

Ransom County
Lisbon, North Dakota

Audit Report

For the Year Ended
December 31, 2014



ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor

RANSOM COUNTY
Lisbon, North Dakota

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RANSOM COUNTY
Lisbon, North Dakota

COUNTY OFFICIALS

December 31, 2014

George Bunn
Neil Olerud
Connie Gilbert
Steve Dick
Norm Hanson

Kristi Johnson
Norine Erickson
Suzanne Anderson
Susan J. Froemke
Bea Roach
Darren Benneweis
Fallon Kelly

Chairman
Vice-chairman
Commissioner
Commissioner
Commissioner

County Auditor
County Treasurer
Superintendent of Schools
Register of Deeds
Clerk of Court
Sheriff
State's Attorney

STATE AUDITOR

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



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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Ransom County
Lisbon, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ransom County, Lisbon, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ransom County, Lisbon, North Dakota, as of December 31, 2014, 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.

RANSOM COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 26-30 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 Ransom County's basic financial statements. The *schedule of fund activity arising from cash transactions* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of fund activity arising from cash transactions* 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2015 on our consideration of Ransom 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 Ransom County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 22, 2015

RANSOM COUNTY
Lisbon, North Dakota

STATEMENT OF NET POSITION
December 31, 2014

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	RC - MR Water Resource District
ASSETS			
Cash, Cash Equivalents and Investments	\$ 5,457,829	\$ 258,118	\$ 29,541
Accounts Receivable	38,292	-	-
Intergovernmental Receivable	396,774	-	-
Road Accounts Receivable	10,756	-	-
Taxes Receivable	61,394	4,748	-
Loan Receivable	-	32,960	-
Capital Assets (not being depreciated):			
Land	12,101	-	-
Construction in Progress	2,555,229	-	-
Capital Assets (net of accumulated depreciation):			
Buildings	1,746,455	-	-
Other Building Improvements	-	98,309	-
Equipment & Vehicles	1,009,328	34,541	-
Infrastructure	1,775,281	-	-
Total Capital Assets	<u>\$ 7,098,394</u>	<u>\$ 132,850</u>	<u>\$ -</u>
Total Assets	<u>\$ 13,063,439</u>	<u>\$ 428,676</u>	<u>\$ 29,541</u>
LIABILITIES:			
Accounts Payable	\$ 179,279	\$ -	\$ -
Salary and Benefits Payable	42,560	5,110	-
Grants Received in Advance	631,865	-	-
Retainage Payable	255,523	-	-
Interest Payable	213	-	160
Long-Term Liabilities:			
Due Within One Year:			
Bond Payable	30,000	-	17,904
Compensated Absences Payable	64,998	-	-
Due After One Year:			
Loan Payable	-	-	32,960
Compensated Absences Payable	27,856	-	-
Total Liabilities	<u>\$ 1,232,294</u>	<u>\$ 5,110</u>	<u>\$ 51,024</u>
NET POSITION			
Net Investment in Capital Assets	\$ 7,068,394	\$ 34,541	\$ -
Restricted for:			
Debt Service	2,407	-	-
Public Safety	282,421	-	-
Highways and Bridges	2,229,993	-	-
Health and Welfare	590,208	-	-
Culture and Recreation	1,211	-	-
Conservation of Natural Resources	201,738	356,065	-
Emergencies	206,774	-	-
General Government	239,998	-	-
Loans	-	32,960	-
Unrestricted	1,008,001	-	(21,483)
Total Net Position	<u>\$ 11,831,145</u>	<u>\$ 423,566</u>	<u>\$ (21,483)</u>

