,107	\$ 5,429,480
Excess (Deficiency) of Revenues Over Expenditures	\$ 237,392	\$ 857,771	\$ (12,210)	\$ (503,768)	\$ 950,674	\$ (135,419)	\$ 27,355	\$ 1,421,795
Other Financing Sources (Uses):								
Loan Proceeds	\$ 10,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,850
Transfers In	148,164	-	-	957,662	-	-	332,357	1,438,183
Transfers Out	(109,059)	(140,000)	(210,860)	(112,207)	(599,207)	-	(266,850)	(1,438,183)
Total Other Financing Sources and Uses	\$ 49,955	\$ (140,000)	\$ (210,860)	\$ 845,455	\$ (599,207)	\$ -	\$ 65,507	\$ 10,850
Net Change in Fund Balances	\$ 287,347	\$ 717,771	\$ (223,070)	\$ 341,687	\$ 351,467	\$ (135,419)	\$ 92,862	\$ 1,432,645
Fund Balance - January 1	\$ 285,379	\$ (45,009)	\$ 602,851	\$ 257,380	\$ 90,852	\$ -	\$ 539,648	\$ 1,731,101
Fund Balance - December 31	\$ 572,726	\$ 672,762	\$ 379,781	\$ 599,067	\$ 442,319	\$ (135,419)	\$ 632,510	\$ 3,163,746

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

NELSON COUNTY
Lakota, North Dakota

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

Net Change in *Fund Balances* - Total Governmental Funds \$ 1,432,645

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

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

Current Year Capital Outlay	\$ 633,620	
Current Year Depreciation Expense	<u>(63,560)</u>	570,060

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 by which repayment of debt exceeded debt proceeds.

Loan Proceeds	\$ (10,850)	
Repayment of Debt	<u>83,960</u>	73,110

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

Net Change in Compensated Absences	\$ (2,848)	
Net Change in Retainage Payable	<u>(47,871)</u>	(50,719.00)

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

Net Change in Taxes Receivable	\$ (2,253)	
Net Change in Road Department Receivables	<u>(82,365)</u>	<u>(84,618)</u>

Change in Net Position of Governmental Activities \$ 1,940,478

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

NELSON COUNTY
Lakota, North Dakota

STATEMENT OF NET POSITION
December 31, 2011

	Primary Government Governmental Activities	Component Unit Water Resource Board
ASSETS:		
Cash and Investments	\$ 1,325,048	\$ 1,465,385
Road Receivable	122,826	-
Taxes Receivable	51,243	1,498
Intergovernmental Receivable	466,897	44,905
Capital Assets (not being depreciation):		
Land	15,580	-
Construction in Progress	-	31,298
Capital Assets (net of accumulated depreciation):		
Buildings	152,416	-
Equipment	41,140	-
Vehicles	79,567	-
Total Capital Assets	<u>\$ 288,703</u>	<u>\$ 31,298</u>
Total Assets	<u>\$ 2,254,717</u>	<u>\$ 1,543,086</u>
LIABILITIES:		
Accounts Payable	\$ 38,799	\$ 3,105
Salaries Payable	22,045	-
Long-Term Liabilities:		
Due Within One Year:		
Loan Payable	-	45,000
Compensated Absences Payable	30,697	-
Due After One Year:		
Bonds Payable	-	1,500,000
Loan Payable	150,000	-
Compensated Absences Payable	46,045	-
Total Liabilities	<u>\$ 287,586</u>	<u>\$ 1,548,105</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 288,702	\$ 31,298
Restricted for:		
Public Safety	13,668	-
Highways	327,376	-
Flood Control	725,677	-
Health and Welfare	97,359	-
Culture and Recreation	6,305	-
Conservation of Natural Resources	162,748	-
Emergencies	4,186	-
Economic Development	8,669	-
Other Special Purposes	212,654	-
Unrestricted	<u>119,787</u>	<u>(36,317)</u>
Total Net Position	<u>\$ 1,967,131</u>	<u>\$ (5,019)</u>

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

NELSON COUNTY
Lakota, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Unit Water Resource Board
Primary Government:					
<u>Governmental Activities:</u>					
General Government	\$ 1,235,426	\$ 33,675	\$ 44,190	\$ (1,157,561)	\$ -
Public Safety	351,198	80,423	4,936	(265,839)	-
Highways	2,053,134	500,567	1,101,637	(450,930)	-
Flood Repair	194,002	-	382,789	188,787	-
Health and Welfare	337,236	3,085	1,035	(333,116)	-
Culture and Recreation	169,354	69,600	-	(99,754)	-
Conser. of Natural Resources	94,010	8,819	-	(85,191)	-
Economic Development	66,289	-	-	(66,289)	-
Emergencies	54,913	-	-	(54,913)	-
Interest & Service Charges	388	-	-	(388)	-
Total Primary Government	\$ 4,555,950	\$ 696,169	\$ 1,534,587	\$ (2,325,194)	\$ -
<u>Component Unit:</u>					
Water Resource Board	\$ 289,787	\$ 38,106	\$ 190,234	\$ -	\$ (61,447)
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes				\$ 465,236	\$ 85,780
Property taxes; levied for special purposes				1,733,956	-
Property taxes; levied for debt service				35,080	-
Unrestricted State Shared Revenue				397,197	-
Earnings on investments				9,667	290
Miscellaneous revenue				85,175	2,221
Total General Revenues				\$ 2,726,311	\$ 88,291
Change in Net Position				\$ 401,117	\$ 26,844
Net Position - January 1				\$ 1,543,950	\$ (31,863)
Prior Period Adjustments				22,064	-
Net Position - January 1, As Restated				\$ 1,566,014	\$ (31,863)
Net Position - December 31				\$ 1,967,131	\$ (5,019)

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

NELSON COUNTY
Lakota, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2011

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 160,644	\$ -	\$ 320,969	\$ 248,961	\$ 42,947	\$ 551,527	\$ 1,325,048
Road Receivable	-	-	-	122,826	-	-	122,826
Taxes Receivable	10,429	6,986	-	2,539	-	31,289	51,243
Intergovernmental Receivable	100,019	-	281,882	-	47,905	37,091	466,897
Due from Other Funds	22,515	-	-	45,009	-	-	67,524
Total Assets	\$ 293,607	\$ 6,986	\$ 602,851	\$ 419,335	\$ 90,852	\$ 619,907	\$ 2,033,538
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
<u>Liabilities:</u>							
Accounts Payable	\$ -	\$ -	\$ -	\$ 14,545	\$ -	\$ 24,254	\$ 38,799
Salaries Payable	-	-	-	22,045	-	-	22,045
Due to Other Funds	-	45,009	-	-	-	22,515	67,524
Total Liabilities	\$ -	\$ 45,009	\$ -	\$ 36,590	\$ -	\$ 46,769	\$ 128,368
<u>Deferred Inflows of Resources:</u>							
Road Receivable	\$ -	\$ -	\$ -	\$ 122,826	\$ -	\$ -	\$ 122,826
Taxes Receivable	10,429	6,986	-	2,539	-	31,289	51,243
Total Deferred Inflows of Resources	\$ 10,429	\$ 6,986	\$ -	\$ 125,365	\$ -	\$ 31,289	\$ 174,069
Total Liabilities and Deferred Inflows of Resources	\$ 10,429	\$ 51,995	\$ -	\$ 161,955	\$ -	\$ 78,058	\$ 302,437
<u>Fund Balances:</u>							
<u>Restricted for:</u>							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,885	\$ 22,885
Highways and bridges	-	-	-	257,380	90,852	5,529	353,761
Flood control	-	-	602,851	-	-	-	602,851
Health and welfare	-	-	-	-	-	102,554	102,554
Culture and recreation	-	-	-	-	-	5,178	5,178
Conservation of natural resources	-	-	-	-	-	159,494	159,494
Economic development	-	-	-	-	-	7,013	7,013
Emergency	-	-	-	-	-	3,241	3,241
Debt Service	-	-	-	-	-	31,710	31,710
General Government	-	-	-	-	-	220,293	220,293
<u>Unassigned:</u>	283,178	(45,009)	-	-	-	(16,048)	222,121
Total Fund Balances	\$ 283,178	\$ (45,009)	\$ 602,851	\$ 257,380	\$ 90,852	\$ 541,849	\$ 1,731,101
Total Liabilities and Fund Balances	\$ 293,607	\$ 6,986	\$ 602,851	\$ 419,335	\$ 90,852	\$ 619,907	\$ 2,033,538

