



ROBERT R. PETERSON  
STATE AUDITOR

Pierce County  
Rugby, North Dakota

# Audit Report

For the Year Ended December 31, 2015

Office of the State Auditor

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PIERCE COUNTY  
Rugby, North Dakota

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For the Year Ended December 31, 2015

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PIERCE COUNTY  
Rugby, North Dakota

**COUNTY OFFICIALS**

December 31, 2015

Duane Johnston	Chairman
Mike Christenson	Vice-Chairman
Mike Brossart	Commissioner
David Migler	Commissioner
Richard Larson	Commissioner
Karin Fursather	Auditor/Treasurer
Josh Siegler	Sheriff
Lori Miron	County Recorder
Galen J. Mack	State's Attorney
Coleen Stutrud	Clerk of Court

**WATER RESOURCE BOARD OFFICIALS**

December 31, 2015

Ronald Kremer	Chairman
Bill Deck	Vice-Chairman
Duane Hawk	Treasurer

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

December 31, 2015

Duane Johnston	Chairman
Mike Christenson	Vice-Chairman
Mike Brossart	Commissioner
David Migler	Commissioner
Richard Larson	Commissioner
Mike Graner	Director of Business Operations
Justine Fjellanger	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

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**INDEPENDENT AUDITOR'S REPORT**

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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, 2015, 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, 2015, 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.

**PIERCE COUNTY**

Independent Auditor's Report - Continued

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***Emphasis of a Matter***

As discussed in Note 20 to the financial statements, Pierce County adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

***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 35-41 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* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *schedule of fund activity arising from cash transactions* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the schedule of fund activity arising from cash transactions* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016 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 18, 2016

PIERCE COUNTY  
Rugby, North Dakota

STATEMENT OF NET POSITION  
December 31, 2015

	Primary Government			Component Unit Water Resource Dist.
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash, Cash Equivalents and Investments	\$ 5,063,616	\$ 727,482	\$ 5,791,098	\$ 38,885
Accounts Receivable	-	284,384	284,384	-
Intergovernmental Receivable	207,144	-	207,144	-
Due from County	-	-	-	192
Road Receivables	695	-	695	-
Taxes Receivable	51,837	-	51,837	1,093
Other Assets	-	-	-	-
Capital Assets (not being depreciated):				
Land	11,500	-	11,500	-
Capital Assets (net of accumulated depreciation):				
Buildings	664,300	1,844,950	2,509,250	-
Equipment	926,068	70,865	996,933	-
Infrastructure	2,703,005	70,518	2,773,523	-
Total Capital Assets	<u>\$ 4,304,873</u>	<u>\$ 1,986,333</u>	<u>\$ 6,291,206</u>	<u>\$ -</u>
Total Assets	<u>\$ 9,628,165</u>	<u>\$ 2,998,199</u>	<u>\$ 12,626,364</u>	<u>\$ 40,170</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	\$ 140,750	\$ 165,739	\$ 306,489	\$ -
Total Assets and Deferred Outflows of Resources	<u>\$ 9,768,915</u>	<u>\$ 3,163,938</u>	<u>\$ 12,932,853</u>	<u>\$ 40,170</u>
<b>LIABILITIES</b>				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 10,932	\$ 48,198	\$ 59,130	\$ -
Salaries Payable	15,380	78,549	93,929	-
Grants Received in Advance	185,997	-	185,997	-
Interest Payable	2,122	263	2,385	-
<u>Non-Current Liabilities:</u>				
Due Within One Year:				
Special Assessment Payable	6,417	1,740	8,157	-
Loan Payable	3,827	-	3,827	-
Compensated Absences Payable	12,167	12,165	24,332	-
Due After One Year:				
Special Assessment Payable	51,336	6,142	57,478	-
Loan Payable	57,838	-	57,838	-
Compensated Absences Payable	48,668	48,659	97,327	-
Net Pension Liability	711,201	801,305	1,512,506	-
Total Liabilities	<u>\$ 1,105,885</u>	<u>\$ 997,021</u>	<u>\$ 2,102,906</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Received in Advance	\$ 565,036	\$ -	\$ 565,036	\$ -
Pensions	78,378	88,308	166,686	-
Total Deferred Inflows of Resources	<u>\$ 643,414</u>	<u>\$ 88,308</u>	<u>\$ 731,722</u>	<u>\$ -</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,749,299</u>	<u>\$ 1,085,329</u>	<u>\$ 2,834,628</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 4,304,873	\$ 1,986,333	\$ 6,291,206	\$ -
Restricted for:				
Debt service	17,118	-	17,118	-
Public Safety	-	-	-	-
Highways	2,382,119	-	2,382,119	-
Flood Repair	47,769	-	47,769	-
Health and Welfare	538,641	-	538,641	-
Culture and Recreation	77,669	-	77,669	-
Conservation of Natural Resources	218,414	-	218,414	40,170
Emergencies	153,575	-	153,575	-
Other Purpsoses	77,066	-	77,066	-
Unrestricted	202,372	92,276	294,648	-
Total Net Position	<u>\$ 8,019,616</u>	<u>\$ 2,078,609</u>	<u>\$ 10,098,225</u>	<u>\$ 40,170</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, 2015