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

RANSOM COUNTY
Lisbon, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	RC - Maple River Water Resource District
Primary Government:							
General Government/Other Purposes	\$ 1,608,234	\$ 161,072	\$ 7,440	\$ -	\$ (1,439,722)		
Public Safety	515,628	263,017	27,200	-	(225,411)		
Highways and Bridges	3,932,623	61,495	2,930,709	2,252,826	1,312,407		
Flood Repair	80,925	-	80,925	-	-		
Health and Welfare	748,877	109,648	224,967	-	(414,262)		
Culture and Recreation	16,570	-	-	-	(16,570)		
Conservation of Natural Resources	181,589	53,400	81,863	-	(46,326)		
Economic Development	11,506	-	-	-	(11,506)		
Interest on Long-Term Debt	2,852	-	-	-	(2,852)		
Total Governmental Activities	\$ 7,098,804	\$ 648,632	\$ 3,353,104	\$ 2,252,826	\$ (844,242)		
Component Units:							
Ransom County WRD	\$ 221,525	\$ 60,931	\$ 42,728	\$ -	\$ (117,866)	\$ -	
Ransom County - Maple River WRD	9,039	-	-	-	-	(9,039)	
Total Component Units	\$ 230,564	\$ 60,931	\$ 42,728	\$ -	\$ (117,866)	\$ (9,039)	
General Revenues:							
Taxes:							
Property taxes; levied for general purposes				\$ 513,866	\$ 131,321	\$ -	
Property taxes; levied for special purposes				1,752,615	13,638	16,610	
Non Restricted Grants and Contributions				854,624	2,477	-	
Unrestricted Investment Earnings				9,862	189	9	
Miscellaneous Revenue				89,914	5,698	5,824	
Total General Revenues				\$ 3,220,881	\$ 153,323	\$ 22,443	
Change in Net Position				\$ 2,376,639	\$ 35,457	\$ 13,404	
Net Position - January 1				\$ 9,454,506	\$ 388,109	\$ (34,887)	
Net Position - December 31				\$11,831,145	\$ 423,566	\$ (21,483)	

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

RANSOM COUNTY
Lisbon, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2014

	General	County Road & Bridge	Farm to Market Road	FEMA Flood	Equipment & Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	\$ 850,000	\$ 1,435,706	\$ 149,074	\$ 631,865	\$ 898,687	\$ 1,492,497	\$ 5,457,829
Intergovernmental Receivable	194,193	135,165	-	-	-	67,416	396,774
Accounts Receivable	11,103	-	-	-	-	27,189	38,292
Road Receivables	-	10,756	-	-	-	-	10,756
Taxes Receivable	13,560	4,066	8,132	-	-	35,637	61,394
Total Assets	\$ 1,068,857	\$ 1,585,692	\$ 157,206	\$ 631,865	\$ 898,687	\$ 1,622,739	\$ 5,965,045
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 50,789	\$ 61,526	\$ 41,412	\$ -	\$ -	\$ 25,552	\$ 179,279
Salaries Payable	10,067	25,446	-	-	-	7,047	42,560
Grants Received in Advance	-	-	-	631,865	-	-	631,865
Total Liabilities	\$ 60,856	\$ 86,972	\$ 41,412	\$ 631,865	\$ -	\$ 32,599	\$ 853,704
Deferred Inflows of Resources:							
Road Receivables	\$ -	\$ 10,756	\$ -	\$ -	\$ -	\$ -	\$ 10,756
Taxes Receivable	13,560	4,066	8,132	-	-	35,637	61,394
Total Deferred Inflows of Resources:	\$ 13,560	\$ 14,822	\$ 8,132	\$ -	\$ -	\$ 35,637	\$ 72,150
Total Liabilities and Deferred Inflows of Resources	\$ 74,416	\$ 101,794	\$ 49,544	\$ 631,865	\$ -	\$ 68,236	\$ 925,854
Fund Balances:							
Restricted for:							
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,790	\$ 1,790
Public Safety	-	-	-	-	-	293,589	293,589
Highways and Bridges	-	1,483,898	107,662	-	-	-	1,591,560
Health and Welfare	-	-	-	-	-	597,068	597,068
Culture and Recreation	-	-	-	-	-	1,211	1,211
Conservation of Natural Resources	-	-	-	-	-	204,707	204,707
Emergency	-	-	-	-	-	206,774	206,774
Other Purposes & General Government	-	-	-	-	-	249,364	249,364
Committed for:							
Highways and Bridges	-	-	-	-	898,687	-	898,687
Unassigned:	994,441	-	-	-	-	-	994,441
Total Fund Balances	\$ 994,441	\$ 1,483,898	\$ 107,662	\$ -	\$ 898,687	\$ 1,554,503	\$ 5,039,191
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,068,857	\$ 1,585,692	\$ 157,206	\$ 631,865	\$ 898,687	\$ 1,622,739	\$ 5,965,045

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

RANSOM COUNTY
Lisbon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2014

Total *Fund Balances* of Governmental Funds \$ 5,039,191

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, therefore, are not reported in the governmental funds.