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

NELSON COUNTY
Lakota, North Dakota

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

Total *Fund Balances* for Governmental Funds \$ 1,731,101

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	\$ 2,207,921	
Less Accumulated Depreciation	<u>(1,919,219)</u>	
Net Capital Assets		288,702

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

Property Taxes Receivable	\$ 51,243	
Road Department Accounts Receivable	<u>122,826</u>	174,069

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, 2011 are:

Loan Payable	\$ (150,000)	
Compensated Absences	<u>(76,741)</u>	
Total Long-Term Liabilities		<u>(226,741)</u>

Total Net Position of Governmental Activities \$ 1,967,131

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

NELSON COUNTY
Lakota, North Dakota

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

	General	Farm to Market Roads	FEMA	Road and Bridge	Highway Distribution	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 465,862	\$ 301,784	\$ -	\$ 108,436	\$ -	\$ 1,360,719	\$ 2,236,801
Licenses, Permits and Fees	2,050	-	-	-	-	-	2,050
Intergovernmental	366,638	276,745	382,789	36,350	560,473	308,885	1,931,880
Charges for Services	110,422	-	-	464,330	-	83,035	657,787
Interest Income	8,398	1,269	-	-	-	-	9,667
Miscellaneous	6,651	-	-	54,884	-	23,640	85,175
Total Revenues	\$ 960,021	\$ 579,798	\$ 382,789	\$ 664,000	\$ 560,473	\$ 1,776,279	\$ 4,923,360
Expenditures:							
Current:							
General Government	\$ 497,830	\$ -	\$ -	\$ -	\$ -	\$ 732,182	\$ 1,230,012
Public Safety	253,890	-	-	-	-	99,697	353,587
Highways	-	753,378	-	1,270,467	-	7,334	2,031,179
Flood Repair	-	-	194,002	-	-	-	194,002
Health and Welfare	450	-	-	-	-	331,635	332,085
Culture and Recreation	-	-	-	-	-	148,313	148,313
Conservation of Natural Resources	-	-	-	-	-	107,046	107,046
Economic Development	-	-	-	-	-	66,289	66,289
Emergency	-	-	-	-	-	54,913	54,913
Debt Service:							
Principal	-	-	-	-	-	20,914	20,914
Interest & Service Charges	-	-	-	-	-	388	388
Total Expenditures	\$ 752,170	\$ 753,378	\$ 194,002	\$ 1,270,467	\$ -	\$ 1,568,711	\$ 4,538,728
Excess (Deficiency) of Revenues Over Expenditures	\$ 207,851	\$ (173,580)	\$ 188,787	\$ (606,467)	\$ 560,473	\$ 207,568	\$ 384,632
Other Financing Sources (Uses):							
Loan Proceeds	\$ 75,000	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ 150,000
Transfers In	9,933	140,000	40,106	733,344	-	177,620	1,101,003
Transfers Out	(208,310)	-	(40,106)	(43,455)	(545,274)	(263,858)	(1,101,003)
Total Other Financing Sources and Uses	\$ (123,377)	\$ 140,000	\$ -	\$ 764,889	\$ (545,274)	\$ (86,238)	\$ 150,000
Net Change in Fund Balances	\$ 84,474	\$ (33,580)	\$ 188,787	\$ 158,422	\$ 15,199	\$ 121,330	\$ 534,632
Fund Balance - January 1	\$ 198,704	\$ (11,429)	\$ 414,064	\$ 98,958	\$ 75,653	\$ 420,519	\$ 1,196,469
Fund Balance - December 31	\$ 283,178	\$ (45,009)	\$ 602,851	\$ 257,380	\$ 90,852	\$ 541,849	\$ 1,731,101

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

NELSON COUNTY
Lakota, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Net Change in *Fund Balances* - Total Governmental Funds \$ 534,632

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

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

Current Year Capital Outlay	\$ 37,258	
Loss on Capital Assets	(11,799)	
Current Year Depreciation Expense	<u>(63,771)</u>	(38,312)

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 by which repayment of debt exceeded debt proceeds.

Loan Proceeds	\$ (150,000)	
Repayment of Debt	<u>20,914</u>	(129,086)

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

Net Change in Compensated Absences 175

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

Net Change in Taxes Receivable	\$ (2,529)	
Net Change in Road Department Receivables	<u>36,237</u>	<u>33,708</u>

Change in Net Position of Governmental Activities \$ 401,117

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

NELSON COUNTY
Lakota, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2012 and 2011

	<u>Agency Funds</u>	
	<u>2012</u>	<u>2011</u>
<u>Assets:</u>		
Cash and Investments	<u>\$ 1,552,785</u>	<u>\$ 1,219,046</u>
<u>Liabilities:</u>		
Due to Other Governments	<u>\$ 1,552,785</u>	<u>\$ 1,219,046</u>

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

NELSON COUNTY
Lakota, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Based on these criteria, there are two discretely presented component units to be included within Nelson County as a reporting entity.

COMPONENT UNITS

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

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

Nelson County Water Resource District - The County's governing board appoints a voting majority of the members of the Nelson County Water Resource District Board. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy established by the Water Resource District.

Component Unit Financial Statements: The financial statements of the discretely presented component unit are presented in the County's basic financial statements. Complete financial statements of the component unit can be obtained from the Nelson County Auditor Nelson County, 210 B Avenue West, Lakota, ND 58344-7410.

NELSON COUNTY

Notes to the Financial Statements - Continued

Related Organizations - The County is accountable for the following legally separate entities because it appoints a voting majority to their governing boards. Although, the County is not financially accountable for these entities, as defined by GASB statement 14, the County did provide operating grants to them as follows:

	2012	2011
Weed Control	\$94,237	\$61,078
Historical Society	5,084	4,505
Senior Citizens	32,796	27,058

B. Basis of Presentation

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

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

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

The county reports the following major governmental funds:

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

Farm to Market Roads Fund. This fund accounts for repair and improvement of highways. The primary revenue sources in this fund are restricted grants and tax levy.

FEMA Fund. This fund accounts for state and federal grants related for flood disaster repairs and the related disbursements. The primary revenue sources in this fund are restricted grants.

County Road and Bridge Fund. This fund accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. The primary revenue sources in this fund are restricted grants and tax levy.

Highway Distribution Fund. This fund accounts for the Highway Tax Distribution revenue collected during the year for this specific County. The primary revenue sources in this fund are restricted grants

Stump Lake Café Project. This fund accounts for costs of construction of a café and shower house at Stump Lake. The primary revenue sources in this fund are restricted grants.

The County reports the following fund type:

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

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

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

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

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

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets

PRIMARY GOVERNMENT:

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

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

NELSON COUNTY

Notes to the Financial Statements - Continued

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

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

Assets	Years
Buildings	40 – 75
Machinery & Equipment	5 – 15
Infrastructure	40
Vehicles	3 – 7
Office Equipment	3 - 5

F. Compensated Absences

Vacation leave is earned at the rate of 12 to 24 days per year depending on years of service; up to 30 days. Upon termination vacation benefits that have accrued through the last day of work will be paid; maximum of 30 days. Employees accrue sick leave benefits at the rate of 1 day per month, up to 60 days. Sick leave benefits for Social Service employees are allowed to accumulate an unlimited amount. Once an employee has reached their maximum accrued sick leave level, they are eligible to trade any additional sick leave awarded that year, at a rate of one day of vacation for six days of sick leave. Upon termination sick leave benefits that have accrued through the last day of work will be paid out at a rate of 10%.