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	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- Type Activities	Total	
<b>Governmental Activities:</b>								
General Government	\$ 1,184,144	\$ 45,495	\$ 51,773	\$ -	\$ (1,086,876)	\$ -	\$ (1,086,876)	\$ -
Public Safety	619,355	115,317	57,574	-	(446,464)	-	(446,464)	-
Highways	1,826,006	167,639	827,645	609,008	(221,714)	-	(221,714)	-
Flood Repair	600,349	-	912,098	-	311,749	-	311,749	-
Health and Welfare	592,333	-	64,318	-	(528,015)	-	(528,015)	-
Culture and Recreation	21,741	-	-	-	(21,741)	-	(21,741)	-
Conserv. of Natural Resources	181,404	-	-	-	(181,404)	-	(181,404)	-
Other	52,666	-	-	-	(52,666)	-	(52,666)	-
Interest on Long-Term Debt	3,581	-	-	-	(3,581)	-	(3,581)	-
<b>Total Governmental Activities</b>	<b>\$ 5,081,579</b>	<b>\$ 328,451</b>	<b>\$ 1,913,408</b>	<b>\$ 609,008</b>	<b>\$ (2,230,712)</b>	<b>\$ -</b>	<b>\$ (2,230,712)</b>	<b>\$ -</b>
<b>Business-Type Activities:</b>								
HACTC	\$ 2,807,150	\$ 2,930,883	\$ -	\$ -	\$ -	\$ 123,733	\$ 123,733	\$ -
<b>Total Primary Government</b>	<b>\$ 7,888,729</b>	<b>\$ 3,259,334</b>	<b>\$ 1,913,408</b>	<b>\$ 609,008</b>	<b>\$ (2,230,712)</b>	<b>\$ 123,733</b>	<b>\$ (2,106,979)</b>	<b>\$ -</b>
<b>Component Unit:</b>								
Water Resource District	\$ 52,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (52,043)
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes; levied for general purposes					\$ 623,993	\$ -	\$ 623,993	\$ -
Property taxes; levied for special purposes					1,729,129	-	1,729,129	43,631
<b>State aid &amp; grants not restricted to specific programs:</b>								
State Aid Distribution and Grants					667,774	-	667,774	6,926
Other State Shared Revenues					58,123	-	58,123	1,245
Forgiveness of debt					9,208	438	9,646	-
Unrestricted investment earnings					13,625	1,313	14,938	33
Miscellaneous revenue					103,078	3,326	106,404	436
Transfers - Net					100,000	(100,000)	-	-
<b>Total General Revenues</b>					<b>\$ 3,304,930</b>	<b>\$ (94,923)</b>	<b>\$ 3,210,007</b>	<b>\$ 52,271</b>
<b>Change in Net Position</b>					<b>\$ 1,074,218</b>	<b>\$ 28,810</b>	<b>\$ 1,103,028</b>	<b>\$ 228</b>
<b>Net Position - January 1</b>					<b>\$ 7,587,815</b>	<b>\$ 2,776,330</b>	<b>\$ 10,364,145</b>	<b>\$ 39,942</b>
<b>Prior Period Adjustments</b>					<b>(642,417)</b>	<b>(726,531)</b>	<b>(1,368,948)</b>	<b>-</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 6,945,398</b>	<b>\$ 2,049,799</b>	<b>\$ 8,995,197</b>	<b>\$ 39,942</b>
<b>Net Position - December 31</b>					<b>\$ 8,019,616</b>	<b>\$ 2,078,609</b>	<b>\$ 10,098,225</b>	<b>\$ 40,170</b>

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

PIERCE COUNTY  
Rugby, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2015

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Road Districts	FEMA
<b>ASSETS</b>						
<u>Assets:</u>						
Cash and Investments	\$ 652,492	\$ 915,072	\$ 108,862	\$ 1,188,746	\$ 330,625	\$ 185,997
Intergovernmental Receivable	46,241	7,100	1,715	60,460	23,979	47,769
Road Receivables	-	-	695	-	-	-
Taxes Receivable	12,007	6,415	790	-	3,404	-
<b>Total Assets</b>	<b>\$ 710,740</b>	<b>\$ 928,587</b>	<b>\$ 112,062</b>	<b>\$ 1,249,206</b>	<b>\$ 358,008</b>	<b>\$ 233,766</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<u>Liabilities:</u>						
Accounts Payable	\$ -	\$ -	\$ 4,548	\$ -	\$ 6,384	\$ -
Salaries Payable	-	-	9,969	-	-	-
Grants Received in Advance	-	-	-	-	-	185,997
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,517</b>	<b>\$ -</b>	<b>\$ 6,384</b>	<b>\$ 185,997</b>
<u>Deferred Inflows of Resources:</u>						
Taxes Received in Advance	\$ 350,052	\$ 53,773	\$ 12,974	\$ -	\$ 43,108	\$ -
Road Receivables	-	-	695	-	-	-
Taxes Receivable	12,007	6,415	790	-	3,404	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 362,059</b>	<b>\$ 60,188</b>	<b>\$ 14,459</b>	<b>\$ -</b>	<b>\$ 46,512</b>	<b>\$ -</b>
<b>Total Liabilities And Deferred Inflows of Resources</b>	<b>\$ 362,059</b>	<b>\$ 60,188</b>	<b>\$ 28,976</b>	<b>\$ -</b>	<b>\$ 52,896</b>	<b>\$ 185,997</b>
<u>Fund Balances:</u>						
<u>Restricted for:</u>						
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and Bridges	-	868,399	83,086	1,249,206	305,112	-
Flood Repair	-	-	-	-	-	47,769
Health and Welfare	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Conserv. of Natural Resources	-	-	-	-	-	-
Emergencies	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
<u>Unassigned:</u>	348,681	-	-	-	-	-
<b>Total Fund Balances</b>	<b>\$ 348,681</b>	<b>\$ 868,399</b>	<b>\$ 83,086</b>	<b>\$ 1,249,206</b>	<b>\$ 305,112</b>	<b>\$ 47,769</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 710,740</b>	<b>\$ 928,587</b>	<b>\$ 112,062</b>	<b>\$ 1,249,206</b>	<b>\$ 358,008</b>	<b>\$ 233,766</b>

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

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County Poor Relief	Other Governmental Funds	Total Governmental Funds
\$ 566,986	\$ 1,114,836	\$ 5,063,616
7,726	12,154	207,144
-	-	695
12,735	16,486	51,837
<hr/>		
\$ 587,447	\$ 1,143,476	\$ 5,323,292

\$ -	\$ -	\$ 10,932
-	5,411	15,380
-	-	185,997

\$ -	\$ 5,411	\$ 212,309
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\$ 58,478	\$ 46,651	\$ 565,036
-	-	695
12,735	16,486	51,837

\$ 71,213	\$ 63,137	\$ 617,568
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\$ 71,213	\$ 68,548	\$ 829,877
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\$ -	\$ 148,731	\$ 148,731
-	-	2,505,803
-	-	47,769
516,234	171,209	687,443
-	77,487	77,487
-	222,968	222,968
-	153,575	153,575
-	300,958	300,958
-	-	348,681

\$ 516,234	\$ 1,074,928	\$ 4,493,415
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\$ 587,447	\$ 1,143,476	\$ 5,323,292
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PIERCE COUNTY  
Rugby, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2015

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Total <i>Fund Balances</i> for Governmental Funds		\$ 4,493,415
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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	\$ 7,094,155	
Less Accumulated Depreciation	<u>(2,789,282)</u>	
Net Capital Assets		4,304,873

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	\$ 51,837	
Road Department Accounts Receivable	<u>695</u>	52,532

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds

Deferred Outflows Related to Pensions	\$ 140,750	
Deferred Inflows Related to Pensions	<u>(78,378)</u>	62,372

