

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**PIERCE COUNTY
RUGBY, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2013



PIERCE COUNTY
Rugby, North Dakota

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For the Year Ended December 31, 2013

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PIERCE COUNTY

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PIERCE COUNTY
Rugby, North Dakota

COUNTY OFFICIALS

December 31, 2013

Joe Bohl	Commissioner
Mike Christenson	Chairman
Duane Johnson	Vice-Chairman
David Migler	Commissioner
Richard Larson	Commissioner
Karin Fursather	Auditor/Treasurer
Matt Lunde	Sheriff
Lori Miron	County Recorder
Galen J. Mack	State's Attorney
Coleen Stutrud	Clerk of Court

WATER RESOURCE BOARD OFFICIALS

December 31, 2013

Ronald Kremer	Chairman
Marvin Gisi	Vice-Chairman
Duane Hawk	Treasurer

**HEART OF AMERICA CORRECTIONAL
AND TREATMENT CENTER OFFICIALS**

December 31, 2013

Joe Bohl	Commissioner
Mike Christenson	Vice-Chairman
Duane Johnson	Commissioner
David Migler	Chairman
Richard Larson	Commissioner
Mike Graner	Director of Business Operations
Justine Fjallengar	Accounting Specialist

STATE AUDITOR

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



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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pierce County
Rugby, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, North Dakota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, North Dakota, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the County absorbed the Heart of America Correctional and Treatment Center (HACTC), which is now reported as an enterprise fund. The HACTC was previously reported as a discretely presented component unit.

PIERCE COUNTY
Independent Auditor's Report - Continued

As discussed in Note 20 to the financial statements, the financial statements have been restated to correct misstatements.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 31-37 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.

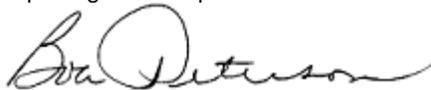
Other Information

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

The *schedule of fund activity arising from cash transactions and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 and the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2014 on our consideration of Pierce 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 Pierce County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
May 27, 2014

PIERCE COUNTY
Rugby, North Dakota
STATEMENT OF NET POSITION
December 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water Resource Dist.
ASSETS				
Cash, Cash Equivalents and Investments	\$ 5,160,695	\$ 261,647	\$ 5,422,342	\$ 15,933
Accounts Receivable	-	344,480	344,480	-
Intergovernmental Receivable	296,146	-	296,146	-
Due from County	-	-	-	218
Road Receivables	2,034	-	2,034	-
Taxes Receivable	34,477	-	34,477	936
Capital Assets (not being depreciated):				
Land	11,500	-	11,500	-
Capital Assets (net of accumulated depreciation):				
Buildings	335,622	1,867,500	2,203,122	-
Equipment	878,969	183,724	1,062,693	-
Infrastructure	1,271,933	73,699	1,345,632	-
Total Capital Assets	<u>\$ 2,498,024</u>	<u>\$ 2,124,923</u>	<u>\$ 4,622,947</u>	<u>\$ -</u>
Total Assets	<u>\$ 7,991,376</u>	<u>\$ 2,731,050</u>	<u>\$ 10,722,426</u>	<u>\$ 17,087</u>
LIABILITIES				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 35,250	\$ 34,989	\$ 70,239	\$ -
Salaries Payable	10,396	50,827	61,223	-
Payroll Liability	-	1,537	1,537	-
Grants Received in Advance	382,484	-	382,484	-
Interest Payable	2,613	638	3,251	-
<u>Non-Current Liabilities:</u>				
Due Within One Year:				
Special Assessment Payable	6,417	1,740	8,157	-
Loan Payable	3,642	-	3,642	-
Compensated Absences Payable	8,368	11,291	19,659	-
Due After One Year:				
Special Assessment Payable	64,169	17,401	81,570	-
Loan Payable	85,394	-	85,394	-
Compensated Absences Payable	33,473	45,166	78,639	-
Total Liabilities	<u>\$ 632,206</u>	<u>\$ 163,589</u>	<u>\$ 795,795</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Paid in Advance	<u>\$ 449,872</u>	<u>\$ -</u>	<u>\$ 449,872</u>	<u>\$ -</u>
NET POSITION				
Net Investment in Capital Assets	\$ 2,498,024	\$ 2,124,923	\$ 4,622,947	\$ -
Restricted for:				
Public Safety	30,177	-	30,177	-
Highways	2,442,465	-	2,442,465	-
Health and Welfare	493,439	-	493,439	-
Culture and Recreation	38,983	-	38,983	-
Conservation of Natural Resources	172,798	-	172,798	17,087
Emergencies	249,054	-	249,054	-
Other Purpsoses	211,492	-	211,492	-
Unrestricted	<u>772,866</u>	<u>442,538</u>	<u>1,215,404</u>	<u>-</u>
Total Net Position	<u>\$ 6,909,298</u>	<u>\$ 2,567,461</u>	<u>\$ 9,476,759</u>	<u>\$ 17,087</u>

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Water Resource District
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business- Type Activities		
Governmental Activities:							
General Government	\$ 966,553	\$ 41,778	\$ 80,279	\$ (844,496)	\$ -	\$ (844,496)	\$ -
Public Safety	671,803	89,610	179,089	(403,104)	-	(403,104)	-
Highways	2,198,070	223,335	1,745,092	(229,643)	-	(229,643)	-
Flood Repair	551,377	-	732,449	181,072	-	181,072	-
Health and Welfare	506,207	1,045	1,483	(503,679)	-	(503,679)	-
Culture and Recreation	123,503	25,060	6,000	(92,443)	-	(92,443)	-
Conserv. of Natural Resources	153,630	35,509	-	(118,121)	-	(118,121)	-
Other	70,472	-	-	(70,472)	-	(70,472)	-
Interest on Long-Term Debt	4,906	-	-	(4,906)	-	(4,906)	-
Total Governmental Activities	\$ 5,246,521	\$ 416,337	\$ 2,744,392	\$ (2,085,792)	\$ -	\$ (2,085,792)	\$ -
Business-Type Activities:							
HACTC	\$ 2,785,341	\$ 2,555,661	\$ -	\$ -	\$ (229,680)	\$ (229,680)	\$ -
Total Primary Government	\$ 8,031,862	\$ 2,971,998	\$ 2,744,392	\$ (2,085,792)	\$ (229,680)	\$ (2,315,472)	\$ -
Component Unit:							
Water Resource District	\$ 50,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (50,367)
General Revenues:							
Taxes:							
Property taxes; levied for general purposes				\$ 424,806	\$ -	\$ 424,806	\$ -
Property taxes; levied for special purposes				1,227,571	-	1,227,571	44,465
State aid & grants not restricted to specific programs:							
State Aid Distribution and Grants				618,882	-	618,882	8,816
Other State Shared Revenues				104,166	-	104,166	1,057
Forgiveness of debt				10,688	1,376	12,064	-
Unrestricted investment earnings				16,872	409	17,281	15
Miscellaneous revenue				77,089	5,713	82,802	215
Transfers - Net				(500,000)	500,000	-	-
Total General Revenues				\$ 1,980,074	\$ 507,498	\$ 2,487,572	\$ 54,568
Change in Net Position				\$ (105,718)	\$ 277,818	\$ 172,100	\$ 4,201
Net Position - January 1				\$ 7,414,119	\$ -	\$ 7,414,119	\$ 12,886
Prior Period Adjustments				(399,103)	2,289,643	1,890,540	-
Net Position - January 1, as restated				\$ 7,015,016	\$ 2,289,643	\$ 9,304,659	\$ 12,886
Net Position - December 31				\$ 6,909,298	\$ 2,567,461	\$ 9,476,759	\$ 17,087