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.

H. Fund Balances / Net Position

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

Fund Balance Spending Policy:

It is the policy of Nelson County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (socials services, farm to market road, highway tax distribution, social security, regional correctional center, and emergency) are disclosed in more detail in Note 1B in the discussion of major funds.

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

On March 11, 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

NELSON COUNTY

Notes to the Financial Statements - Continued

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

Nelson County did not have report non-spendable balances, committed balances, or assigned fund balances in the balance sheet at December 31, 2012 and 2011.

Restricted Fund Balances – consist of the following items at December 31, 2012 and 2011:

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

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes social welfare/services and highways & bridges, as well as disaster type grants in FEMA funds, and other grant funds.

NELSON COUNTY

Notes to the Financial Statements - Continued

Net position:

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

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

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

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

I. Interfund Transactions

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

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

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

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

The board of county commissioners amended the county budget on January 7, 2013, for the year ended December 31, 2012 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
FEMA	\$ 146,550	\$304,100	\$ 450,650
County Road and Bridge	1,175,193	25,707	1,200,900
<u>Special Revenue Funds:</u>			
Keystone Pipeline	12,000	55,300	67,300
County Emergency	30,000	33,900	63,900
Stump Lake Café Project	-	177,200	177,200
Health Insurance	408,000	5,000	413,000
FICA	280,700	20,700	301,400
Homeland Security	50,000	121,400	171,400
County Loan	60,000	27,000	87,000
Job Development	73,400	300	73,700

NELSON COUNTY

Notes to the Financial Statements - Continued

The board of county commissioners amended the county budget on January 6, 2012, for the year ended December 31, 2011 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
Farm to Market	\$ 580,446	\$182,154	\$ 762,600
FEMA	340,500	5,700	346,200
County Road and Bridge	1,100,576	181,924	1,282,500
<u>Special Revenue Funds:</u>			
County Park	145,600	2,700	148,300
County Emergency	35,000	89,800	124,800
Law Enforcement	38,000	12,600	50,600
LLE Block Grant	12,000	10,200	22,200
Job Development	60,000	6,300	66,300
Insurance Reserve	65,000	8,000	73,000

NOTE 3: DEPOSITS

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

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

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

At year ended December 31, 2012, the county's carrying amount of deposits totaled \$4,258,832 and the bank balances totaled \$3,898,979. Of the bank balances, \$2,264,573 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,634,406 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2012, the Nelson County Water Resource District's carrying amount of deposits totaled \$1,266,501 and the bank balances totaled of \$1,266,561. Of the bank balances, \$254,723 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,011,838 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NELSON COUNTY

Notes to the Financial Statements - Continued

At year ended December 31, 2011, the county's carrying amount of deposits totaled \$2,543,333 and the bank balances totaled \$2,154,739. Of the bank balances, \$1,949,399 was covered by Federal Depository Insurance. The remaining bank balances totaling \$205,340 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2011, the Nelson County Water Resource District's carrying amount of deposits totaled \$1,465,235 and the bank balances totaled of \$1,519,776. Of the bank balances, \$254,718 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,265,058 were not collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2012 and 2011, the county had certificates of deposit totaling \$1,634,406 and \$205,340, respectively, all of which were considered deposits.

Concentration of Credit Risk:

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

NOTE 4: TAXES RECEIVABLE

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

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

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

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

NOTE 5: ROAD ACCOUNTS RECEIVABLE

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

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

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

NELSON COUNTY

Notes to the Financial Statements - Continued

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2012 and 2011 for the primary government:

Governmental Activities (2012):	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,580	\$ -	\$ -	\$ 15,580
Construction in Progress	-	514,808	-	514,808
Total Capital Assets not being depreciated	\$ 15,580	\$514,808	\$ -	\$ 530,388
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 770,005	\$ 8,624	\$ -	\$ 778,629
Furniture and Equipment	948,201	68,542	-	1,016,743
Vehicles & Machinery	474,136	41,645	-	515,781
Total Capital Assets, Being Depreciated	\$2,192,342	\$118,811	\$ -	\$2,311,153
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 617,589	\$ 10,221	\$ -	\$ 627,810
Furniture and Equipment	907,060	22,027	-	929,087
Vehicles & Machinery	394,570	31,312	-	425,882
Total Accumulated Depreciation	\$1,919,219	\$ 63,560	\$ -	\$1,982,779
Total Capital Assets Being Depreciated, Net	\$ 273,123	\$ 55,251	\$ -	\$ 328,374
Governmental Activities - Capital Assets, Net	\$ 288,703	\$570,059	\$ -	\$ 858,762

Governmental Activities (2011):	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,580	\$ -	\$ -	\$ 15,580
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 770,005	\$ -	\$ -	\$ 770,005
Furniture and Equipment	948,020	14,930	14,749	948,201
Vehicles & Machinery	471,592	22,329	19,785	474,136
Total Capital Assets, Being Depreciated	\$2,189,617	\$ 37,259	\$34,534	\$2,192,342
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 607,713	\$ 9,876	\$ -	\$ 617,589
Furniture and Equipment	891,979	18,031	2,950	907,060
Vehicles & Machinery	378,491	35,864	19,785	394,570
Total Accumulated Depreciation	\$1,878,183	\$ 63,771	\$22,735	\$1,919,219
Total Capital Assets Being Depreciated, Net	\$ 311,434	\$(26,512)	\$11,799	\$ 273,123
Governmental Activities - Capital Assets, Net	\$ 327,014	\$(26,512)	\$11,799	\$ 288,703

Depreciation expense was charged to functions/programs of the county as follows for the years ended December 31, 2012 and 2011:

Governmental Activities:	2012	2011
General Government	\$ 5,001	\$ 5,001
Public Safety	22,958	20,072
Highways and Bridges	24,121	25,554
Health and Welfare	-	2,009
Culture and Recreation	9,587	9,242
Conservation of Natural Resources	1,893	1,893
Total Depreciation Expense - Governmental Activities	\$63,560	\$63,771

NELSON COUNTY

Notes to the Financial Statements - Continued

DISCRETELY PRESENTED COMPONENT UNIT:Nelson County Water Resource District:

The following is a summary of changes in capital assets for the Nelson County Water Resource District, a discretely presented component unit of Nelson County for the year ended December 31, 2012 and 2011:

Governmental Activities (2012):	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Construction in Progress	\$31,298	\$305,612	\$ -	\$336,910
<i>Capital assets, being depreciated:</i>				
Equipment	\$ -	\$ 28,115	\$ -	\$ 28,115
<i>Less accumulated depreciation for:</i>				
Equipment	\$ -	\$ 1,406	\$ -	\$ 1,406
Total Capital Assets Being Depreciated, Net	\$ -	\$ 26,709	\$ -	\$ 26,709
Governmental Activities - Capital Assets, Net	\$31,298	\$332,321	\$ -	\$363,619

Governmental Activities (2011):	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Construction in Progress	\$ -	\$31,298	\$ -	\$31,298
Governmental Activities - Capital Assets, Net	\$ -	\$31,298	\$ -	\$31,298

Depreciation expense totaling \$1,406 in 2012 was charged to the conservation of natural resources function.

NOTE 8: ACCOUNTS PAYABLE

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

NOTE 9: SALARIES PAYABLE

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

NOTE 10: RETAINAGES PAYABLE

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at December 31, 2012.