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, 2015 are the following

Special Assessments Payable	\$ (57,753)	
Loan Payable	(61,665)	
Interest Payable	(2,122)	
Compensated Absences	(60,835)	
Net Pension Liability	<u>(711,201)</u>	<u>(893,576)</u>

Total Net Position of Governmental Activities		<u>\$ 8,019,616</u>
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The notes to the financial statements are an integral part of this statement

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PIERCE COUNTY  
Rugby, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Road Districts	FEMA
<u>Revenues:</u>						
Taxes	\$ 619,751	\$ 262,597	\$ 31,561	\$ -	\$ 167,737	\$ -
Intergovernmental	513,100	547,482	6,420	686,275	542,888	618,896
Licenses, Permits and Fees	3,475	-	-	-	-	-
Charges for Services	42,020	-	166,247	-	1,303	-
Interest Income	13,625	-	-	-	-	-
Miscellaneous	64,101	-	-	-	5,313	-
<b>Total Revenues</b>	<b>\$ 1,256,072</b>	<b>\$ 810,079</b>	<b>\$ 204,228</b>	<b>\$ 686,275</b>	<b>\$ 717,241</b>	<b>\$ 618,896</b>
<u>Expenditures:</u>						
Current:						
General Government	\$ 844,074	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	174,089	-	-	-	-	-
Highways and Bridges	-	32,477	700,629	288,650	602,691	-
Flood Repair	-	-	-	-	-	600,349
Health and Welfare	10,000	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Conserv. of Natural Resources	700	-	-	-	-	-
Capital Outlay	-	638,984	-	-	-	-
Other	52,666	-	-	-	-	-
Debt Service:						
Principal	5,582	-	2,085	-	-	-
Interest and Fees	2,968	-	834	-	-	-
<b>Total Expenditures</b>	<b>\$ 1,090,079</b>	<b>\$ 671,461</b>	<b>\$ 703,548</b>	<b>\$ 288,650</b>	<b>\$ 602,691</b>	<b>\$ 600,349</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 165,993	\$ 138,618	\$ (499,320)	\$ 397,625	\$ 114,550	\$ 18,547
<u>Other Financing Sources (Uses):</u>						
Transfers In	\$ 100,000	\$ -	\$ 600,000	\$ -	\$ 91,082	\$ -
Transfers Out	(120,346)	-	-	(600,000)	-	-
<b>Total Other Financing Sources and Uses</b>	<b>\$ (20,346)</b>	<b>\$ -</b>	<b>\$ 600,000</b>	<b>\$ (600,000)</b>	<b>\$ 91,082</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 145,647</b>	<b>\$ 138,618</b>	<b>\$ 100,680</b>	<b>\$ (202,375)</b>	<b>\$ 205,632</b>	<b>\$ 18,547</b>
Fund Balances - January 1	\$ 203,034	\$ 729,781	\$ (17,594)	\$ 1,451,581	\$ 99,480	\$ 29,222
<b>Fund Balances - December 31</b>	<b>\$ 348,681</b>	<b>\$ 868,399</b>	<b>\$ 83,086</b>	<b>\$ 1,249,206</b>	<b>\$ 305,112</b>	<b>\$ 47,769</b>

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

County Poor Relief	Other Governmental Funds	Total Governmental Funds
\$ 517,617	\$ 741,162	\$ 2,340,425
79,028	254,224	3,248,313
-	-	3,475
-	115,317	324,887
-	-	13,625
110	33,554	103,078
<u>\$ 596,755</u>	<u>\$ 1,144,257</u>	<u>\$ 6,033,803</u>
\$ -	\$ 333,410	\$ 1,177,484
-	462,326	636,415
-	-	1,624,447
-	-	600,349
50,456	524,786	585,242
-	21,741	21,741
-	179,282	179,982
-	-	638,984
-	-	52,666
-	16	7,683
-	6	3,808
<u>\$ 50,456</u>	<u>\$ 1,521,567</u>	<u>\$ 5,528,801</u>
\$ 546,299	\$ (377,310)	\$ 505,002
\$ -	\$ 733,774	\$ 1,524,856
(500,000)	(204,510)	(1,424,856)
<u>\$ (500,000)</u>	<u>\$ 529,264</u>	<u>\$ 100,000</u>
\$ 46,299	\$ 151,954	\$ 605,002
\$ 469,935	\$ 922,974	\$ 3,888,413
<u>\$ 516,234</u>	<u>\$ 1,074,928</u>	<u>\$ 4,493,415</u>

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, 2015

Net Change in *Fund Balances* - Total Governmental Funds \$ 605,002

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	\$ 396,690	
Capital Contributions	609,008	
Current Year Depreciation Expense	<u>(558,682)</u>	447,016

The net result of miscellaneous transactions involving capital assets was a net decrease to capital assets. (6,021)

Retainages payable is not an expenditure at the fund level. Retainages are paid or will be paid more than two months after year-end. The net change in retainages payable totaled. 10,209

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	\$ 6,416	
Repayment of Debt - Loans	<u>10,475</u>	16,891

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.

Increase in Compensated Absences	\$ (5,480)	
Decrease in Interest Payable	<u>227</u>	(5,253)

The Net Pension Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Increase in Net Pension Liability	\$ (111,520)	
Increase in Deferred Outflows of Resources Related to Pensions	66,426	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>38,682</u>	(6,412)

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.

Increase in Taxes Receivable	\$ 12,697	
Increase in Road Department Receivables	<u>89</u>	<u>12,786</u>

Change in Net Position of Governmental Activities \$ 1,074,218

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, 2015

	Business-Type Activities
	Heart of America Correctional and Treatment Center
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash	\$ 727,482
Accounts Receivable	284,384
Total Current Assets	\$ 1,011,866
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depreciation):	
Buildings	\$ 1,844,950
Equipment	70,865
Infrastructure	70,518
Total Capital Assets	\$ 1,986,333
Total Noncurrent Assets	\$ 1,986,333
Total Assets	\$ 2,998,199
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pensions	\$ 165,739
Total Assets and Deferred Outflows of Resources	\$ 3,163,938
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 48,198
Salaries Payable	78,549
Interest Payable	263
Special Assessment Payable	1,740
Compensated Absences	12,165
Total Current Liabilities	\$ 140,915
<u>Noncurrent Liabilities:</u>	
Special Assessment Payable	\$ 6,142
Compensated Absences	48,659
Net Pension Liability	801,305
Total Noncurrent Liabilities	\$ 856,106
Total Liabilities	\$ 997,021
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pensions	\$ 88,308
Total Liabilities and Deferred Intflows of Resources	\$ 1,085,329
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 1,986,333
Unrestricted	92,276
Total Net Position	\$ 2,078,609