Cost of Capital Assets	\$ 9,948,527	
Less Accumulated Depreciation	<u>(2,850,133)</u>	7,098,394

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

Property Taxes Receivable	\$ 61,394	
Road Department Accounts Receivable	<u>10,756</u>	72,150

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. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2014 are:

Bonds Payable	\$ (30,000)	
Interest Payable	(213)	
Retainage Payable	(255,523)	
Compensated Absences Payable	<u>(92,854)</u>	
Total Long-Term Liabilities		<u>(378,590)</u>

Total Net Position of Governmental Activities \$ 11,831,145

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

RANSOM COUNTY
Lisbon, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General	County Road & Bridge	Farm to Market Road	FEMA Flood	Equipment & Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>							
Taxes	\$ 510,402	\$ 146,530	\$ 293,059	\$ -	\$ -	\$ 1,294,952	\$ 2,244,943
Intergovernmental	771,888	905,824	2,182,585	80,925	-	266,506	4,207,728
Charges for Services	358,165	28,289	-	-	-	265,225	651,679
Licenses, Permits and Fees	4,400	-	-	-	-	-	4,400
Interest Income	9,862	-	-	-	-	-	9,862
Miscellaneous	33,276	34,689	-	-	-	21,949	89,914
Total Revenues	\$ 1,687,993	\$ 1,115,332	\$ 2,475,644	\$ 80,925	\$ -	\$ 1,848,632	\$ 7,208,526
<u>Expenditures:</u>							
Current:							
General Government	\$ 760,549	\$ -	\$ -	\$ -	\$ -	\$ 825,372	\$ 1,585,921
Public Safety	382,310	-	-	-	-	125,046	507,356
Highways and Bridges	-	908,471	2,882,489	-	-	-	3,790,960
Flood Repair	-	-	-	80,925	-	-	80,925
Health and Welfare	231,693	-	-	-	-	512,676	744,369
Economic Development	-	-	-	-	-	11,506	11,506
Culture and Recreation	-	-	-	-	-	16,570	16,570
Conserv. of Natural Resources	-	-	-	-	-	180,026	180,026
Debt Service:							
Principal	-	-	-	-	-	30,000	30,000
Interest & Fees	-	-	-	-	-	3,064	3,064
Total Expenditures	\$ 1,374,552	\$ 908,471	\$ 2,882,489	\$ 80,925	\$ -	\$ 1,704,260	\$ 6,950,697
Excess (Deficiency) of Revenues Over Expenditures	\$ 313,441	\$ 206,861	\$ (406,845)	\$ -	\$ -	\$ 144,372	\$ 257,829
<u>Other Financing Sources (Uses):</u>							
Transfers in	\$ 4	\$ 1,493	\$ -	\$ -	\$ 239,761	\$ 18,554	\$ 259,812
Transfers out	(239,761)	-	-	-	-	(20,051)	(259,812)
Total Other Financing Sources and Uses	\$ (239,757)	\$ 1,493	\$ -	\$ -	\$ 239,761	\$ (1,497)	\$ -
Net Change in Fund Balances	\$ 73,684	\$ 208,354	\$ (406,845)	\$ -	\$ 239,761	\$ 142,875	\$ 257,829
Fund Balances - January 1	\$ 920,757	\$ 1,275,544	\$ 514,507	\$ -	\$ 658,926	\$ 1,411,628	\$ 4,781,362
Fund Balances - December 31	\$ 994,441	\$ 1,483,898	\$ 107,662	\$ -	\$ 898,687	\$ 1,554,503	\$ 5,039,191

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

RANSOM COUNTY
Lisbon, 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, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ 257,829

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

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

Current Year Capital Outlay	\$ 411,553	
Capital Contributions	2,252,826	
Current Year Depreciation Expense	<u>(290,717)</u>	2,373,662

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Loss on Disposals of Capital Assets	(44,966)
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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 of debt repayment.