NOTE 11: OPERATING LEASES

Nelson County leases 4 motor graders under non-cancelable operating leases. Total costs for such leases were \$184,476 and \$109,714 for the years ended December 31, 2012 and 2011, respectively. The future minimum lease payments for these leases are as follows:

Payments	Amount
FY2013	\$ 169,649
FY2014	351,461
FY2015	121,461
FY2016	648,005
Total	\$1,290,576

NELSON COUNTY

Notes to the Financial Statements - Continued

NOTE 12: LONG-TERM DEBT

Primary Government:

Changes in Long-Term Liabilities - During the years ended December 31, 2012 and 2011; the following changes occurred in governmental activities long-term liabilities for the primary government:

	Balance 1-1-12	Adjustment	Increases	Decreases	Balance 12-31-12	Due Within One Year
Loans Payable	\$150,000	\$ -	\$10,850	\$83,960	\$ 76,890	\$32,168
Compensated Absences *	76,742	-	2,847	-	79,589	31,835
Total	\$226,742	\$ -	\$13,697	\$83,960	\$156,479	\$64,003

	Balance 1-1-11	Adjustment	Increases	Decreases	Balance 12-31-11	Due Within One Year
Loans Payable	\$ 42,977	\$(22,064)	\$150,000	\$20,913	\$150,000	\$ -
Compensated Absences *	74,917	-	1,825	-	76,742	30,697
Total	\$117,894	\$(22,064)	\$151,825	\$20,913	\$226,742	\$30,697

* 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.

Outstanding governmental activities debt at December 31, 2012 is comprised of the following individual issues:

Loans Payable:

\$150,000 Loan from First United Bank, used to finance projects and equipment out of the County Road and Bridge Fund, payments are \$21,318 - \$22,717 annually through 2015; interest at 3.18%. \$66,040

\$10,850 Loan from Choice Financial, used to finance a 2013 Chevy Impala. One payment of \$10,850 is due January 2013; interest at 4.00%. 10,850

Total Loan Payable \$76,890

Debt service requirements on Government activity long-term debt at December 31, 2012 are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Loan Payable	
	Principal	Interest
2013	\$32,168	\$1,833
2014	22,006	1,104
2015	22,716	394
Total	\$76,890	\$3,331

Component Unit – Water Resource District:

Changes in Long-Term Liabilities - During the years ended December 31, 2012 and 2011; the following changes occurred in governmental activities long-term liabilities for the Water Resource District:

	Balance 1-1-12	Adjustment	Increases	Decreases	Balance 12-31-12	Due Within One Year
Loans Payable	\$ 45,000	\$ -	\$25,000	\$45,000	\$ 25,000	\$ 25,000
Bond Payable	1,500,000	-	-	-	1,500,000	1,500,000
Total	\$1,545,000	\$ -	\$25,000	\$45,000	\$1,525,000	\$1,525,000

NELSON COUNTY

Notes to the Financial Statements - Continued

	Balance 1-1-11	Adjustment	Increases	Decreases	Balance 12-31-11	Due Within One Year
Loans Payable	\$28,569	\$ -	\$ 45,000	\$28,569	\$ 45,000	\$45,000
Bond Payable	-	-	1,500,000	-	1,500,000	-
Total	\$28,569	\$ -	\$1,545,000	\$28,569	\$1,545,000	\$45,000

Outstanding governmental activities debt at December 31, 2012 is comprised of the following individual issues:

Loan Payable:

\$25,000 Loan from State Bank of Lakota, used to finance Central-Hamlin Project – Land Purchase. Payment of \$25,000 due in 2013; interest at 4.00%. \$ 25,000

Bond Payable:

\$1,500,000 Temporary Improvement Bond, due in one annual installment of \$1,500,000 in November 2012; interest at 0.70%. \$1,500,000

Total Water Resource District Long-Term Debt \$1,525,000

Debt service requirements on long-term debt for governmental activities of the water resource district at December 31, 2012 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	WRD Loan Payable		WRD Bond Payable	
	Principal	Interest	Principal	Interest
2013	\$25,000	\$573	\$1,500,000	\$10,500

NOTE 13: TRANSFERS

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

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 148,165	\$ 109,059
FEMA	-	210,860
Farm to Market Roads	-	140,000
Road and Bridge	957,662	112,206
Highway Distribution	-	599,207
Special Revenue Funds:		
Keystone Pipeline	-	54,932
Road & Bridge Contingency	54,932	-
Highway Maintenance	-	130,406
County Emergency	37,743	-
Weed Control	-	274
Veteran's Service Officer	-	2,555
County Agent	-	5,335
Health Insurance	224,967	-
OASIS & Social Security	-	73,348
Homeland Security	14,714	-
Total Transfers	\$1,438,183	\$1,438,183

NELSON COUNTY

Notes to the Financial Statements - Continued

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

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 9,933	\$ 208,310
FEMA	40,106	40,106
Road and Bridge	733,344	43,455
Highway Distribution	-	545,273
Farm to Market Roads	140,000	-
Special Revenue Funds:		
Highway Maintenance	-	125,774
County Emergency	-	62,296
Weed Control	-	100
Law Enforcement	5,000	-
Veteran's Service Officer	-	3,305
County Agent	-	6,528
Health Insurance	172,620	-
OASIS & Social Security	-	65,855
Total Transfers	\$1,101,003	\$1,101,003

NOTE 14: PENSION PLANNorth Dakota Public Employee's Retirement System

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

Plan members are required to contribute 5% of their annual covered salary. The county is required to contribute 7.26% of the employee's salary, which consists of 6.12% 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 \$124,684, \$101,375, and \$90,973, respectively, equal to the required contributions for the year.

NOTE 15: RISK MANAGEMENT

Nelson 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. Nelson County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$2,355,218 for public assets (mobile equipment and portable property).

NELSON COUNTY

Notes to the Financial Statements - Continued

Nelson County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Nelson 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 two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Nelson County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 16: DEFICIT CASH FUND BALANCESGOVERNMENTAL NEGATIVE FUND BALANCES

At December 31, 2012 and 2011, the following county governmental funds had deficit cash balances.

Negative Fund Balance	2012	2011
Farm to Market Roads	\$ -	\$(45,009)
Stump Lake Café Project	(97,169)	-
LLE Block Grants	(3,487)	(4,161)
County Park	(1,287)	(3,640)
Homeland Security	-	(14,714)

NOTE 17: JOINT VENTURESRed River Valley Joint Water Resource Board

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2012.

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

NELSON COUNTY

Notes to the Financial Statements - Continued

Complete financial statements can be obtained by writing: Red River Joint Water Resource Board, PO Box 10, Hillsboro, ND 58045.

Devils Lake Basin Joint Water Resource Board

Under authorization of state statutes, the Ramsey County Water Resource District joined Benson County, Cavalier County, Nelson County, Pierce County, Rolette County, Towner County, and Walsh County to establish and operate a joint exercise of powers agreement for water management districts located within the Devils Lake basin. Known as the Devils Lake Basin Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. One member of the directors for the joint venture is appointed by each government. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined due to lack of provisions being made for this in the joint powers agreement.

The following is summary financial information for the joint venture as of December 31, 2007, which is the most current audited information.

	Devils Lake Basin Joint WRD
Total Assets	\$260,952
Total Liabilities	-
Total Net Position	\$260,952
Revenues	\$312,857
Expenditures	303,030
Change in Net Position	\$ 9,827

Complete financial statements can be obtained by writing: Devils Lake Basin Joint Water Resource Board, 524 4th Avenue NE, #27, Devils Lake, ND 58301.

Nelson – Griggs District Health Unit

Nelson County entered into a joint venture with Griggs County for the operation of the Nelson - Griggs District Health Unit. Each participating county's share of the cost operations and board member appointments is determined by the relative population of each county.

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

	Nelson - Griggs District Health Unit
Total Assets	\$164,994
Total Liabilities	16,041
Total Net Position	\$148,953
Revenues	\$291,814
Expenditures	280,092
Change in Net Position	\$ 11,722

Complete financial statement can be obtained by writing: Nelson – Griggs District Health Unit, PO Box 365, McVile, ND 58254.