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, 2015

	Business-Type Activities
	Heart of America Correctional and Treatment Center
<u>Operating Revenues:</u>	
Housing - Security	\$ 2,820,083
Laundry Services	39,685
Commission - Turnkey	70,036
Other Operating Revenues	1,079
Total Operating Revenues	\$ 2,930,883
<u>Operating Expenses:</u>	
Payroll and Employee Benefits	\$ 2,058,811
Utilities	135,926
Medical (Prisoners)	68,572
Kitchen & Laundry	238,020
Professional Fees	6,086
Other Operating Expenses	227,215
Depreciation Expense	72,374
Total Operating Expenses	\$ 2,807,004
Operating Income (Loss)	\$ 123,879
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	\$ 1,313
Miscellaneous Revenue	3,326
Forgiveness of Debt	438
Interest and Service Charges	(146)
Total Non-Operating Revenues (Expenses)	\$ 4,931
<u>Other Financing Sources (Uses):</u>	
Transfers Out	\$ (100,000)
Change in Net Position	\$ 28,810
Total Net Position - January 1	\$ 2,776,330
Prior Period Adjustment	(726,531)
Total Net Position - December 31	\$ 2,078,609

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, 2015

	Business-Type Activities
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 3,152,489
Cash Payments to Suppliers for Goods and Services	(722,071)
Cash Payments to Employees for Services	(2,075,109)
Net Cash Provided by Operating Activities	\$ 355,309
<u>Cash Flows from Non-capital and Related Financing Activities:</u>	
Miscellaneous	\$ 3,326
Interest Received	1,313
Transfers Out	(100,000)
Net Cash Provided (Used) by Non-capital and Related Financing Activities	\$ (95,361)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	\$ (5,400)
Principal on Long-Term Debt	(438)
Interest Paid	(175)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (6,013)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 253,935
Cash and Cash Equivalents, January 1	\$ 473,547
Cash and Cash Equivalents, December 31	\$ 727,482
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income (Loss)	\$ 123,879
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>	
Depreciation Expense	\$ 72,374
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	221,606
Decrease in Salaries Payable	(2,956)
Decrease in Accounts Payable	(46,252)
Decrease in Payroll Liability	(2,134)
Increase in Compensated Absences	380
Increase in Net Pension Liability	125,647
Increase in Deferred Outflows Related to Pensions	(93,652)
Decrease in Deferred Inflows Related to Pensions	(43,583)
Total Adjustments	\$ 231,430
Net Cash Provided by Operating Activities	\$ 355,309

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

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PIERCE COUNTY  
Rugby, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
December 31, 2015

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	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 1,288,231</u>
<u>Liabilities:</u>	
Due to Other Governments/Entities	<u>\$ 1,288,231</u>

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

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PIERCE COUNTY  
Rugby, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015

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**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 column in the financial statements includes the financial data of the county's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the county.

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 unit. 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.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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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, 2015 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.

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.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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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:

<b>Assets</b>	<b>Years</b>
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. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. 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.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

***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.

***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 \$203,034 at December 31, 2015 represented 15% of annual 2015 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, road districts, FEMA, and county poor relief) 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.

<b><i>CLASSIFICATION</i></b>	<b><i>DEFINITION</i></b>	<b><i>EXAMPLES</i></b>
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**

Notes to the Financial Statements – Continued

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Pierce County reports restricted and unassigned fund balances at December 31, 2015.

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, health & welfare, culture & recreation, conservation of natural 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 3<sup>rd</sup> parties (State & Federal governments).

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 2015 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 natural 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.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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

The board of county commissioners amended the county budget for 2015 as follows:

	<b>EXPENDITURES</b>		
	<b>Original Budget</b>	<b>Budget Amendment</b>	<b>Amended Budget</b>
<b>Governmental Activities</b>			
<u>Major Funds:</u>			
Highway Distribution	\$ 254,908	\$ 33,742	\$ 288,650
FEMA	-	600,350	600,350
<u>Nonmajor Special Revenue Funds</u>			
Emergency Fund	-	4,833	4,833
E-911	139,831	18,109	157,940
Insurance Reserve	16,000	712	16,712
<b>Business-Type Activities</b>			
HACTC	2,672,475	52,452	2,724,927

**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, 2015, the county's carrying amount of deposits was \$6,892,613 and the bank balances were \$7,108,855. Of the bank balances, \$1,005,509 was covered by Federal Depository Insurance. The remaining balance of \$6,103,346 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:

- 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.
- 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.
- Certificates of Deposit fully insured by the federal deposit insurance corporation.
- Obligations of the state.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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As of December 31, 2015, 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, 2015, Pierce County Water Resource District's carrying amount of deposits was \$38,885 and the bank balance was \$40,173, 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.

**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.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

**NOTE 8: CAPITAL ASSETS**

The following is a summary of changes in capital assets for Pierce County for the year ended December 31, 2015

<b>Governmental Activities:</b>	<b>Balance 1/1/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/2015</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 11,500	\$ -	\$ -	\$ -	\$ 11,500
Construction in Progress	525,250	676,676	-	(1,201,926)	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 536,750</b>	<b>\$ 676,676</b>	<b>\$ -</b>	<b>\$ (1,201,926)</b>	<b>\$ 11,500</b>
<i>Capital assets being depreciated:</i>					
Buildings	\$ 934,190				\$ 934,190
Equipment	1,988,508	329,022	298,487	-	2,019,043
Infrastructure	2,927,494	-	-	1,201,926	4,129,420
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 5,850,192</b>	<b>\$ 329,022</b>	<b>\$ 298,487</b>	<b>\$ 1,201,926</b>	<b>\$ 7,082,653</b>
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 258,325	\$ 11,565	\$ -	\$ -	\$ 269,890
Equipment	1,088,049	297,392	292,466	-	1,092,975
Infrastructure	1,176,690	249,725	-	-	1,426,415
<b>Total Accumulated Depreciation</b>	<b>\$ 2,523,064</b>	<b>\$ 558,682</b>	<b>\$ 292,466</b>	<b>\$ -</b>	<b>\$ 2,789,280</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 3,327,128</b>	<b>\$ (229,660)</b>	<b>\$ 6,021</b>	<b>\$ 1,201,926</b>	<b>\$ 4,293,373</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 3,863,878</b>	<b>\$ 447,016</b>	<b>\$ 6,021</b>	<b>\$ -</b>	<b>\$ 4,304,873</b>