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

PIERCE COUNTY
Rugby, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Road Districts	FEMA
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>						
<u>Assets:</u>						
Cash and Investments	\$ 898,837	\$ 613,424	\$ 65,348	\$ 1,380,365	\$ 415,462	\$ 382,484
Intergovernmental Receivable	111,305	17,652	2,684	64,346	20,572	-
Road Receivables	-	-	2,034	-	-	-
Taxes Receivable	8,827	4,423	656	-	2,306	-
Total Assets and Deferred Outflows of Resources	\$ 1,018,969	\$ 635,499	\$ 70,722	\$ 1,444,711	\$ 438,340	\$ 382,484
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts Payable	\$ 7,928	\$ -	\$ 16,336	\$ -	\$ -	\$ -
Salaries Payable	-	-	6,277	-	-	-
Grants Received in Advance	-	-	-	-	-	382,484
Total Liabilities	\$ 7,928	\$ -	\$ 22,613	\$ -	\$ -	\$ 382,484
<u>Deferred Inflows of Resources:</u>						
Taxes Received in Advance	\$ 75,941	\$ 63,083	\$ 8,075	\$ -	\$ 39,969	\$ -
Road Receivables	-	-	2,034	-	-	-
Taxes Receivable	8,827	4,423	656	-	2,306	-
Total Deferred Inflows of Resources	\$ 84,768	\$ 67,506	\$ 10,765	\$ -	\$ 42,275	\$ -
Total Liabilities And Deferred Inflows of Resources	\$ 92,696	\$ 67,506	\$ 33,378	\$ -	\$ 42,275	\$ 382,484
<u>Fund Balances:</u>						
<u>Restricted for:</u>						
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and Bridges	-	567,993	37,344	1,444,711	396,065	-
Health and Welfare	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Conserv. of Natural Resources	-	-	-	-	-	-
Emergency	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Unassigned:	926,273	-	-	-	-	-
Total Fund Balances	\$ 926,273	\$ 567,993	\$ 37,344	\$ 1,444,711	\$ 396,065	\$ -
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,018,969	\$ 635,499	\$ 70,722	\$ 1,444,711	\$ 438,340	\$ 382,484

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

County Poor Relief	Other Governmental Funds	Total Governmental Funds
\$ 522,217	\$ 882,558	\$ 5,160,695
34,468	45,119	296,146
-	-	2,034
6,905	11,360	34,477
<u>\$ 563,590</u>	<u>\$ 939,037</u>	<u>\$ 5,493,352</u>

\$ -	\$ 10,986	\$ 35,250
-	4,119	10,396
-	-	382,484

<u>\$ -</u>	<u>\$ 15,105</u>	<u>\$ 428,130</u>
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\$ 126,165	\$ 136,639	\$ 449,872
-	-	2,034
6,905	11,360	34,477

<u>\$ 133,070</u>	<u>\$ 147,999</u>	<u>\$ 486,383</u>
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<u>\$ 133,070</u>	<u>\$ 163,104</u>	<u>\$ 914,513</u>
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\$ -	\$ 35,031	\$ 35,031
-	-	2,446,113
430,520	61,284	491,804
-	38,813	38,813
-	170,327	170,327
-	247,722	247,722
-	222,756	222,756
-	-	926,273

<u>\$ 430,520</u>	<u>\$ 775,933</u>	<u>\$ 4,578,839</u>
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<u>\$ 563,590</u>	<u>\$ 939,037</u>	<u>\$ 5,493,352</u>
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PIERCE COUNTY
Rugby, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2013

Total *Fund Balances* for Governmental Funds \$ 4,578,839

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	\$ 4,869,963	
Less Accumulated Depreciation	<u>(2,371,939)</u>	
Net Capital Assets		2,498,024

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

Property Taxes Receivable	34,477	
Road Department Accounts Receivable	<u>2,034</u>	36,511

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2013 are the following:

Special Assessments Payable	\$ (70,586)	
Loan Payable	(89,036)	
Interest Payable	(2,613)	
Compensated Absences	<u>(41,841)</u>	
Total Long-Term Liabilities		<u>(204,076)</u>

Total Net Position of Governmental Activities \$ 6,909,298

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Road Districts	FEMA
<u>Revenues:</u>						
Taxes	\$ 421,321	\$ 212,790	\$ 30,476	\$ -	\$ 140,868	\$ -
Intergovernmental	502,396	112,138	10,659	1,189,848	685,120	551,377
Licenses, Permits and Fees	3,450	-	-	-	-	-
Charges for Services	42,027	-	220,290	-	1,012	-
Interest Income	16,872	-	-	-	-	-
Miscellaneous	32,903	-	-	-	9,479	-
Total Revenues	\$ 1,018,969	\$ 324,928	\$ 261,425	\$ 1,189,848	\$ 836,479	\$ 551,377
<u>Expenditures:</u>						
Current:						
General Government	\$ 682,348	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	174,385	-	-	-	-	-
Highways and Bridges	-	189,066	794,072	284,784	884,474	-
Flood Repair	-	-	-	-	-	551,377
Health and Welfare	10,000	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Conserv. of Natural Resources	700	-	-	-	-	-
Other	70,472	-	-	-	-	-
Debt Service:						
Principal	493	-	843	-	-	-
Interest and Fees	237	-	667	-	-	-
Total Expenditures	\$ 938,635	\$ 189,066	\$ 795,582	\$ 284,784	\$ 884,474	\$ 551,377
Excess (Deficiency) of Revenues Over Expenditures	\$ 80,334	\$ 135,862	\$ (534,157)	\$ 905,064	\$ (47,995)	\$ -
<u>Other Financing Sources (Uses):</u>						
Transfers In	\$ -	\$ -	\$ 500,000	\$ -	\$ -	\$ -
Loan Proceeds	-	-	-	-	-	-
Transfers Out	(515,000)	-	-	(500,000)	-	-
Total Other Financing Sources and Uses	\$ (515,000)	\$ -	\$ 500,000	\$ (500,000)	\$ -	\$ -
Net Change in Fund Balances	\$ (434,666)	\$ 135,862	\$ (34,157)	\$ 405,064	\$ (47,995)	\$ -
Fund Balances - January 1	\$ 1,360,939	\$ 432,131	\$ 71,501	\$ 1,039,647	\$ 444,060	\$ 354,397
Prior Period Adjustment	-	-	-	-	-	(354,397)
Fund Balances - Jan. 1, as restated	\$ 1,360,939	\$ 432,131	\$ 71,501	\$ 1,039,647	\$ 444,060	\$ -
Fund Balances - December 31	\$ 926,273	\$ 567,993	\$ 37,344	\$ 1,444,711	\$ 396,065	\$ -