NELSON COUNTY

Notes to the Financial Statements - Continued

NOTE 18: CONSTRUCTION COMMITMENTS

Nelson County had several open construction commitments as of December 31, 2012 as follows:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Chairlift	\$ 72,200	\$ 36,100	\$ -	\$ 36,100
Café & Shower House Project	538,709	478,709	47,871	107,871
Total Construction in Progress	\$610,909	\$514,809	\$47,871	\$143,971

Nelson County Water Resource District had the following open construction commitment as of December 31, 2012 as follows:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Michigan Spillway	\$2,659,039	\$336,910	\$ -	\$2,322,129

NOTE 19: BUDGET TO ACTUAL RECONCILIATION

A loan for a Sheriff vehicle in 2012 was partially paid by the General Fund, which is not included in the budgetary comparison schedules but are included in the combined statement of revenues, expenditures and changes in fund balances for each year under audit. The reconciliation for the general fund is provided below:

2012 Fund	Combined Statement	Adjustment	Budget to Actual Statement
<u>General:</u> Expenditures	\$879,008	\$(10,850)	\$868,158

NOTE 20: PRIOR PERIOD ADJUSTMENTS

There were prior period adjustments for the period ending December 31, 2011 for Governmental Activities involving adjustments to the loans payable.

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$1,543,950
Adjustments to restate the January 1, 2012 Net position:	
Capital Assets net adjustment for cost and depreciation	22,064
Net Position January 1, as restated	\$1,566,014

NOTE 21: SUBSEQUENT EVENT

Nelson County took out a loan in the amount of \$190,000 from Farmers and Merchants State Bank on January 2, 2013 to help finance the Stump Lake Café Project. Additionally, Nelson County Water Resource District issued an additional \$1.5 million in bonds to finance the Michigan Spillway Project.

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Years Ended December 31, 2012 and 2011

	2012				2011			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Taxes	\$ 457,400	\$ 457,400	\$ 467,988	\$ 10,588	\$ 468,200	\$ 468,200	\$ 465,862	\$ (2,338)
Licenses, Permits and Fees	-	-	-	-	1,600	1,600	2,050	450
Intergovernmental	341,355	341,355	500,160	158,805	265,450	265,450	366,638	101,188
Charges for Services	130,290	130,290	137,708	7,418	115,940	115,940	110,422	(5,518)
Interest Income	9,000	9,000	5,068	(3,932)	12,000	12,000	8,398	(3,602)
Miscellaneous	3,800	3,800	5,476	1,676	38,200	38,200	6,651	(31,549)
Total Revenues	\$ 941,845	\$ 941,845	\$ 1,116,400	\$ 174,555	\$ 901,390	\$ 901,390	\$ 960,021	\$ 58,631
Expenditures:								
Current:								
General Government	\$ 581,631	\$ 581,631	\$ 573,481	\$ 8,150	\$ 554,827	\$ 554,827	\$ 497,830	\$ 56,997
Public Safety	311,263	311,263	294,082	17,181	261,347	261,347	253,890	7,457
Health & Welfare	600	600	595	5	540	540	450	90
Total Expenditures	\$ 893,494	\$ 893,494	\$ 868,158	\$ 25,336	\$ 816,714	\$ 816,714	\$ 752,170	\$ 64,544
Excess (Deficiency) of Revenues Over Expenditures	\$ 48,351	\$ 48,351	\$ 248,242	\$ 199,891	\$ 84,676	\$ 84,676	\$ 207,851	\$ 123,175
Other Financing Sources (Uses):								
Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ 75,000
Transfers In	9,950	9,950	148,164	138,214	7,600	7,600	9,933	2,333
Transfers Out	(147,340)	(147,340)	(109,059)	38,281	(99,000)	(99,000)	(208,310)	(109,310)
Total Other Financing Sources and Uses	\$ (137,390)	\$ (137,390)	\$ 39,105	\$ 176,495	\$ (91,400)	\$ (91,400)	\$ (123,377)	\$ (31,977)
Net Change in Fund Balances	\$ (89,039)	\$ (89,039)	\$ 287,347	\$ 376,386	\$ (6,724)	\$ (6,724)	\$ 84,474	\$ 91,198
Fund Balance - January 1	\$ 285,379	\$ 285,379	\$ 285,379	\$ -	\$ 198,704	\$ 198,704	\$ 198,704	\$ -
Fund Balance - December 31	\$ 196,340	\$ 196,340	\$ 572,726	\$ 376,386	\$ 191,980	\$ 191,980	\$ 283,178	\$ 91,198

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

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROADS FUND
For the Years Ended December 31, 2012 and 2011

	2012				2011			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Taxes	\$ 301,800	\$ 301,800	\$ 304,344	\$ 2,544	\$ 273,500	\$ 273,500	\$ 301,784	\$ 28,284
Intergovernmental	653,180	653,180	1,194,196	541,016	450	450	276,745	276,295
Interest Income	2,000	2,000	1,209	(791)	2,000	2,000	1,269	(731)
Total Revenues	\$ 956,980	\$ 956,980	\$ 1,499,749	\$ 542,769	\$ 275,950	\$ 275,950	\$ 579,798	\$ 303,848
<u>Expenditures:</u>								
Current:								
Highways	\$ 765,730	\$ 765,730	\$ 641,978	\$ 123,752	\$ 762,600	\$ 762,600	\$ 753,378	\$ 9,222
Excess (Deficiency) of Revenues Over Expenditures	\$ 191,250	\$ 191,250	\$ 857,771	\$ 666,521	\$ (486,650)	\$ (486,650)	\$ (173,580)	\$ 313,070
<u>Other Financing Sources (Uses):</u>								
Transfers Out	\$ -	\$ -	(140,000)	\$ (140,000)	\$ -	\$ -	140,000	\$ 140,000
Net Change in Fund Balances	\$ 191,250	\$ 191,250	\$ 717,771	\$ 526,521	\$ (486,650)	\$ (486,650)	\$ (33,580)	\$ 453,070
Fund Balance - January 1	\$ (45,009)	\$ (45,009)	\$ (45,009)	\$ -	\$ (11,429)	\$ (11,429)	\$ (11,429)	\$ -
Fund Balance - December 31	\$ 146,241	\$ 146,241	\$ 672,762	\$ 526,521	\$ (498,079)	\$ (498,079)	\$ (45,009)	\$ 453,070

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

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Years Ended December 31, 2012 and 2011

	2012				2011			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Intergovernmental	\$ 206,750	\$ 206,750	\$ 502,713	\$ 295,963	\$ -	\$ -	\$ 382,789	\$ 382,789
Expenditures:								
Current:								
Food Repair	\$ 486,850	\$ 486,850	\$ 514,923	\$ (28,073)	\$ 346,200	\$ 346,200	\$ 194,002	\$ 152,198
Excess (Deficiency) of Revenues Over Expenditures	\$ (280,100)	\$ (280,100)	\$ (12,210)	\$ 267,890	\$ (346,200)	\$ (346,200)	\$ 188,787	\$ 534,987
Other Financing Sources (Uses):								
Transfers In		\$ -		\$ -	\$ -	\$ -	\$ 40,106	\$ 40,106
Transfers Out		(210,750)	(210,860)	(110)			(40,106)	(40,106)
Total Other Financing Sources and Uses	\$ -	\$ (210,750)	\$ (210,860)	\$ (110)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ (280,100)	\$ (490,850)	\$ (223,070)	\$ 267,780	\$ (346,200)	\$ (346,200)	\$ 188,787	\$ 534,987
Fund Balance - January 1	\$ 602,851	\$ 602,851	\$ 602,851	\$ -	\$ 414,064	\$ 414,064	\$ 414,064	\$ -
Fund Balance - December 31	\$ 322,751	\$ 112,001	\$ 379,781	\$ 267,780	\$ 67,864	\$ 67,864	\$ 602,851	\$ 534,987

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

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Years Ended December 31, 2012 and 2011