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

<b>Governmental Activities:</b>	<b>Amounts</b>
General Government	\$ 8,873
Public Safety	13,498
Highways and Bridges	531,454
Health and Welfare	3,509
Conservation of Natural Resources	1,348
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$ 558,682</b>

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, 2015:

<b>Enterprise Activities:</b>	<b>Balance 1/1/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/2015</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,147,250	\$ -	\$ -	\$ 2,147,250
Equipment	143,787	5,400	-	149,187
Infrastructure	79,531	-	-	79,531
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 2,370,568</b>	<b>\$ 5,400</b>	<b>\$ -</b>	<b>\$ 2,375,968</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 257,910	\$ 44,390	\$ -	\$ 302,300
Equipment	51,928	26,394	-	78,322
Infrastructure	7,423	1,590	-	9,013
<b>Total Accumulated Depreciation</b>	<b>\$ 317,261</b>	<b>\$ 72,374</b>	<b>\$ -</b>	<b>\$ 389,635</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 2,053,307</b>	<b>\$ (66,974)</b>	<b>\$ -</b>	<b>\$ 1,986,333</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 2,053,307</b>	<b>\$ (66,974)</b>	<b>\$ -</b>	<b>\$ 1,986,333</b>

**PIERCE COUNTY**

## Notes to the Financial Statements – Continued

Depreciation expense totaling \$72,374 was charged to the Heart of America Correctional and Treatment Center.

**NOTE 9: DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions. See more detail in Note 17.

**NOTE 10: 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, 2015.

**NOTE 11: 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 12: 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, 2015.

**NOTE 13: INTEREST PAYABLE**

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2015.

**NOTE 14: LONG-TERM LIABILITIES****PRIMARY GOVERNMENT:**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2015, the following changes occurred in long-term liabilities for Pierce County:

<b>Governmental Activities:</b>	<b>Balance 1/1/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/2015</b>	<b>Due Within One Year</b>
Special Assessments	\$ 64,169	\$ -	\$ 6,416	\$ 57,753	\$ 6,417
USDA Loans	72,140	-	10,475	61,665	3,827
Compensated Absences *	55,355	5,480	-	60,835	12,167
Net Pension Liability	599,681	111,520	-	711,201	-
<b>Total Governmental Activities</b>	<b>\$ 791,345</b>	<b>\$ 117,000</b>	<b>\$ 16,891</b>	<b>\$ 891,454</b>	<b>\$ 22,411</b>

<b>Business-Type Activities:</b>	<b>Balance 1/1/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/2015</b>	<b>Due Within One Year</b>
Special Assessments	\$ 17,401	\$ -	\$ 876	\$ 7,882	\$ 1,740
Compensated Absences *	60,444	380	-	60,824	12,165
Net Pension Liability	675,658	125,647	-	801,305	-
<b>Total Governmental Activities</b>	<b>\$ 753,503</b>	<b>\$ 126,027</b>	<b>\$ 876</b>	<b>\$ 870,011</b>	<b>\$ 13,905</b>

\* 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.

**PIERCE COUNTY**

## Notes to the Financial Statements – Continued

Outstanding debt (excluding compensated absences) at December 31, 2015 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 \$ 57,753

**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%. 61,665

Total Long-Term Debt (excluding compensated absences) \$119,418

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. \$ 7,882

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

<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Year Ending</b>	<b>Special Assessments</b>		<b>Loan Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 6,417	\$ 2,310	\$ 3,827	\$ 2,024
2017	6,417	2,053	3,961	1,886
2018	6,417	1,797	4,100	1,742
2019	6,417	1,540	4,243	1,594
2020	6,417	1,283	4,392	1,440
2021 - 2024	25,668	2,567	24,374	4,699
2025 - 2029	-	-	16,768	600
Total	\$ 57,753	\$ 11,550	\$ 61,665	\$ 13,985

<b>BUSINESS-TYPE ACTIVITIES</b>		
<b>Year Ending</b>	<b>Special Assessments</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 876	\$ 315
2017	876	280
2018	876	245
2019	876	210
2020	876	175
2021 - 2024	3,502	350
Total	\$ 7,882	\$ 1,575

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

**NOTE 15: TAXES RECEIVED IN ADVANCE / DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, such amounts include the amount for pensions. See more detail in Note 17.

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes, road receivables, 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, 2015 but not earned until January 2016 when they are properly apportioned.

**NOTE 16: TRANSFERS**

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2015:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b><u>Major Funds:</u></b>		
General Fund	\$ 100,000	\$ 120,346
Road and Bridge	600,000	-
Highway Distribution	-	600,000
Road Districts	91,083	-
County Poor Relief	-	500,000
<b><u>Nonmajor Special Revenue Funds</u></b>		
Social Services	500,000	-
Emergency Fund	-	91,083
Social Security	-	108,374
Health Insurance	108,374	-
E911 Wireless	-	5,053
E 911 System	125,053	-
Insurance Reserve	346	-
<b><u>Business-Type Activities</u></b>		
HACTC	-	100,000
<b>Total Transfers</b>	<b>\$ 1,524,856</b>	<b>\$ 1,524,856</b>

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 17: PENSION PLAN****General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

**Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

**Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

**PIERCE COUNTY**

## Notes to the Financial Statements – Continued

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 25 months of service	Greater of two percent of monthly salary or \$25
26 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, Pierce County reported a liability of \$1,512,506 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was .222433 percent, which was an increase of .021504 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Employer recognized pension expense of \$171,211. At December 31, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 43,880	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	31,929
Changes of Assumptions	-	134,757
Changes in proportion and differences between employer contributions and proportionate share of contributions	134,609	-
District Contributions Subsequent to the Measurement Date	128,000	-
<b>Total</b>	<b>\$ 306,489</b>	<b>\$ 166,686</b>

\$128,000 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

2016	\$ (40,952)
2017	(40,952)
2018	(40,952)
2019	25,025
2020	(24,975)

**Actuarial Assumptions**

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's Proportionate Share of the Net Pension Liability	\$ 2,319,353	\$ 1,512,506	\$ 852,360

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in a separately issued NDPERS financial report.

**NOTE 18: 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 \$2,000,535.

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 \$2,000,000 for its employees, and \$690,000 for the Heart of America Correctional and Treatment Center 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 19: JOINT VENTURES**Lake 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, 2015 is as follows:

	<b>Lake Region District Health Unit</b>
Cash and Investments	\$ 1,151,758
Total Revenues	\$ 1,864,349
Total Expenses	1,637,207
Net Change in Position	\$ 227,142

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, 2015 is as follows:

	<b>Heart of America Library</b>
Cash and Investments	\$ 241,229
Total Liabilities	7,000
Total Net Position	\$ 234,229
Total Revenues	\$ 225,263
Total Expenses	136,060
Net Change in Position	\$ 89,203

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

**PIERCE COUNTY**

## Notes to the Financial Statements – Continued

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.