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

County Poor Relief	Other Governmental Funds	Total Governmental Funds
\$ 323,401	\$ 509,678	\$ 1,638,534
91,938	323,964	3,467,440
-	-	3,450
-	147,524	410,853
-	-	16,872
-	34,707	77,089
<u>\$ 415,339</u>	<u>\$ 1,015,873</u>	<u>\$ 5,614,238</u>

\$ -	\$ 307,084	\$ 989,432
-	457,662	632,047
-	-	2,152,396
-	-	551,377
44,685	454,380	509,065
-	123,503	123,503
-	148,025	148,725
-	-	70,472
-	4,820	6,156
-	1,389	2,293
<u>\$ 44,685</u>	<u>\$ 1,496,863</u>	<u>\$ 5,185,466</u>

\$ 370,654 \$ (480,990) \$ 428,772

\$ -	\$ 443,652	\$ 943,652
-	81,834	81,834
(300,000)	(128,652)	(1,443,652)

\$ (300,000) \$ 396,834 \$ (418,166)

\$ 70,654 \$ (84,156) \$ 10,606

\$ 359,866	\$ 904,795	\$ 4,967,336
-	(44,706)	(399,103)

\$ 359,866 \$ 860,089 \$ 4,568,233

\$ 430,520 \$ 775,933 \$ 4,578,839

PIERCE COUNTY
Rugby, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ 10,606

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

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

Current Year Capital Outlay	\$ 317,815	
Current Year Depreciation Expense	<u>(387,176)</u>	(69,361)

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 debt issuance exceeded debt repayment.

Repayment of Debt - Special Assessments	\$ 6,417	
Repayment of Debt - Loans	10,427	
Loan Issued	<u>(81,834)</u>	(64,990)

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 Decrease in Compensated Absences	\$ 4,763	
Net Increase in Interest Payable	<u>(2,613)</u>	2,150

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

Net Increase in Taxes Receivable	\$ 13,843	
Net Increase in Road Department Receivables	<u>2,034</u>	<u>15,877</u>

Change in Net Position of Governmental Activities \$ (105,718)

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	<u>Business-Type Activities</u>
	<u>Heart of America Correctional and Treatment Center</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash	\$ 261,647
Accounts Receivable	344,480
Total Current Assets	<u>\$ 606,127</u>
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depreciation):	
Buildings	\$ 1,867,500
Equipment	183,724
Infrastructure	73,699
Total Capital Assets	<u>\$ 2,124,923</u>
Total Noncurrent Assets	<u>\$ 2,124,923</u>
Total Assets	<u>\$ 2,731,050</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 34,989
Salaries Payables	50,827
Payroll Liability	1,537
Interest Payable	638
Special Assessment Payable	1,740
Compensated Absences	11,291
Total Current Liabilities	<u>\$ 101,022</u>
<u>Noncurrent Liabilities:</u>	
Special Assessment Payable	\$ 17,401
Compensated Absences	45,166
Total Noncurrent Liabilities	<u>\$ 62,567</u>
Total Liabilities	<u>\$ 163,589</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 2,124,923
Unrestricted	442,538
Total Net Position	<u>\$ 2,567,461</u>

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2013

	Business-Type Activities
	Heart of America Correctional and Treatment Center
<u>Operating Revenues:</u>	
Housing - Security	\$ 1,946,684
Housing - Treatment	410,394
Billable Medical	84,085
Laundry Services	42,088
Transport	47,331
Other Operatin Revenues	25,079
Total Operating Revenues	\$ 2,555,661
<u>Operating Expenses:</u>	
Group Insurance Benefits	\$ 351,241
Retirement	158,722
Payroll	1,347,495
Utilities	110,334
Medical	119,634
Kitchen & Laundry	198,283
Supplies	102,052
Professional Fees	76,429
Other Operating Expenses	248,604
Depreciation Expense	67,952
Total Operating Expenses	\$ 2,780,746
Operating Income (Loss)	\$ (225,085)
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	\$ 409
Miscellaneous Revenue	5,713
Forgiveness of Debt	1,376
Interest and Service Charges	(4,595)
Total Non-Operating Revenues (Expenses)	\$ 2,903
<u>Other Financing Sources (Uses):</u>	
Transfers In	\$ 500,000
Change in Net Position	\$ 277,818
Total Net Position - January 1	\$ -
Prior Period Adjustment	2,289,643
Net Position - January 1, As Restated	\$ 2,289,643
Total Net Position - December 31	\$ 2,567,461

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013

	Business-Type Activities
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 2,502,798
Cash Payments to Suppliers for Goods and Services	(748,934)
Cash Payments to Employees for Services	(1,981,794)
	\$ (227,930)
<u>Cash Flows from Non-capital and Related Financing Activities:</u>	
Miscellaneous	\$ 5,713
Interest Received	409
Transfers In	500,000
	\$ 506,122
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	\$ (66,961)
Principal on Long-Term Debt	(1,381,887)
Interest Paid	(3,957)
	\$ (1,452,805)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,174,613)
Cash and Cash Equivalents, January 1	\$ 1,436,260
Cash and Cash Equivalents, December 31	\$ 261,647
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income (Loss)	\$ (225,085)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>	
Depreciation Expense	\$ 67,952
Change in Assets and Liabilities:	
Change in Accounts Receivable	(52,863)
Change in Salaries Payable	3,362
Loss on Capital Assets	2,055
Change in Accounts Payable	(16,330)
Change in Compensated Absence	(7,021)
	\$ (2,845)
Net Cash Provided by Operating Activities	\$ (227,930)

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2013

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 1,082,225</u>
<u>Liabilities:</u>	
Due to Other Governments/Entities	<u>\$ 1,082,225</u>

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

PIERCE COUNTY
Rugby, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

COMPONENT UNITS

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

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

Pierce County Water Resource District: The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Pierce County and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all 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 Road Fund. This fund accounts for the costs of constructing and maintaining federal aid farm to market roads within the county. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

County Road and Bridge Fund. This fund accounts for the maintenance and repair of roads within the county. The major sources of revenue are a restricted tax levy and State/Federal grants/reimbursements.

Highway Tax Distribution Fund. This fund accounts for the Highway Tax Distribution from the State to be used for the maintenance and repair of roads within the county. The major source of revenue is restricted state highway tax funds

Road Districts Fund. This fund accounts for construction costs related to road for unorganized townships. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

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

County Poor Relief Fund. This fund accounts for the taxes levied for social welfare programs that are transferred to the social welfare fund to help finance the costs of providing social service benefits and programs to needy residents of the county. The major source of revenue is a restricted tax levy.