Repayment of Debt - Bonds	30,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Decrease in Interest Payable	\$ 212	
Net Increase in Retainage Payable	(255,523)	
Net Decrease in Compensated Absences	<u>1,334</u>	(253,977)

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

Net Increase in Taxes Receivables	\$ 21,538	
Net Decrease in Road Receivables	<u>(7,447)</u>	<u>14,091</u>

Change in Net Position of Governmental Activities	<u>\$ 2,376,639</u>
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The notes to the financial statements are an integral part of this statement.

RANSOM COUNTY
Lisbon, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 1,769,627</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 1,769,627</u>

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

RANSOM COUNTY
Lisbon, North Dakota
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Based on these criteria, there are two discretely presented component units to be included within Ransom County as a reporting entity and one blended component unit as outlined below.

COMPONENT UNITS

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

Blended Component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Ransom County Public Health Unit: - The activities of the Ransom County Public Health Unit have been blended in the activities of the general fund as the health unit only serves Ransom County. The Public Health Unit does not have the right to sue in its own name without recourse to the county. Therefore it is reported as if it were part of the county's operations.

Discretely Presented Component Units: The component unit columns in the basic financial statements includes the financial data of the county's two discretely presented component units. These units are reported in separate columns to emphasize that it is legally separate from the county.

Ransom County Water Resource District - The County's governing board appoints a voting majority of the members of the Ransom County Water Resource District Board. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy established by the Water Resource District. Complete financial statements of the individual component unit can be obtained from the Secretary-Treasurer, Ransom County Water Resource District, Box 388, Lisbon, ND, 58054.

RANSOM COUNTY

Notes to the Financial Statements - Continued

Ransom County-Maple River Water Resource District - The County's governing board appoints a voting majority of the members of the Ransom County –Maple River Water Resource District Board. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy or drain assessments established by the Water Resource District. Complete financial statements of the individual component unit can be obtained from the Secretary-Treasurer, Ransom County Water Resource District, Box 388, Lisbon, ND, 58054.

Related Organizations - Ransom County is also responsible for levying property taxes for various organizations but the county's accountability for these entities does not extend beyond the levying the tax. In 2014, the county remitted the following tax collections to the following organizations.

	2014
Historical Society	\$8,779
Fair Board	103,667
Ambulance Authority	97,182

B. Basis of Presentation

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

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

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

The county reports the following major governmental funds:

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

County Road & Bridge Fund. This fund accounts for repair and improvement of highways and bridges that are legally restricted from local tax levies and state highway tax distribution.

Farm to Market Road Fund. This fund accounts for repair and improvement (bituminous surfacing) of highways financed primarily through a tax levy.

RANSOM COUNTY

Notes to the Financial Statements - Continued

FEMA Flood Fund. This is the County's fund used to account for federal disaster recovery funds received and used for repairs caused by flooding. Restricted state and federal grants/reimbursements are the primary revenue source in this fund.

Equipment & Improvement Fund. This fund accounts for collection of funds that will be used for payment of a road construction projects.

The County reports the following fund type:

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

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

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

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

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

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

D. Cash, Cash Equivalents, and Investments

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

The investments of the county during the year ended December 31, 2014 consist of certificates of deposit stated at fair value.

RANSOM COUNTY

Notes to the Financial Statements - Continued

E. Capital Assets**PRIMARY GOVERNMENT:**

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

General infrastructure assets acquired prior to January 1, 2006 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2006 as a Phase III GASB 34 implementation entity. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

Assets	Years
Buildings	50
Improvements other than Buildings	25
Machinery and Equipment	15
Vehicles	5
Office Equipment	3
Infrastructure	25

DISCRETELY PRESENTED COMPONENT UNITS:

Capital assets of the Ransom County Water Resource District, a discretely presented component unit of Ransom County, include property and equipment. Assets are reported in a discretely presented component unit column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets of the Water Resource District are depreciated using the straight-line method over the following estimated useful lives

Assets	Years
Other Building Improvements	30
Equipment and Vehicles	3-10

RANSOM COUNTY

Notes to the Financial Statements - Continued

F. Compensated Absences

Vacation leave is earned by county employees at the rate of 8 hours to 16 hours per month/prorated for part-time benefitted employees depending on years of service. Up to 240 hours of vacation leave may be carried over at each year-end by all county employees. Sick leave benefits are earned by all benefitted employees at the rate of one day per month/prorated for part-time benefitted employees regardless of the years of service. An unlimited number of sick leave hours may be carried over and employees are not paid for sick leave upon termination of employment. Vested or accumulated vacation leave is reported in government-wide statement of net position and the change in compensated absences is reported by expense function in the statement of activities.