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

	<b>Devils Lake Basin Joint WRD</b>
Cash and Investments	\$ 664,254
Total Liabilities	25,968
Total Net Position	\$ 638,286
Total Revenues	\$ 312,857
Total Expenses	406,925
Net Change in 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 20: PRIOR PERIOD ADJUSTMENTS****Change in Accounting Principle – GASB 68 & 71 - Pensions:**

Net position as of January, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The result of implementing GASB 68 reduced beginning net position for the County and the Heart of America Correctional and Treatment Center (HACTC), which consists of the net pension liability related to the North Dakota Public Employees Retirement System (NDPERS).

Additionally, the HACTC had minor adjustments done to decrease special assessments payable (\$8,643), and interest payable (\$288).

The effect of the prior period adjustments to beginning net position is as follows:

<b>Governmental Activities (County):</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 7,587,815
<b>Adjustments to restate the January 1, 2015 Net Position:</b>	
Net Pension Liability	(599,681)
Deferred Outflows of Resources Related to Pensions	74,324
Deferred Inflows of Resources Related to Pensions	(117,060)
Net Position January 1, as restated	\$ 6,945,398

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

<b>Business-Type Activities (HACTC):</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 2,776,330
<b>Adjustments to restate the January 1, 2015 Net Position:</b>	
Special Assessments Payable	8,643
Interest Payable	288
Net Pension Liability	(675,658)
Deferred Outflows of Resources Related to Pensions	72,087
Deferred Inflows of Resources Related to Pensions	(131,891)
Net Position January 1, as restated	\$ 2,049,799

<b>Total Government Wide:</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 10,364,145
<b>Adjustments to restate the January 1, 2015 Net Position:</b>	
Special Assessments Payable	8,643
Interest Payable	288
Net Pension Liability	(1,275,339)
Deferred Outflows of Resources Related to Pensions	146,411
Deferred Inflows of Resources Related to Pensions	(248,951)
Net Position January 1, as restated	\$ 8,995,197

PIERCE COUNTY  
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 622,336	\$ 622,336	\$ 619,751	\$ (2,585)
Intergovernmental	475,440	475,440	513,100	37,660
Licenses, permits and fees	3,450	3,450	3,475	25
Charges for services	43,000	43,000	42,020	(980)
Interest income	25,000	25,000	13,625	(11,375)
Miscellaneous	51,815	51,815	64,101	12,286
<b>Total Revenues</b>	<b>\$ 1,221,041</b>	<b>\$ 1,221,041</b>	<b>\$ 1,256,072</b>	<b>\$ 35,031</b>
<u>Expenditures:</u>				
Current:				
General government	\$ 1,108,955	\$ 1,108,955	\$ 844,074	\$ 264,881
Public safety	189,761	189,761	174,089	15,672
Health and welfare	10,000	10,000	10,000	-
Conservation of natural resources	1,100	1,100	700	400
Other	125,000	125,000	52,666	72,334
Debt Service:				
Principal	-	-	5,582	(5,582)
Interest	-	-	2,968	(2,968)
<b>Total Expenditures</b>	<b>\$ 1,434,816</b>	<b>\$ 1,434,816</b>	<b>\$ 1,090,079</b>	<b>\$ 344,737</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (213,775)</b>	<b>\$ (213,775)</b>	<b>\$ 165,993</b>	<b>\$ 379,768</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 100,000	\$ 100,000
Transfers out	(120,000)	(120,000)	(120,346)	(346)
<b>Net Change in Fund Balances</b>	<b>\$ (333,775)</b>	<b>\$ (333,775)</b>	<b>\$ 145,647</b>	<b>\$ 479,422</b>
<b>Fund Balances - January 1</b>	<b>\$ 203,034</b>	<b>\$ 203,034</b>	<b>\$ 203,034</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ (130,741)</b>	<b>\$ (130,741)</b>	<b>\$ 348,681</b>	<b>\$ 479,422</b>

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

PIERCE COUNTY  
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE  
FARM TO MARKET ROAD FUND  
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 277,313	\$ 277,313	\$ 262,597	\$ (14,716)
Intergovernmental	58,150	58,150	547,482	489,332
Total Revenues	<u>\$ 335,463</u>	<u>\$ 335,463</u>	<u>\$ 810,079</u>	<u>\$ 474,616</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 100,000	\$ 100,000	\$ 32,477	\$ 67,523
Capital Outlay	600,000	600,000	638,984	(38,984)
Total Expenditures	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 671,461</u>	<u>\$ 28,539</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (364,537)</u>	<u>\$ (364,537)</u>	<u>\$ 138,618</u>	<u>\$ 503,155</u>
Fund Balances - January 1	<u>\$ 729,781</u>	<u>\$ 729,781</u>	<u>\$ 729,781</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 365,244</u></u>	<u><u>\$ 365,244</u></u>	<u><u>\$ 868,399</u></u>	<u><u>\$ 503,155</u></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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 39,722	\$ 39,722	\$ 31,561	\$ (8,161)
Intergovernmental	7,734	7,734	6,420	(1,314)
Charges for services	178,000	178,000	166,247	(11,753)
Total Revenues	<u>\$ 225,456</u>	<u>\$ 225,456</u>	<u>\$ 204,228</u>	<u>\$ (21,228)</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 838,562	\$ 838,562	\$ 700,629	\$ 137,933
Debt Service:				
Principal	-	-	2,085	(2,085)
Interest	-	-	834	(834)
Total Expenditures	<u>\$ 838,562</u>	<u>\$ 838,562</u>	<u>\$ 703,548</u>	<u>\$ 135,014</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (613,106)</u>	<u>\$ (613,106)</u>	<u>\$ (499,320)</u>	<u>\$ 113,786</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 600,000</u>	<u>\$ (250,000)</u>
Net Change in Fund Balances	<u>\$ 236,894</u>	<u>\$ 236,894</u>	<u>\$ 100,680</u>	<u>\$ (136,214)</u>
Fund Balances - January 1	<u>\$ (17,594)</u>	<u>\$ (17,594)</u>	<u>\$ (17,594)</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 219,300</u></u>	<u><u>\$ 219,300</u></u>	<u><u>\$ 83,086</u></u>	<u><u>\$ (136,214)</u></u>

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

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PIERCE COUNTY  
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE  
HIGHWAY TAX DISTRIBUTION FUND  
For the Year Ended December 31, 2015