The County reports the following major enterprise fund:

HACTC. This fund accounts for the lease payments received from the Heart of America Correctional and Treatment Center and for the Heart of America Correctional and Treatment Center's employee benefits, which are reimbursed by the Heart of America Correctional and Treatment Center. The major source of revenue has been committed by a board motion.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities

Additionally, the County reports the following fund type:

Agency Funds. These funds hold 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, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year 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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general 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 is both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the year ended December 31, 2013 consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

E. Capital Assets

PRIMARY GOVERNMENT – GOVERNMENTAL ACTIVITIES:

Capital assets of the governmental activities, which include property, plant, and equipment, are reported in the applicable 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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Assets	Years
Buildings	15 – 100
Equipment	5 – 12
Infrastructure	8 – 20

PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES:

Capital Assets – Business-Type Activities:

Capital assets of the Heart of America Correctional and Treatment Center include Vehicles, Equipment, and Infrastructure. Assets are reported in the business-type activities column in the government-wide financial statements, and in the statement of net position – proprietary funds for business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend asset lives are not capitalized.

F. Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the County. Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of thirty days. Sick leave benefits are allowed to accumulate up to 60 days. Once an employee has reached their maximum sick leave level, they are eligible to trade any additional sick leave awarded at a rate of one day of vacation for ten days of sick leave. Vested or accumulated vacation leave is reported in the general long-term debt account group. No liability is recorded for non-vesting accumulating rights for sick leave benefits.

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.

H. Fund Balances / Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of Pierce 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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

Minimum Fund Balance Policy:

The Pierce County budget committee established a 15-20% general fund carryover balance target to help with financial stability. The 15-20% fund balance range is a part of the budget recommendation adopted by the county each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$926,273 at December 31, 2013 represented 99% of annual 2013 expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (county road & bridge, farm to market road, highway tax distribution, 2012 FEMA road, county poor, law enforcement center, and HACTC) 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

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

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

Pierce County reports restricted and unassigned fund balances at December 31, 2013.

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments).

PIERCE COUNTY

Notes to the Financial Statements – Continued

Special Revenue Funds – Restricted & Committed Fund Balances:

(a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:

- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
- Restricted grants/reimbursements – primarily includes FEMA funds, other grant funds, and highway tax distribution.

Unassigned Fund Balances:

Unassigned fund balances at year-end 2013 consist of an amount in the general fund and amounts reported for negative fund balances in the sheriff’s grant fund and library elevator project fund.

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 less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

Restrictions of net position shown in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements. Restrictions of net position in the statement of net position are shown by primary function and are restricted for highways and bridges, public safety, 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. 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 for 2013 as follows:

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
<u>Major Funds:</u>			
Highway Tax Distribution	\$189,404	\$ 95,380	\$284,784
Road Districts	307,603	525,766	833,369
FEMA	-	551,377	551,377
<u>Nonmajor Special Revenue Funds</u>			
E911 Wireless	18,000	3,678	21,678
Law Enforcement Center	263,615	74,065	337,680
State Grants	-	6,650	6,650
Library Elevator Project	12,000	108,808	120,808

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 3: DEPOSITS

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

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

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

At December 31, 2013, the county's carrying amount of deposits was \$6,218,018 and the bank balances were \$6,360,940. Of the bank balances, \$1,005,503 was covered by Federal Depository Insurance. The remaining balance of \$5,355,437 was 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, 2013, the county held certificates of deposit in the amount of \$1,900,000, which are all considered deposits.

Concentration of Credit Risk:

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

Discretely Presented Component Units:

At December 31, 2013, Pierce County Water Resource District's carrying amount of deposits was \$15,934 and the bank balance was \$17,284, all of which was covered by Federal Depository Insurance. The Water Resource District does not have any investments.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consist of billings for costs related to prisoners at the Heart of America Correctional and Treatment Center.

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 5: INTERGOVERNMENTAL RECEIVABLES

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

NOTE 6: ROAD RECEIVABLES

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

NOTE 7: TAXES RECEIVABLE

Taxes receivable included in the deferred inflows of resources on the balance sheet represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

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

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

NOTE 8: CAPITAL ASSETS

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

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,500	\$ -	\$ -	\$ 11,500
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	\$ 11,500	\$ -	\$ -	\$ 11,500
<i>Capital assets being depreciated:</i>				
Buildings	\$ 583,261	\$ -	\$ -	\$ 583,261
Equipment	1,889,485	317,815	250,526	1,956,774
Infrastructure	2,318,428	-	-	2,318,428
Total Capital Assets, Being Depreciated	\$4,791,174	\$317,815	\$250,526	\$4,858,463
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 239,584	\$ 8,055	\$ -	\$ 247,639
Equipment	1,047,683	280,649	250,526	1,077,806
Infrastructure	948,022	98,472	-	1,046,494
Total Accumulated Depreciation	\$2,235,289	\$387,176	\$250,526	\$2,371,939
Total Capital Assets Being Depreciated, Net	\$2,555,885	\$ (69,361)	\$ -	\$2,486,524
Governmental Activities Capital Assets, Net	\$2,567,385	\$ (69,361)	\$ -	\$2,498,024

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

Governmental Activities:	Amounts
General Government	\$ 8,150
Public Safety	43,675
Highways and Bridges	330,446
Conservation of Natural Resources	4,905
Total Depreciation Expense-Governmental Activities	\$387,176

Heart of America Correctional and Treatment Center

The following is a summary of changes in capital assets for the Heart of America Correctional and Treatment Center, a discretely presented component unit of Pierce County, for the year ended December 31, 2013:

BUSINESS-TYPE:	Balance				Balance
Enterprise Activities:	1-1-13	Adjustment	Increases	Decreases	12-31-13
<i>Capital assets being depreciated:</i>					
Buildings	\$ -	\$2,075,000	\$ -	\$ -	\$2,075,000
Equipment	189,810	(20,973)	66,962	5,873	229,926
Infrastructure	79,531	-	-	-	79,531
Total Capital Assets, Being Depreciated	\$269,341	\$2,054,027	\$66,962	\$5,873	\$2,384,457
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ -	\$ 166,000	\$41,500	\$ -	\$ 207,500
Equipment	31,298	(6,008)	24,729	3,817	46,202
Infrastructure	4,109	-	1,723	-	5,832
Total Accumulated Depreciation	\$ 35,407	\$ 159,992	\$67,952	\$3,817	\$ 259,534
Total Capital Assets Being Depreciated, Net	\$233,934	\$1,894,035	\$ (990)	\$2,056	\$2,124,923
<i>Governmental Activities Capital Assets, Net</i>	\$233,934	\$1,894,035	\$ (990)	\$2,056	\$2,124,923

Depreciation expense totaling \$67,952 was charged to the Heart of America Correctional and Treatment Center.

NOTE 9: ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2013.