	2012				2011			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Taxes	\$ 109,640	\$ 109,640	\$ 108,817	\$ (823)	\$ 100,200	\$ 100,200	\$ 108,436	\$ 8,236
Intergovernmental	37,710	37,710	42,433	4,723	36,350	36,350	36,350	-
Charges for Services	401,000	401,000	527,659	126,659	304,000	304,000	464,330	160,330
Miscellaneous	5,200	5,200	24,368	19,168	5,200	5,200	54,884	49,684
Total Revenues	\$ 553,550	\$ 553,550	\$ 703,277	\$ 149,727	\$ 445,750	\$ 445,750	\$ 664,000	\$ 218,250
<u>Expenditures:</u>								
Current:								
Highways	\$ 1,175,193	\$ 1,200,900	\$ 1,207,045	\$ (6,145)	\$ 1,285,500	\$ 1,285,500	\$ 1,270,467	\$ 15,033
Excess (Deficiency) of Revenues Over Expenditures	\$ (621,643)	\$ (647,350)	\$ (503,768)	\$ 143,582	\$ (839,750)	\$ (839,750)	\$ (606,467)	\$ 233,283
<u>Other Financing Sources (Uses):</u>								
Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 481,000	\$ 481,000	\$ 75,000	\$ (406,000)
Transfers In	654,000	654,000	957,662	303,662	100,000	100,000	733,344	633,344
Transfers Out	(61,560)	(61,560)	(112,207)	(50,647)	(66,000)	(66,000)	(43,455)	22,545
Total Other Financing Sources and Uses	\$ 592,440	\$ 592,440	\$ 845,455	\$ 253,015	\$ 515,000	\$ 515,000	\$ 764,889	\$ 249,889
Net Change in Fund Balances	\$ (29,203)	\$ (54,910)	\$ 341,687	\$ 396,597	\$ (324,750)	\$ (324,750)	\$ 158,422	\$ 483,172
Fund Balance - January 1	\$ 257,380	\$ 257,380	\$ 257,380	\$ -	\$ 98,958	\$ 98,958	\$ 98,958	\$ -
Fund Balance - December 31	\$ 228,177	\$ 202,470	\$ 599,067	\$ 396,597	\$ (225,792)	\$ (225,792)	\$ 257,380	\$ 483,172

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

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Years Ended December 31, 2012 and 2011

	2012				2011			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Intergovernmental	\$ 517,714	\$ 517,714	\$ 950,674	\$ 432,960	\$ 357,000	\$ 357,000	\$ 560,473	\$ 203,473
<u>Expenditures:</u>								
Current:								
Highways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 517,714	\$ 517,714	\$ 950,674	\$ 432,960	\$ 357,000	\$ 357,000	\$ 560,473	\$ 203,473
<u>Other Financing Sources (Uses):</u>								
Transfers Out	\$ (518,000)	\$ (518,000)	\$ (599,207)	\$ (81,207)	\$ (357,000)	\$ (357,000)	\$ (545,274)	\$ (188,274)
Net Change in Fund Balances	\$ (286)	\$ (286)	\$ 351,467	\$ 351,753	\$ -	\$ -	\$ 15,199	\$ 15,199
Fund Balance - January 1	\$ 90,852	\$ 90,852	\$ 90,852	\$ -	\$ 75,653	\$ 75,653	\$ 75,653	\$ -
Fund Balance - December 31	\$ 90,566	\$ 90,566	\$ 442,319	\$ 351,753	\$ 75,653	\$ 75,653	\$ 90,852	\$ 15,199

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

NELSON COUNTY
Lakota, North Dakota

BUDGETARY COMPARISON SCHEDULE
STUMP LAKE CAFÉ PROJECT FUND
For the Years Ended December 31, 2012 and 2011

	2012				2011			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>								
Intergovernmental	\$ -	\$ -	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	5,000	5,000	-	-	-	-
Total Revenues	\$ -	\$ -	\$ 80,000	\$ 80,000	\$ -	\$ -	\$ -	\$ -
<u>Expenditures:</u>								
Current:								
Culture and Recreation	\$ -	\$ 177,200	\$ 215,419	\$ (38,219)	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (177,200)	\$ (135,419)	\$ 41,781	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance - December 31	\$ -	\$ (177,200)	\$ (135,419)	\$ 41,781	\$ -	\$ -	\$ -	\$ -

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

NELSON COUNTY
Lakota, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012 and 2011

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2012 and 2011, Nelson County had the following fund expenditure in excess of budgeted amount:

Overspent Funds - 2012:	Budget	Actual	Overspent
Road & Bridge	\$1,200,900	\$1,207,045	\$ 6,145
Stump Lake Café Project	177,200	215,419	38,219

Overspent Funds - 2011:	Budget	Actual	Overspent
Keystone Pipeline	\$ -	\$ 7,333	\$ 7,333
County Loan	-	21,302	21,302

NELSON COUNTY
Lakota, North Dakota
SCHEDULE OF FUND ACTIVITY
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-12
Major Funds:							
General Fund	\$ 183,158.94	\$ 1,097,537.64	\$ 148,164.00	\$ -	\$ 109,058.97	\$ 868,157.74	\$ 451,643.87
FEMA	320,969.71	784,593.78	-	-	210,860.04	514,922.71	379,780.74
Farm to Market Roads	(45,009.47)	1,499,748.91	-	-	140,000.00	641,977.81	672,761.63
Road and Bridge	293,969.95	703,276.62	957,661.99	-	112,206.43	1,200,805.75	641,896.38
Highway Distribution	42,946.57	599,870.89	-	-	599,207.14	-	43,610.32
Stump Lake Café Project	-	80,000.00	-	-	-	177,169.05	(97,169.05)
Total Major Funds	\$ 796,035.70	\$ 4,765,027.84	\$ 1,105,825.99	\$ -	\$ 1,171,332.58	\$ 3,403,033.06	\$ 2,092,523.89
Non-Major Special Revenue Funds:							
<u>Special Revenue Funds:</u>							
Courthouse Repairs	\$ 14,942.27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,942.27
Keystone Pipeline	122,199.31	-	-	-	54,932.43	67,266.88	-
Road & Bridge Contingency	-	-	54,932.43	-	-	-	54,932.43
Highway Maintenance	522.25	130,328.53	-	-	130,405.73	-	445.05
County Emergency	853.69	75,987.61	37,743.35	-	-	63,826.11	50,758.54
Weed Control	100,608.98	105,175.42	-	-	274.00	94,237.24	111,273.16
Hazardous Chemicals	3,843.01	850.00	-	-	-	447.66	4,245.35
Law Enforcement	37,918.07	59,463.92	-	-	-	42,869.32	54,512.67
LLE Block Grants	(4,161.09)	24,827.46	-	-	-	24,153.70	(3,487.33)
Emergency Human Services	408.97	61.89	-	-	-	-	470.86
Human Services	96,504.94	421,561.40	-	-	-	322,217.99	195,848.35
Park/Village Coordinator	5,178.45	-	-	-	-	1,036.53	4,141.92
County Park	(3,639.50)	158,144.18	-	-	-	155,791.18	(1,286.50)
Veteran's Service Officer	3,287.92	24,199.61	-	-	2,555.00	20,307.63	4,624.90
County Agent	47,925.67	63,952.19	-	-	5,335.00	47,533.91	59,008.95
Health Insurance	1,982.11	188,646.96	224,967.00	-	-	412,955.36	2,640.71
OASIS & Social Security	54,410.78	348,164.26	-	-	73,348.00	301,396.81	27,830.23
Homeland Security	(14,713.97)	171,345.60	14,713.97	-	-	171,345.60	-
Job Development	307.43	73,618.59	-	-	-	73,648.35	277.67
Promotion & Advertising	5,497.66	9,326.68	-	-	-	9,500.00	5,324.34
Insurance Reserve	16,301.19	66,866.21	-	-	-	66,182.22	16,985.18
Document Preservation	7,124.38	4,141.54	-	-	-	737.00	10,528.92
Total Non-Major Special Revenue Funds	\$ 497,302.52	\$ 1,926,662.05	\$ 332,356.75	\$ -	\$ 266,850.16	\$ 1,875,453.49	\$ 614,017.67
<u>Debt Service Fund (Non-Major):</u>							
County Loan	\$ 31,710.23	\$ 55,703.12	\$ -	\$ -	\$ -	\$ 87,000.00	\$ 413.35
Total Non-Major Funds	\$ 529,012.75	\$ 1,982,365.17	\$ 332,356.75	\$ -	\$ 266,850.16	\$ 1,962,453.49	\$ 614,431.02
Total Governmental Funds	\$ 1,325,048.45	\$ 6,747,393.01	\$ 1,438,182.74	\$ -	\$ 1,438,182.74	\$ 5,365,486.55	\$ 2,706,954.91
<u>Agency Funds:</u>							
Historical Society	\$ 19.23	\$ 5,083.01	\$ -	\$ -	\$ -	\$ 5,084.19	\$ 18.05
Senior Citizens	76.89	32,791.00	-	-	-	32,795.89	72.00
State Taxes	76.89	18,544.20	-	-	-	18,549.09	72.00
Game & Fish	-	29,204.00	-	-	-	29,184.00	20.00
Game & Fish Passbook Revenue	1,169.55	0.73	-	-	-	-	1,170.28
Estimated Tax	-	16,493.84	-	-	-	16,493.84	-
Protest Tax	-	24,494.27	-	-	-	24,494.27	-
Prepaid Taxes	1,189,637.33	1,545,681.92	-	-	-	1,189,637.33	1,545,681.92
Incident Command Unit	1,674.65	-	-	-	-	-	1,674.65
Teachers Retirement	55.37	734.52	-	-	-	731.09	58.80
Payroll Deductions	3,048.90	200,155.55	-	-	-	200,075.04	3,129.41
Employee Insurance	491.87	3,146.11	-	-	-	3,197.76	440.22
Flex Plan	2,135.46	24,218.15	-	-	-	25,778.77	574.84
Domestic Violence	-	420.00	-	-	-	420.00	-
County Library	76.89	21,278.90	-	-	-	21,283.79	72.00