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 600,672	\$ 600,672	\$ 686,275	\$ 85,603
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 254,908	\$ 288,650	\$ 288,650	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 345,764	\$ 312,022	\$ 397,625	\$ 85,603
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ 850,000	\$ 850,000	\$ (600,000)	\$ (1,450,000)
Net Change in Fund Balances	\$ 1,195,764	\$ 1,162,022	\$ (202,375)	\$ (1,364,397)
Fund Balances - January 1	\$ 1,451,581	\$ 1,451,581	\$ 1,451,581	\$ -
Fund Balances - December 31	\$ 2,647,345	\$ 2,613,603	\$ 1,249,206	\$ (1,364,397)

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 174,000	\$ 174,000	\$ 167,737	\$ (6,263)
Intergovernmental	85,110	85,110	542,888	457,778
Charges for services	1,432	1,432	1,303	(129)
Miscellaneous	8,000	8,000	5,313	(2,687)
<b>Total Revenues</b>	<b>\$ 268,542</b>	<b>\$ 268,542</b>	<b>\$ 717,241</b>	<b>\$ 448,699</b>
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 560,486	\$ 687,296	\$ 602,691	\$ 84,605
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (291,944)</b>	<b>\$ (418,754)</b>	<b>\$ 114,550</b>	<b>\$ 533,304</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 91,082	\$ 91,082
<b>Net Change in Fund Balances</b>	<b>\$ (291,944)</b>	<b>\$ (418,754)</b>	<b>\$ 205,632</b>	<b>\$ 624,386</b>
Fund Balances - January 1	\$ 99,480	\$ 99,480	\$ 99,480	\$ -
<b>Fund Balances - December 31</b>	<b>\$ (192,464)</b>	<b>\$ (319,274)</b>	<b>\$ 305,112</b>	<b>\$ 624,386</b>

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 618,896	\$ 618,896
<u>Expenditures:</u>				
<u>Current:</u>				
Flood repair	\$ -	\$ 600,349	\$ 600,349	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (600,349)	\$ 18,547	\$ 618,896
Fund Balances - January 1	\$ 29,222	\$ 29,222	\$ 29,222	\$ -
Fund Balances - December 31	\$ 29,222	\$ (571,127)	\$ 47,769	\$ 618,896

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 534,956	\$ 534,956	\$ 517,617	\$ (17,339)
Intergovernmental	114,811	114,811	79,028	(35,783)
Miscellaneous	-	-	110	110
Total Revenues	<u>\$ 649,767</u>	<u>\$ 649,767</u>	<u>\$ 596,755</u>	<u>\$ (53,012)</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	\$ 70,600	\$ 70,600	\$ 50,456	\$ 20,144
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 579,167</u>	<u>\$ 579,167</u>	<u>\$ 546,299</u>	<u>\$ (32,868)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (882,041)	\$ (882,041)	\$ (500,000)	\$ 382,041
Net Change in Fund Balances	<u>\$ (302,874)</u>	<u>\$ (302,874)</u>	<u>\$ 46,299</u>	<u>\$ 349,173</u>
Fund Balances - January 1	<u>\$ 469,935</u>	<u>\$ 469,935</u>	<u>\$ 469,935</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 167,061</u>	<u>\$ 167,061</u>	<u>\$ 516,234</u>	<u>\$ 349,173</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, 2015

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: SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY ND PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (NDPERS)

Schedule of Employer's Share of Net Pension Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2014	2015
District's proportion of the net pension liability (asset)	0.200929%	0.222433%
District's proportionate share of the net pension liability (asset)	\$ 1,275,339	\$ 1,512,506
District's covered-employee payroll	\$ 1,692,589	\$ 1,981,611
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

\* Complete data for this schedule is not available prior to 2014.

**PIERCE COUNTY**

Notes to the Required Supplementary Information – Continued

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NOTE 3: SCHEDULE OF EMPLOYER CONTRIBUTIONS ND PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (NDPERS)
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Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2014	2015
Statutorily required contribution	\$ 120,512	\$ 141,091
Contributions in relation to the statutorily required contribution	\$ (120,512)	\$ (141,091)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 1,692,589	\$ 1,981,611
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

\*Complete data for this schedule is not available prior to 2014.