NOTE 10: 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 11: GRANTS RECEIVED IN ADVANCE

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

NOTE 12: INTEREST PAYABLE

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 13: LONG-TERM DEBTPRIMARY GOVERNMENT:

Changes in Long-Term Liabilities - During the year ended December 31, 2013, the following changes occurred in long-term liabilities for Pierce County:

Governmental Activities:	Balance 1-1-13	Adjustment	Increases	Decreases	Balance 12-31-13	Due Within One Year
Special Assessments	\$ 77,003	\$ -	\$ -	\$ 6,417	\$ 70,586	\$ 6,417
USDA Loans	17,629	-	81,834	10,427	89,036	3,642
Compensated Absences *	46,604	-	-	4,763	41,841	8,368
Total Governmental Activities	\$141,236	\$ -	\$81,834	\$21,607	\$201,463	\$18,427

Business-Type Activities:	Balance 1-1-13	Adjustment	Increases	Decreases	Balance 12-31-13	Due Within One Year
Special Assessments	\$20,881	\$ -	\$ -	\$ 1,740	\$19,141	\$ 1,740
Loan Payable	-	1,382,522	-	1,382,522	-	-
Compensated Absences *	61,522	1,956	-	7,021	56,457	11,291
Total Governmental Activities	\$82,403	\$1,384,478	\$ -	\$1,391,283	\$75,598	\$13,031

* 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 debt (excluding compensated absences) at December 31, 2013 consists of the following issues:

Governmental Activities:**Special Assessments on County Property:**

Special assessments on several parcels of property at various locations throughout the County \$ 70,586

Loans Payable:

\$99,463 Loan Payable for library elevator project, due in monthly installments of \$7,000 through December 11, 2032; interest at 3.50%. 89,036

Total Long-Term Debt (excluding compensated absences) \$159,622

Business-Type Activities:**Special Assessments on Heart of America Correctional and Treatment Center Property:**

Special assessments on several parcels of property at various locations throughout the County. \$ 19,141

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

GOVERNMENTAL ACTIVITIES				
Year Ending 12-31-13	Special Assessments		Loan Payable	
	Principal	Interest	Principal	Interest
2014	\$ 6,417	\$ 2,823	\$ 3,884	\$ 3,116
2015	6,417	2,567	4,020	2,981
2016	6,417	2,310	4,160	2,840
2017	6,417	2,053	4,306	2,694
2018	6,417	1,797	4,457	2,543
2019 - 2023	32,084	5,134	24,735	10,265
2024 - 2028	6,417	257	29,378	5,622
2029 - 2033	-	-	14,096	575
Total	\$70,586	\$16,941	\$89,036	\$30,636

BUSINESS-TYPE ACTIVITIES		
Year Ending 12-31-13	Special Assessments	
	Principal	Interest
2014	\$ 1,740	\$ 766
2015	1,740	696
2016	1,740	626
2017	1,740	557
2018	1,740	487
2019 - 2023	8,700	1,392
2024 - 2028	1,740	70
Total	\$19,141	\$4,594

NOTE 14: TAXES RECEIVED IN ADVANCE / DEFERRED INFLOWS

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the amount for taxes paid in advance in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes are measurable but not available. Taxes paid in advance in the deferred inflows of resources in the government wide statement of net position consist of prepaid taxes collected prior to December 31, 2013 but not earned until January 2014 when they are properly apportioned.

NOTE 15: TRANSFERS

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

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ -	\$ 515,000
Road and Bridge	500,000	-
Highway Distribution	-	500,000
County Poor Relief	-	300,000
Law Enforcement Center	40,000	-
Social Services	300,000	-
Social Security	-	88,652
Health Insurance	88,652	-
E911 Wireless	-	40,000
E 911 System	15,000	-
Enterprise Fund:		
HACTC	500,000	-
Total Transfers	\$1,443,652	\$1,443,652

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

NOTE 16: PENSION PLAN

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

Plan members are required to contribute 5% of their annual covered salary. The county is required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's contributions to NDPERS for the years ending December 31, 2013, 2012, and 2011 were \$258,925, \$210,828, and \$167,302, respectively, equal to the required contributions for the year.

NOTE 17: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Pierce County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF for automobile and general liability is limited to losses of two million dollars per occurrence. Public Assets coverage is limited to \$1,871,985.

Pierce County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Pierce County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides Pierce County with blanket fidelity bond coverage in the amount of \$1,211,760 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Pierce County has workers compensation with the North Dakota Workforce Safety and Insurance. The county provides health insurance for employees.

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 18: JOINT VENTURESLake Region District Health Unit

Pierce County entered into a joint venture with Ramsey, Benson and Eddy Counties for the operation of the Lake Region District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the property valuation of each county.

Unaudited summary financial information for the year ended December 31, 2012 is as follows:

	Lake Region District Health Unit
Total Assets	\$ 579,061
Total Liabilities	(64,305)
Total Net Position	\$ 514,756
Revenues	\$1,463,052
Expenses	1,445,437
Net Decrease in Net Position	\$ 17,615

Complete financial information can be obtained from Lake Region District Health Unit, Courthouse, Devils Lake, ND 58301.

Heart of America Library

Pierce County entered into a joint venture with the City of Rugby for the operation of the Heart of America Library. Pierce County and the City of Rugby share of the cost of operations is determined by the mill levy allowed for libraries for each entity. Board member appointments consist of four members appointed by the county, four members appointed by the city and one member from each governing board.

Unaudited summary financial information for the year ended December 31, 2013 is as follows:

	Heart of America Library
Cash and Investments	\$ 19,310
Total Revenues	\$180,592
Total Expenses	113,275
Net Change in Position	\$ 67,317

Complete financial information can be obtained from Heart of America Library, 201 Third Street SW, Rugby, ND 58368.

Devils Lake Basin Joint Water Resource District

Under authorization of state statutes the Pierce County Water Resource District joined the water resource districts of Rolette County, Benson County, Nelson County, Ramsey County, Cavalier 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. The joint agreement created 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 net position cannot be determined due to lack of provisions being made for this in the joint powers agreement.

PIERCE COUNTY

Notes to the Financial Statements – Continued

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	\$664,254
Total Liabilities	(25,968)
Total Net position	\$638,286
Revenues	\$312,857
Expenses	406,925
Net Decrease in Net position	\$ (94,068)

Complete financial information can be obtained from the Devils Lake Basin Joint Water Resource District, 524 4th Avenue NE, #27, Devils Lake, ND 58301.

NOTE 19: CHANGE IN REPORTING ENTITY

During FY2013, the HACTC's advisory board dissolved, and the HACTC became part of Pierce County. In prior years, the HACTC was reported as a discretely presented component unit. In FY2013, there was a change in reporting entity to report the HACTC as a business-type activity, in accordance with GASB Statement 34, paragraphs 66 and 67. This restatement was shown as a restatement of beginning net position, in accordance with GASB Statement 34, note 13.

NOTE 20: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for the 2013 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds consist of a beginning balance adjustment to remove prior year unearned revenue for grants received in advance in the FEMA fund and to remove the HACTC special revenue fund. The HACTC was reclassified as an enterprise fund.