Continued on next page....

NELSON COUNTY
Lakota, North Dakota
SCHEDULE OF FUND ACTIVITY
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-12
CONTINUED.....							
<u>Agency Funds (Continued):</u>							
Health District	\$ 245.02	\$ 54,186.29	\$ -	\$ -	\$ -	\$ 54,219.59	\$ 211.72
Soil Conservation District	60.71	20,522.84	-	-	-	37,013.75	(16,430.20)
Michigan Ambulance	48.45	17,751.93	-	-	-	17,743.80	56.58
Lakota Ambulance	28.14	2,920.93	-	-	-	2,936.32	12.75
Water Resource District	307.43	82,489.94	-	-	-	82,509.20	288.17
Garrison Diversion	76.89	20,900.04	-	-	-	20,904.93	72.00
Devils Lake Joint Water District	2,292.69	7,318.51	-	-	-	7,200.00	2,411.20
Red River Joint Water District	1,030.07	16,807.49	-	-	-	17,100.00	737.56
Upper Sheyenne Jt Water District	-	5,974.67	-	-	-	5,933.83	40.84
Surveyor Specials	-	7,243.94	-	-	-	7,243.94	-
Total Cities	5,785.62	474,208.21	-	-	-	477,352.27	2,641.56
Total School Districts	8,389.65	2,029,296.51	-	-	-	2,030,032.91	7,653.25
Total Townships	1,716.09	937,508.16	-	-	-	937,702.77	1,521.48
Total Drains	-	51,832.44	-	-	-	51,832.44	-
Total Fire Districts	601.98	112,462.47	-	-	-	112,480.90	583.55
Total Agency Funds	\$ 1,219,045.77	\$ 5,763,670.57	\$ -	\$ -	\$ -	\$ 5,429,931.71	\$ 1,552,784.63
Total Primary Government	\$ 2,544,094.22	\$ 12,511,063.58	\$ 1,438,182.74	\$ -	\$ 1,438,182.74	\$ 10,795,418.26	\$ 4,259,739.54
<u>Component Units:</u>							
Water Resource District	\$ 1,465,385.13	\$ 339,095.79	\$ -	\$ 25,000.00	\$ -	\$ 591,410.04	\$ 1,238,070.88
Total Reporting Entity	\$ 4,009,479.35	\$ 12,850,159.37	\$ 1,438,182.74	\$ 25,000.00	\$ 1,438,182.74	\$ 11,386,828.30	\$ 5,497,810.42

NELSON COUNTY
Lakota, North Dakota
SCHEDULE OF FUND ACTIVITY
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 1-31-11
Major Funds:							
General Fund	\$ 152,452.83	\$ 931,585.20	\$ 9,933.00	75,000.00	\$ 208,310.00	\$ 777,502.09	\$ 183,158.94
Farm to Market Roads	(2,221.11)	579,797.44	140,000.00	-	-	762,585.80	(45,009.47)
FEMA	414,063.98	100,907.77	40,105.93	-	40,105.93	194,002.04	320,969.71
Road and Bridge	147,521.13	664,000.31	733,343.76	75,000.00	43,455.00	1,282,440.25	293,969.95
Highway Distribution	32,652.07	555,567.88	-	-	545,273.38	-	42,946.57
Total Major Funds	\$ 744,468.90	\$ 2,831,858.60	\$ 923,382.69	\$ 150,000.00	\$ 837,144.31	\$ 3,016,530.18	\$ 796,035.70
Non-Major Special Revenue Funds:							
Special Revenue Funds:							
Courthouse Repairs	\$ 14,942.27	\$ -	\$ -	-	-	\$ -	\$ 14,942.27
Keystone Pipeline	129,532.75	-	-	-	-	7,333.44	122,199.31
Highway Maintenance	782.06	125,514.59	-	-	125,774.40	-	522.25
County Emergency	35,923.37	89,690.11	-	-	62,295.98	62,463.81	853.69
Weed Control	75,211.66	86,574.97	-	-	100.00	61,077.65	100,608.98
Hazardous Chemicals	3,152.15	837.50	-	-	-	146.64	3,843.01
Law Enforcement	36,897.30	46,608.80	5,000.00	-	-	50,588.03	37,918.07
LLE Block Grants	202.75	17,821.50	-	-	-	22,185.34	(4,161.09)
Emergency Human Services	55.92	353.05	-	-	-	-	408.97
Human Services	35,144.92	378,080.64	-	-	-	316,720.62	96,504.94
Park/Village Coordinator	6,225.95	-	-	-	-	1,047.50	5,178.45
County Park	(5,674.08)	150,280.21	-	-	-	148,245.63	(3,639.50)
Veteran's Service Officer	3,266.23	22,410.61	-	-	3,305.00	19,083.92	3,287.92
County Agent	18,228.70	82,662.80	-	-	6,528.00	46,437.83	47,925.67
Health Insurance	45,637.40	173,379.95	172,620.00	-	-	389,655.24	1,982.11
OASIS & Social Security	54,172.13	325,514.78	-	-	65,855.00	259,421.13	54,410.78
Homeland Security	(40,213.97)	34,971.01	-	-	-	9,471.01	(14,713.97)
Job Development	426.77	66,170.05	-	-	-	66,289.39	307.43
Promotion & Advertising	4,824.49	9,673.17	-	-	-	9,000.00	5,497.66
Insurance Reserve	15,879.55	73,405.38	-	-	-	72,983.74	16,301.19
Document Preservation	4,988.83	3,880.99	-	-	-	1,745.44	7,124.38
Total Non-Major Special Revenue Funds	\$ 439,607.15	\$ 1,687,830.11	\$ 177,620.00	\$ -	\$ 263,858.38	\$ 1,543,896.36	\$ 497,302.52
Debt Service Fund (Non-Major):							
County Loan	\$ 1,653.79	\$ 51,358.44	\$ -	\$ -	\$ -	\$ 21,302.00	\$ 31,710.23
Total Non-Major Funds	\$ 441,260.94	\$ 1,739,188.55	\$ 177,620.00	\$ -	\$ 263,858.38	\$ 1,565,198.36	\$ 529,012.75
Total Governmental Funds	\$ 1,185,729.84	\$ 4,571,047.15	\$ 1,101,002.69	\$ 150,000.00	\$ 1,101,002.69	\$ 4,581,728.54	\$ 1,325,048.45
Agency Funds:							
Historical Society	\$ 26.70	\$ 4,497.58	\$ -	\$ -	\$ -	\$ 4,505.05	\$ 19.23
Senior Citizens	106.83	27,028.28	-	-	-	27,058.22	76.89
State Taxes	106.83	16,683.43	-	-	-	16,713.37	76.89
Game & Fish	865.00	28,188.00	-	-	-	29,053.00	-
Game & Fish Passbook Revenue	1,912.23	1,164.32	-	-	-	1,907.00	1,169.55
Estimated Tax	-	9,762.09	-	-	-	9,762.09	-
Protest Tax	-	17,753.97	-	-	-	17,753.97	-
Prepaid Taxes	1,173,850.46	1,189,637.33	-	-	-	1,173,850.46	1,189,637.33
Incident Command Unit	1,726.71	680.00	-	-	-	732.06	1,674.65
Teachers Retirement	53.74	700.80	-	-	-	699.17	55.37
Payroll Deductions	3,610.15	196,013.39	-	-	-	196,574.64	3,048.90
Employee Insurance	703.45	4,909.61	-	-	-	5,121.19	491.87
Flex Plan	588.96	26,550.79	-	-	-	25,004.29	2,135.46
Domestic Violence	70.00	315.00	-	-	-	385.00	-
County Library	106.83	19,454.22	-	-	-	19,484.16	76.89