PIERCE COUNTY  
Rugby, North Dakota

SCHEDULE OF FUND ACTIVITY  
CLIENT BASIS  
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-15
<b>Major Funds:</b>							
General Fund	\$ 174,504.73	\$ 1,238,360.31	\$ 100,000.00	\$ -	\$ 120,346.44	\$ 1,090,078.97	\$ 302,439.63
Farm to Market	1,155,742.94	377,016.96	-	-	-	671,460.97	861,298.93
Road and Bridge	43,802.52	204,002.08	600,000.00	-	-	751,916.36	95,888.24
Highway Distribution	1,379,721.58	697,674.36	-	-	600,000.00	288,650.00	1,188,745.94
Road Districts	167,881.44	715,848.51	91,082.75	-	-	687,295.88	287,516.82
FEMA	405,575.31	380,770.68	-	-	-	600,349.42	185,996.57
County Poor Relief	449,399.86	613,550.25	-	-	500,000.00	54,442.37	508,507.74
<b>Total Major Funds</b>	<b>\$ 3,776,628.38</b>	<b>\$ 4,227,223.15</b>	<b>\$ 791,082.75</b>	<b>\$ -</b>	<b>\$ 1,220,346.44</b>	<b>\$ 4,144,193.97</b>	<b>\$ 3,430,393.87</b>
<b>Nonmajor Funds:</b>							
<b>Special Revenue Funds:</b>							
Social Services	\$ 120,926.00	\$ 63,611.87	\$ 500,000.00	\$ -	\$ -	\$ 547,325.40	\$ 137,212.47
Emergency Poor	26,241.89	-	-	-	-	-	26,241.89
Emergency Fund	248,523.81	516.12	-	-	91,082.75	4,382.50	153,574.68
Veterans Service Officer	5,520.15	6,124.99	-	-	-	5,614.83	6,030.31
Social Security	195,739.97	252,472.13	-	-	108,374.28	75,305.00	264,532.82
Health Insurance	18,629.48	138,977.72	108,374.28	-	-	235,778.16	30,203.32
County Agent	59,957.54	56,801.14	-	-	-	46,019.71	70,738.97
Weed Control	136,651.45	144,622.17	-	-	-	133,284.39	147,989.23
Law Enforcement Center	3,857.41	349,269.47	-	-	-	250,096.56	103,030.32
E911 Wireless	11,992.33	32,645.25	-	-	5,053.00	4,890.96	34,693.62
E 911 System	26,120.52	23,180.89	125,053.00	-	-	157,939.89	16,414.52
Community Service	34,403.96	65,755.67	-	-	-	39,581.05	60,578.58
County Park	16,198.81	9,450.90	-	-	-	8,740.91	16,908.80
Sheriff's Grant	451.04	3,568.39	-	-	-	4,015.71	3.72
Insurance Reserve	4,554.23	11,842.31	346.44	-	-	16,711.61	31.37
Library Proj. Elevator	0.02	13,000.00	-	-	-	13,000.00	0.02
<b>Total Nonmajor Funds</b>	<b>\$ 909,768.61</b>	<b>\$ 1,171,839.02</b>	<b>\$ 733,773.72</b>	<b>\$ -</b>	<b>\$ 204,510.03</b>	<b>\$ 1,542,686.68</b>	<b>\$ 1,068,184.64</b>
<b>Total Governmental Funds</b>	<b>\$ 4,686,396.99</b>	<b>\$ 5,399,062.17</b>	<b>\$ 1,524,856.47</b>	<b>\$ -</b>	<b>\$ 1,424,856.47</b>	<b>\$ 5,686,880.65</b>	<b>\$ 4,498,578.51</b>
<b>Enterprise Fund:</b>							
HACTC Facility	\$ 473,546.50	\$ 3,157,128.65	\$ 379,376.91	\$ -	\$ 479,376.91	\$ 2,803,192.82	\$ 727,482.33
<b>Total Primary Government</b>	<b>\$ 5,569,349.96</b>	<b>\$ 8,556,190.82</b>	<b>\$ 1,904,233.38</b>	<b>\$ -</b>	<b>\$ 1,904,233.38</b>	<b>\$ 8,490,073.47</b>	<b>\$ 5,226,060.84</b>
<b>Agency Funds:</b>							
Payroll Deduction	\$ 2,538.29	\$ 25,169.44	\$ -	\$ -	\$ -	\$ 21,930.03	\$ 5,777.70
Senior Citizens	52.77	52,688.21	-	-	-	52,604.10	136.88
Job Development	0.34	-	-	-	-	-	0.34
State Medical Tax	56.40	26,954.73	-	-	-	26,884.27	126.86
Mobile Homes	617.97	19,969.53	-	-	-	18,098.43	2,489.07
Advance Tax	12,122.41	22,561.51	-	-	-	26,960.44	7,723.48
Game & Fish	6,093.00	18,889.00	-	-	-	23,575.00	1,407.00
NDSU Extension Activity	1,205.94	1,387.00	-	-	-	1,587.35	1,005.59
NDSU Pesticide	617.05	206.00	-	-	-	554.51	268.54
Preservation Fund	13,530.62	7,714.75	-	-	-	5,358.58	15,886.79
Ambulance	103.98	57,558.02	-	-	-	57,404.60	257.40
County/City Library	193.07	123,187.43	-	-	-	122,963.49	417.01
Garrison Diversion	56.40	30,835.38	-	-	-	30,764.92	126.86
Health District Fund	188.45	128,612.42	-	-	-	128,343.26	457.61
Historical Society	14.96	21,181.66	-	-	-	21,129.30	67.32
Soil Conservation	56.40	51,864.39	-	-	-	51,715.37	205.42
Commissary Funds	91,075.59	700,833.96	-	-	-	716,926.48	74,983.07
Total Cities	1,299.43	930,546.59	-	-	-	927,274.08	4,571.94
Total City Park Districts	220.27	104,868.36	-	-	-	104,430.42	658.21
Total School Districts	5,837.35	2,947,366.19	-	-	-	2,939,215.31	13,988.23
Total Townships	621.23	760,218.17	-	-	-	760,055.66	783.74
Total Water District	91.39	56,085.37	-	-	-	56,016.38	160.38
Total Fire Districts	116.89	102,236.08	-	-	-	102,023.43	329.54
<b>Total Agency Funds</b>	<b>\$ 45,634.61</b>	<b>\$ 6,190,934.19</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,195,815.41</b>	<b>\$ 131,828.98</b>
<b>Total Primary Government</b>	<b>\$ 5,614,984.57</b>	<b>\$ 14,747,125.01</b>	<b>\$ 1,904,233.38</b>	<b>\$ -</b>	<b>\$ 1,904,233.38</b>	<b>\$ 14,685,888.88</b>	<b>\$ 5,357,889.82</b>

STATE AUDITOR

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

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**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**

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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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County as of and for the year ended December 31, 2015, 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 18, 2016.

**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 one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2015-001].

**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

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**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 18, 2016

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PIERCE COUNTY  
Rugby, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

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**Section I - Summary of Auditor's Results**

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Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified?        Yes   X   No

Significant deficiencies identified not considered to be material weaknesses?   X   Yes       

Noncompliance material to financial statements noted?        Yes   X   No

**Section II – Financial Statement Findings**

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**2015-001 – 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.

**PIERCE COUNTY**

Schedule of Findings and Questioned Costs – Continued

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**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.

STATE AUDITOR

ROBERT R. PETERSON  
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Local Government Division:  
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MANAGER – DAVID MIX  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

Board of County Commissioners  
Pierce County  
Rugby, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, North Dakota, for the year ended December 31, 2015 which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 18, 2016. Professional standards require that we provide you with the following information related to our audit.

**OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED  
IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS**

As stated in our engagement letter dated January 12, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Pierce County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting.

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 grants 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.

**SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Pierce County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2015. GASB Statement 68 (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27), and GASB Statement 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68) were adopted during the year ended December 31, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**CORRECTED AND UNCORRECTED MISSTATEMENTS**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

**DISAGREEMENTS WITH MANAGEMENT**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**MANAGEMENT REPRESENTATIONS**

We have requested certain representations from management that are included in the management representation letter dated May 18, 2016.

**MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the county's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**OTHER AUDIT FINDINGS OR ISSUES**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The following presents our informal recommendations:

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**SEGREGATION OF DUTIES – WATER RESOURCE DISTRICT**

The Pierce County Water Resource District has one employee responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations for each entity.

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

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**PIERCE COUNTY**

Management's Letter - Continued

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This information is intended solely for the use of the Board of County Commissioners and management of Pierce County, is not intended to be, and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Pierce County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Pierce County.

A handwritten signature in black ink, appearing to read "Bob Peterson". The signature is fluid and cursive, with a large initial "B" and "P".

Robert R. Peterson  
State Auditor

Fargo, North Dakota  
May 18, 2016

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