The effects of the prior period adjustments to beginning fund balance and net position are as follows:

	FEMA
FEMA fund balance, as previously reported	\$354,397
Adjustments to restate the January 1 fund balance	
Remove Unearned Revenue	(354,397)
Fund Balance January 1, 2013 as restated	\$ -

	Other Governmental Funds
Other Governmental fund balance, as previously reported	\$904,795
Adjustments to restate the January 1 fund balance	
Remove Enterprise Fund	(44,706)
Fund Balance January 1, 2013 as restated	\$860,089

	Net Position - Governmental Activities
Net Position, as previously reported	\$7,414,119
Adjustments to restate the January 1 net position	
Remove Enterprise Fund	(44,706)
Remove Unearned Revenue	(354,397)
Net Position January 1, 2013 as restated	\$7,015,016

PIERCE COUNTY

Notes to the Financial Statements – Continued

The HACTC discretely presented component unit was also reclassified as an enterprise fund. The enterprise fund accounts for the previously reported HACTC special revenue fund and HACTC discretely presented component unit. Additionally, the enterprise fund had prior period adjustments to include a building, debt associated with the building, remove to remove capital assets under the \$5,000 capitalization threshold, and an adjustment to compensated absences.

The effects of the prior period adjustments to beginning net position are as follows:

	Net Position - Business-Type Activity
Business-Type Activities Net Position, as previously reported	\$ -
Adjustments to restate the January 1 Net Position	
Reclassify HACTC from discretely presented component unit to business-type activity	1,734,381
Reclassify HACTC Governmental Fund	44,706
Capital Asset Cost Adjustment	2,054,026
Capital Asset Depreciation Adjustment	(159,992)
USDA Loan	(1,381,522)
Compensated Absences	(1,956)
Net Position January 1, 2013 as restated	\$ 2,289,643

PIERCE COUNTY
Rugby, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 428,999	\$ 428,999	\$ 421,321	\$ (7,678)
Intergovernmental	451,300	451,300	502,396	51,096
Licenses, permits and fees	3,600	3,600	3,450	(150)
Charges for services	48,500	48,500	42,027	(6,473)
Interest income	40,000	40,000	16,872	(23,128)
Miscellaneous	54,500	54,500	32,903	(21,597)
Total Revenues	\$ 1,026,899	\$ 1,026,899	\$ 1,018,969	\$ (7,930)
<u>Expenditures:</u>				
Current:				
General government	\$ 893,683	\$ 893,683	\$ 682,348	\$ 211,335
Public safety	206,780	206,780	174,385	32,395
Health and welfare	10,000	10,000	10,000	-
Conservation of natural resources	1,100	1,100	700	400
Other	50,000	50,000	70,472	(20,472)
Debt Service:				
Principal	-	-	493	(493)
Interest	-	-	237	(237)
Total Expenditures	\$ 1,161,563	\$ 1,161,563	\$ 938,635	\$ 222,928
Excess (Deficiency) of Revenues Over Expenditures	\$ (134,664)	\$ (134,664)	\$ 80,334	\$ 214,998
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (515,000)	\$ (515,000)
Net Change in Fund Balances	\$ (134,664)	\$ (134,664)	\$ (434,666)	\$ (300,002)
Fund Balances - January 1	\$ 1,360,939	\$ 1,360,939	\$ 1,360,939	\$ -
Fund Balances - December 31	\$ 1,226,275	\$ 1,226,275	\$ 926,273	\$ (300,002)

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROADS FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 221,264	\$ 221,264	\$ 212,790	\$ (8,474)
Intergovernmental	42,711	42,711	112,138	69,427
Total Revenues	<u>\$ 263,975</u>	<u>\$ 263,975</u>	<u>\$ 324,928</u>	<u>\$ 60,953</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	<u>\$ 820,000</u>	<u>\$ 820,000</u>	<u>\$ 189,066</u>	<u>\$ 630,934</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (556,025)</u>	<u>\$ (556,025)</u>	<u>\$ 135,862</u>	<u>\$ 691,887</u>
Fund Balances - January 1	<u>\$ 432,131</u>	<u>\$ 432,131</u>	<u>\$ 432,131</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ (123,894)</u>	<u>\$ (123,894)</u>	<u>\$ 567,993</u>	<u>\$ 691,887</u>

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 47,234	\$ 47,234	\$ 30,476	\$ (16,758)
Intergovernmental	7,633	7,633	10,659	3,026
Charges for Services	165,250	165,250	220,290	55,040
Total Revenues	\$ 220,117	\$ 220,117	\$ 261,425	\$ 41,308
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 799,951	\$ 799,951	\$ 794,072	\$ 5,879
Debt Service:				
Principal	-	-	843	(843)
Interest	-	-	667	(667)
Total Expenditures	\$ 799,951	\$ 799,951	\$ 795,582	\$ 4,369
Excess (Deficiency) of Revenues Over Expenditures	\$ (579,834)	\$ (579,834)	\$ (534,157)	\$ 45,677
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 800,000	\$ 800,000	\$ 500,000	\$ (300,000)
Net Change in Fund Balances	\$ 220,166	\$ 220,166	\$ (34,157)	\$ (254,323)
Fund Balances - January 1	\$ 71,501	\$ 71,501	\$ 71,501	\$ -
Fund Balances - December 31	\$ 291,667	\$ 291,667	\$ 37,344	\$ (254,323)

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 565,223	\$ 565,223	\$ 1,189,848	\$ 624,625
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 189,404	\$ 284,784	\$ 284,784	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 375,819	\$ 280,439	\$ 905,064	\$ 624,625
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (800,000)	\$ (800,000)	\$ (500,000)	\$ 300,000
Net Change in Fund Balances	\$ (424,181)	\$ (519,561)	\$ 405,064	\$ 924,625
Fund Balances - January 1	\$ 1,039,647	\$ 1,039,647	\$ 1,039,647	\$ -
Fund Balances - December 31	\$ 615,466	\$ 520,086	\$ 1,444,711	\$ 924,625

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

PIERCE COUNTY
Rugby, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 150,580	\$ 150,580	\$ 140,868	\$ (9,712)
Intergovernmental	80,793	80,793	685,120	604,327
Charges for Services	1,432	1,432	1,012	(420)
Miscellaneous	5,400	5,400	9,479	4,079
Total revenues	<u>\$ 238,205</u>	<u>\$ 238,205</u>	<u>\$ 836,479</u>	<u>\$ 598,274</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 307,603</u>	<u>\$ 833,369</u>	<u>\$ 884,474</u>	<u>\$ (51,105)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (69,398)</u>	<u>\$ (595,164)</u>	<u>\$ (47,995)</u>	<u>\$ 547,169</u>
Fund Balances - January 1	<u>\$ 444,060</u>	<u>\$ 444,060</u>	<u>\$ 444,060</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 374,662</u>	<u>\$ (151,104)</u>	<u>\$ 396,065</u>	<u>\$ 547,169</u>

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

PIERCE COUNTY
Rugby, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 551,377	\$ 551,377
<u>Expenditures:</u>				
<u>Current:</u>				
Flood Repair	\$ -	\$ 551,377	\$ 551,377	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (551,377)	\$ -	\$ 551,377
Fund Balances - January 1	\$ 354,397	\$ 354,397	\$ 354,397	\$ -
Prior Period Adjustment	-	-	(354,397)	(354,397)
Fund Balances - Jan. 1 as restated	\$ 354,397	\$ 354,397	\$ -	\$ (354,397)
Fund Balances - December 31	\$ 354,397	\$ (196,980)	\$ -	\$ 196,980