Continued on next page....

NELSON COUNTY
Lakota, North Dakota
SCHEDULE OF FUND ACTIVITY
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 1-31-11
CONTINUED.....							
<u>Agency Funds (Continued):</u>							
Health District	\$ 414.57	\$ 53,306.90	\$ -	\$ -	\$ -	\$ 53,476.45	\$ 245.02
Soil Conservation District	85.85	14,764.33	-	-	-	14,789.47	60.71
Michigan Ambulance	180.05	17,888.42	-	-	-	18,020.02	48.45
Lakota Ambulance	0.23	2,904.86	-	-	-	2,876.95	28.14
Water Resource District	427.19	72,839.56	-	-	-	72,959.32	307.43
Garrison Diversion	106.83	18,409.50	-	-	-	18,439.44	76.89
Devils Lake Joint Water District	2,129.17	7,163.52	-	-	-	7,000.00	2,292.69
Red River Joint Water District	1,172.53	3,498.80	-	-	-	3,641.26	1,030.07
Total Cities	4,467.89	494,552.41	-	-	-	493,234.68	5,785.62
Total School Districts	13,556.01	1,827,577.39	-	-	-	1,832,743.75	8,389.65
Total Townships	3,071.37	568,221.07	-	-	-	569,576.35	1,716.09
Total Drains	893.76	14,400.04	-	-	-	15,293.80	-
Total Fire Districts	587.57	104,031.20	-	-	-	104,016.79	601.98
Total Agency Funds	\$ 1,210,820.91	\$ 4,742,896.81	\$ -	\$ -	\$ -	\$ 4,734,671.95	\$ 1,219,045.77
Total Primary Government	\$ 2,396,550.75	\$ 9,313,943.96	\$ 1,101,002.69	\$ 150,000.00	\$ 1,101,002.69	\$ 9,316,400.49	\$ 2,544,094.22
<u>Component Unit:</u>							
Water Resource District	\$ (4,817.66)	\$ 271,751.61	\$ -	\$ 1,537,800.00	\$ -	\$ 339,348.82	\$ 1,465,385.13
Total Reporting Entity	\$ 2,391,733.09	\$ 9,585,695.57	\$ 1,101,002.69	\$ 1,687,800.00	\$ 1,101,002.69	\$ 9,655,749.31	\$ 4,009,479.35

NELSON COUNTY
Lakota, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2012 and 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	2012 Federal Expenditures	2011 Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</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 COMMERCE:</u>			
<u>Passed Through State Department of Emergency Services:</u>			
Public Safety Interoperable Communications Grant Program	11.555	\$ -	\$ 3,680
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Passed Through State Department of Commerce:</u>			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	\$ 184,169	\$ 1,000
<u>U.S. DEPARTMENT OF INTERIOR:</u>			
<u>Passed Through State's Game & Fish:</u>			
Sport Fish Restoration Program	15.605	\$ 2,181	\$ 13,160
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed Through State Department of Human Services:</u>			
Temporary Assistance for Needy Families	93.558	\$ 3,696	\$ 3,035
Child Support Enforcement	93.563	250	257
Child Care and Development Block Grant	93.575	256	229
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	3,467	3,022
Stephanie Tubbs Jones Child Welfare Services Program	93.645	11	75
Foster Care_Title IV-E	93.658	12,345	12,209
Adoption Assistance	93.659	277	168
Children's Health Insurance Program	93.767	206	517
Maternal and Child Health Services Block Grant to the States	93.994	406	304
Total U.S. Department of Health and Human Services		\$ 20,914	\$ 19,816
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
<u>Passed Through State Department of Transportation:</u>			
Highway Planning and Construction	20.205	** \$ 564,218	\$ 276,402
State and Community Highway Safety	20.600	5,404	3,695
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	18,500	13,841
Total U.S. Department of Transportation		\$ 588,122	\$ 293,938
<u>U.S. DEPARTMENT OF ENERGY:</u>			
<u>Passed Through State Department of Commerce:</u>			
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	\$ -	\$ 40,485

Continued on next page.....

NELSON COUNTY
Lakota, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2012 and 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number		2012 Federal Expenditures	2011 Federal Expenditures
CONTINUED...				
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
<u>Passed Through State Department of Emergency Services:</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	**	\$ 634,444	\$ 158,756
Hazard Mitigation Grant	97.039		674	59,675
Emergency Management Performance Grants	97.042		36,239	4,911
Pre-Disaster Mitigation	97.047		-	25,500
Homeland Security Grant Program	97.067		171,346	8,641
Total U.S. Department of Homeland Security			<u>\$ 842,703</u>	<u>\$ 257,483</u>
Total Expenditures of Federal Awards			<u>\$ 1,638,134</u>	<u>\$ 629,562</u>

** - Major Program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Nelson County under programs of the federal government for the years ended December 31, 2012 and 2011. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Nelson County, it is not intended to and does not present the net position or changes in net position of Nelson 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

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

**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
Nelson County
Lakota, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nelson County, Lakota, North Dakota, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise Nelson County's basic financial statements, and have issued our report thereon dated August 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nelson 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 Nelson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Nelson County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *schedule of findings and questioned costs*, we identified one deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness [2012-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nelson 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*.

NELSON 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

Nelson County's Response to Finding

Nelson County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Nelson 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 result 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
August 26, 2013

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
Nelson County
Lakota, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Nelson 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 Nelson County's major federal programs for the years ended December 31, 2012 and 2011. Nelson 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 Nelson 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 Nelson 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 Nelson County's compliance.

Opinion on Each Major Federal Program

In our opinion, Nelson 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 programs for the years ended December 31, 2012 and 2011.

NELSON 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 Nelson 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 Nelson 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 Nelson 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 Nelson County as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated August 22, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 26, 2013

NELSON COUNTY
Lakota, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended December 31, 2012 and 2011

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?	X	Yes		_____	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes		X	None Noted
Noncompliance material to financial statements noted?	_____	Yes		X	No

Federal Awards

Internal control over major programs:

Material weakness identified?	_____	Yes		X	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes		X	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		X	No

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		X	No
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Section II - Financial Statement Findings

2012-01 – LACK OF SEGREGATION OF DUTIES

Condition:

Nelson County has two employees in the auditor and treasurer offices responsible for all duties performed by each office. It appears that the county does not have segregation of duties for keeping the assets separate from the posting to the General Ledger.

Criteria:

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the County.

Effect:

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the County's financial condition, whether due to error or fraud.

Recommendation:

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

Views of Responsible Officials:

Nelson County agrees with the recommendation and will segregate duties in the future if it is feasible.

Section III - Federal Award Findings and Questioned Costs

No matters reported.