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY POOR RELIEF FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 336,634	\$ 336,634	\$ 323,401	\$ (13,233)
Intergovernmental	75,656	75,656	91,938	16,282
Total Revenues	<u>\$ 412,290</u>	<u>\$ 412,290</u>	<u>\$ 415,339</u>	<u>\$ 3,049</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>\$ 52,350</u>	<u>\$ 52,350</u>	<u>\$ 44,685</u>	<u>\$ 7,665</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 359,940</u>	<u>\$ 359,940</u>	<u>\$ 370,654</u>	<u>\$ 10,714</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	<u>\$ (395,472)</u>	<u>\$ (395,472)</u>	<u>\$ (300,000)</u>	<u>\$ 95,472</u>
Net Change in Fund Balances	<u>\$ (35,532)</u>	<u>\$ (35,532)</u>	<u>\$ 70,654</u>	<u>\$ 106,186</u>
Fund Balances - January 1	<u>\$ 359,866</u>	<u>\$ 359,866</u>	<u>\$ 359,866</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 324,334</u>	<u>\$ 324,334</u>	<u>\$ 430,520</u>	<u>\$ 106,186</u>

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

PIERCE COUNTY
Rugby, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2013

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2013, Pierce County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
Major Funds:			
Road Districts	\$833,369	\$884,474	\$51,105

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

PIERCE COUNTY
Rugby, North Dakota

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

	Balance 1-1-13	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-13
Major Funds:							
General Fund	\$ 1,246,980.29	\$ 1,021,623.20	\$ -	\$ -	\$ 515,000.00	\$ 930,706.44	\$ 822,897.05
Farm to Market	416,828.28	322,577.99	-	-	-	189,065.74	550,340.53
Road and Bridge	71,501.15	258,741.65	500,000.00	-	-	772,968.54	57,274.26
Highway Distribution	976,610.62	1,188,538.88	-	-	500,000.00	284,784.00	1,380,365.50
Road Districts	424,486.40	835,480.29	-	-	-	884,473.87	375,492.82
FEMA	354,396.64	579,463.64	-	-	-	551,376.53	382,483.75
County Poor Relief	335,398.50	405,337.93	-	-	300,000.00	44,685.12	396,051.31
Total Major Funds	\$ 3,826,201.88	\$ 4,611,763.58	\$ 500,000.00	\$ -	\$ 1,315,000.00	\$ 3,658,060.24	\$ 3,964,905.22
Nonmajor Funds:							
Special Revenue Funds:							
Social Services	\$ 58,696.55	\$ 122,328.98	\$ 300,000.00	\$ -	\$ -	\$ 450,173.08	\$ 30,852.45
Emergency Poor	26,241.89	-	-	-	-	-	26,241.89
Emergency Fund	170,578.09	77,144.73	-	-	-	-	247,722.82
Veterans Service Officer	6,020.68	5,209.74	-	-	-	5,733.90	5,496.52
Social Security	276,547.47	74,676.55	-	-	88,652.48	84,760.58	177,810.96
Health Insurance	10,257.61	110,283.06	88,652.48	-	-	201,558.38	7,634.77
County Agent	44,684.51	65,376.98	-	-	-	40,409.17	69,652.32
Weed Control	71,674.59	128,859.18	-	-	-	107,626.45	92,907.32
Law Enforcement Center	45,360.65	264,648.79	40,000.00	-	-	337,681.34	12,328.10
E911 Wireless	39,775.93	32,752.25	-	-	40,000.00	21,678.33	10,849.85
E 911 System	18,361.60	22,689.80	15,000.00	-	-	45,008.21	11,043.19
Community Service	13,582.74	41,323.01	-	-	-	33,606.65	21,299.10
County Park	15,369.24	10,283.03	-	-	-	8,893.00	16,759.27
Sheriff's Grant	(174.16)	2,316.12	-	-	-	2,138.36	3.60
Insurance Reserve	21,526.69	8,822.25	-	-	-	15,030.74	15,318.20
State Grant	-	6,650.20	-	-	-	6,650.20	-
Library Proj Elevator	(2.00)	38,976.29	-	81,833.62	-	120,807.89	0.02
Total Nonmajor Funds	\$ 818,502.08	\$ 1,012,340.96	\$ 443,652.48	\$ -	\$ 128,652.48	\$ 1,481,756.28	\$ 745,920.38
Total Governmental Funds	\$ 4,644,703.96	\$ 5,624,104.54	\$ 943,652.48	\$ -	\$ 1,443,652.48	\$ 5,139,816.52	\$ 4,710,825.60
Enterprise Fund:							
HACTC Facility	\$ 1,436,259.57	\$ 3,394,225.65	\$ 500,000.00	\$ -	\$ -	\$ 5,068,837.74	\$ 261,647.48
Total Primary Government	\$ 6,080,963.53	\$ 9,018,330.19	\$ 1,443,652.48	\$ -	\$ 1,443,652.48	\$ 10,208,654.26	\$ 4,972,473.08
Agency Funds:							
Payroll Deduction	\$ 3,013.30	\$ 11,622.08	\$ -	\$ -	\$ -	\$ 11,898.17	\$ 2,737.21
Senior Citizens	43.95	39,820.26	-	-	-	39,761.96	102.25
Job Development	0.30	0.04	-	-	-	-	0.34
State Medical Tax	47.90	22,043.78	-	-	-	21,979.92	111.76
Mobile Homes	931.48	16,118.74	-	-	-	14,975.82	2,074.40
Advance Tax	36,966.94	32,200.41	-	-	-	49,755.59	19,411.76

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PIERCE COUNTY
Rugby, North Dakota

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

	Balance 1-1-13	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-13
<u>Agency Funds (Continued):</u>							
Abused Persons	\$ 70.00	\$ 595.00	\$ -	\$ -	\$ -	\$ 560.00	\$ 105.00
Game & Fish	13,519.00	15,321.00	-	-	-	24,128.00	4,712.00
NDSU Extension Activity	1,081.82	2,135.23	-	-	-	1,205.58	2,011.47
NDSU Pesticide	6,443.04	1,750.00	-	-	-	6,060.07	2,132.97
Preservation Fund	7,045.45	7,048.04	-	-	-	4,679.90	9,413.59
Ambulance	87.93	52,749.35	-	-	-	52,632.74	204.54
County/City Library	175.92	112,215.41	-	-	-	111,982.27	409.06
Garrison Diversion	47.90	25,523.22	-	-	-	25,459.36	111.76
Health District Fund	152.91	82,283.74	-	-	-	82,120.42	316.23
Historical Society	17.15	8,461.76	-	-	-	8,446.39	32.52
Soil Conservation	47.90	24,594.12	-	-	-	24,530.26	111.76
Total Cities	682.41	781,422.59	-	-	-	779,474.03	2,630.97
Total City Park Districts	89.21	94,806.25	-	-	-	94,668.17	227.29
Total School Districts	6,934.78	2,881,952.70	-	-	-	2,874,031.85	14,855.63
Total Townships	644.19	1,000,990.63	-	-	-	1,000,650.61	984.21
Total Water District	110.28	56,200.19	-	-	-	56,114.98	195.49
Total Fire Districts	210.67	82,230.62	-	-	-	82,031.05	410.24
Total Agency Funds	\$ 78,364.43	\$ 5,352,085.16	\$ -	\$ -	\$ -	\$ 5,367,147.14	\$ 63,302.45
Total Primary Government	\$ 6,159,327.96	\$ 14,370,415.35	\$ 1,443,652.48	\$ -	\$ 1,443,652.48	\$ 15,575,801.40	\$ 5,035,775.53

PIERCE COUNTY
Rugby, North Dakota

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

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed Through State Department of Human Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 13
Temporary Assistance for Needy Families	93.558	7,945
Child Support Enforcement	93.563	1,622
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	2,061
Stephanie Tubbs Jones Child Welfare Services Program	93.645	733
Foster Care-Title IV-E	93.658	20,004
Adoption Assistance	93.659	331
Children's Health Insurance Program	93.767	252
Medical Assistance Program	93.778	318
Maternal and Child Health Services Block Grant to the States	93.994	587
Total U.S. Department of Health and Human Services		<u>\$ 33,866</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed Through State Department of Emergency Services:</u>		
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	*** 486,507
Hazard Mitigation Grant	97.039	22,059
Emergency Management Performance Grants	97.042	9,940
Homeland Security Grant Program	97.067	6,650
Total U.S. Department of Homeland Security		<u>\$ 525,156</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through State Highway Department:</u>		
Highway Planning and Construction	20.205	\$ 57,486
State and Community Highway Safety	20.600	396
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	1,921
Total U.S. Department of Transportation		<u>\$ 59,802</u>
Total Expenditures of Federal Awards		<u>\$ 618,824</u>

*** - Major Program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pierce County under programs of the federal government for the year ended December 31, 2013. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Pierce County, it is not intended to and does not present the financial position or changes in net position of Pierce 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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BISMARCK, NORTH DAKOTA 58505

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

Independent Auditor's Report

Board of County Commissioners
Pierce County
Rugby, 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 units, each major fund, and the aggregate remaining fund information of Pierce County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Pierce County's basic financial statements, and have issued our report thereon dated May 27, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify two deficiencies in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be significant deficiencies [2013-01, 2013-02, and 2013-03].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pierce 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*.

PIERCE 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

Pierce County's Response to Findings

Pierce County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Pierce 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
May 27, 2014

STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Pierce County
Rugby, North Dakota

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Pierce County's compliance.

Opinion on Each Major Federal Program

In our opinion, Pierce County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

PIERCE COUNTY

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

Report on Internal Control Over Compliance

Management of Pierce 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 Pierce County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pierce 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 Pierce County as of and for the year ended December 31, 2013, and have issued our report thereon dated May 27, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
May 27, 2014

Section II - Financial Statement Findings

2013-01 – LACK OF SEGREGATION OF DUTIES – COUNTY

Condition:

A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

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.

Cause:

Due to the client's size, complexity, organizational structure and the economic realities the County faces, it is presently not economically feasible to have additional staff for the offices at Pierce County.

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.

Recommendation:

Due to the size, complexity and the economic realities of Pierce 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 / Planned Corrective Actions:

While we agree with the recommendation, due to the size and nature of the county, it is not feasible for us to obtain proper segregation of duties.

2013-02 – HEART OF AMERICA CORRECTIONAL AND TREATMENT CENTER

Condition:

The Heart of America Correctional and Treatment Center's (HACTC) advisory board dissolved in FY2013. The HACTC does not have a board of commissioners to approve bills, capital asset purchases, debt, etc; the HACTC has only department heads. The HACTC does not hold regular formal board meetings. Meeting minutes are not recorded, etc. Pierce County is currently acting as an informal board to the HACTC, and is approving the HACTC's expenses, etc.

Effect:

The HACTC does not obtain formal board approval for operations. Specifically, expenses paid by the HACTC did not have formal board approval. The HACTC is not in compliance with the North Dakota Century Code.

Cause:

The HACTC's advisory board dissolved in FY2013. The HACTC was unaware they needed formal board approval for operations such as approving expenses, capital asset purchases, etc.

PIERCE COUNTY

Schedule of Findings and Questioned Costs – Continued

Criteria:

Effective internal control requires formal board approval for various operations of the HACTC, including, but not limited to, approval of expenses, capital asset purchases, long term debt, etc.

Recommendation:

We recommend the Heart of America Correctional and Treatment Center either obtain their own board of commissioners, or officially be absorbed by Pierce County's board of commissioners.

Views of Responsible Officials / Planned Corrective Actions:

Pierce County agrees with the recommendations for the HACTC. The financials will be run through the county (payroll, expenditures, revenues) effective January 1, 2015.

2013-03 – PRIOR PERIOD ADJUSTMENT

Condition:

During the course of the audit, there was a beginning balance adjustment to remove prior year unearned revenue for grants received in advance in the FEMA fund and to remove the Heart of America Correctional and Treatment Center (HACTC) special revenue fund, resulting in a net adjustment to governmental fund balance of \$(399,103). The HACTC was reclassified as an enterprise fund. Additionally, there was a beginning balance adjustment to the enterprise fund for capital assets, loan payable, and compensated absences, resulting in a net adjustment of \$510,534.

Effect:

The prior period errors resulted in a prior period adjustment to beginning net position for governmental activities of \$(399,103), beginning net position for business-type activities of \$510,534, and beginning fund balance of \$(309,103). The effect of these errors also resulted in an emphasis of a matter language in the audit report opinion as the total of the errors exceeded performance materiality.

Cause:

The primary cause was the restructuring of the Heart of America Correctional Center (HACTC). The HACTC's advisory board dissolved, and the HACTC went under the County's authority. The primary cause of the FEMA fund prior period adjustment was recognizing revenue in this fund when it was not yet earned. Disaster grants revenue is not earned until the grant funds are expended.

Criteria:

Generally Accepted Accounting Standards (GAAP) prescribe requirement for enterprise fund recognition, qualifying expenses to be capitalized at their proper cost and revenue to be recognized when earned.

Recommendation:

We recommend Pierce County ensure proper amounts of capital assets and revenue are reported at each year-end. Detailed capital asset records should include all properly classified assets into proper asset classifications including appropriate descriptions of the asset, year of purchase or construction, useful lives, annual depreciation, proper accumulated depreciation, book values or balance to depreciate, and the correct function of the asset.

We also recommend Pierce County ensure proper amounts for long term debt and compensated absences are reported. Detailed records should include individual issuances of debt, as well as amortization schedules, etc.

PIERCE COUNTY

Schedule of Findings and Questioned Costs – Continued

Additionally, it is recommended Pierce County only report revenue earned when all reporting requirements are met.

Views of Responsible Officials / Planned Corrective Actions:

I agree with the recommendation. Capital asset, long-term debt, and compensated absences records will be properly reported. Revenue will be only reported once it has been earned.

Section III - Federal Award Findings and Questioned Costs

No matters reported.