Years of Service	Hours per Month
1 through 3 years	8
4 through 7 years	10
8 through 12 years	12
13 through 18 years	14
19 years and above	16

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, when significant, are amortized over the life of the bonds. Bond premiums and discounts when not significant are recognized in the year of issuance. Bond issuance costs are recognized in the current period in accordance with current standards.

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

H. Fund Balances

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

Fund Balance Spending Policy:

It is the policy of Ransom 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:

It is the goal of Ransom County to try to maintain a \$350,000 minimum general fund balance.

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, FEMA Flood, and Equipment Improvement) are disclosed in more detail in Note 1B.

RANSOM COUNTY

Notes to the Financial Statements - Continued

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

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

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

Ransom County only has restricted, committed, and unassigned fund balances at December 31, 2014.

Unassigned Fund Balances:

Unassigned fund balances at year-end 2014 consist of an amount in the general fund totaling \$994,441.

Restricted Fund Balances:

Restricted fund balances are shown by primary function on the balance sheet for general government (reported in other governmental funds for social security, insurance reserve, advertising, cemetery, and technology), public safety, highways and bridges, health and welfare, culture and recreation, conservation of natural resources, emergencies, and debt service. Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements and bond indentures).

RANSOM COUNTY

Notes to the Financial Statements - Continued

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements totaling \$3,146,063:
 - 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.
- (b) Committed fund balances (special revenue funds) – committed by governing board county commission action;
 - Committed in a special revenue fund (equipment & improvements) for county equipment and infrastructure related projects (\$898,687) for highways and bridges.

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 debt service, public safety, highways and bridges, health and welfare, culture and recreation, conservation of natural resources, emergencies, and general government purposes (insurance reserve, social security, advertising, cemetery, and technology).

Unrestricted net position is primarily unrestricted amounts related to the general fund. The unrestricted net position is available to meet the district's ongoing obligations.

I. Interfund Transactions

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

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board of county commissioners amended the county budgeted expenditures and transfers out for the year ended December 31, 2014 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Farm to Market Road Fund	\$600,000	\$2,274,409	\$2,874,409
Jail Fund	45,000	19,174	64,174
County Park Fund	15,690	880	16,570

RANSOM COUNTY

Notes to the Financial Statements - Continued

NOTE 3: DEPOSITS

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

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

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

At year ended December 31, 2014 the county's carrying amount of deposits was \$7,226,844, and bank balances totaled \$7,143,406. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances totaling \$6,643,406 were collateralized with securities held by the pledging financial institution's agent in the government's name.

The Ransom County Water Resource District's carrying amount of deposits was \$258,118 and the bank balances were \$258,846 all of which was covered entirely by Federal Depository Insurance.

The Ransom County-Maple River Water Resource District's carrying amount of deposits was \$29,542 and the bank balances were \$29,541, all of which was covered entirely by Federal Depository Insurance.

Credit Risk:

The county and its component units may invest idle funds as authorized in North Dakota Statutes, as follows:

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

As of December 31, 2014, the county had certificates of deposit totaling \$2,666,245 and the Ransom County Water Resource District held \$121,447, which are all considered deposits.

RANSOM COUNTY

Notes to the Financial Statements - Continued

Interest Rate Risk:

The County and its component units do not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk:

The county and component units do not have a limit on the amount they may invest in any one issuer.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due for sheriff's fees, contract policing, and prisoner boarding fees. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 5: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 6: ROAD ACCOUNTS RECEIVABLE

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

NOTE 7: TAXES RECEIVABLE

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

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

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

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

NOTE 8: LOANS RECEIVABLE

The Ransom County Water Resource District (a component unit of Ransom County) issued a loan to Ransom County – Maple River Water Resource District (a component unit of Ransom County) to aid them in operating expenses in FY2014. There is no payment schedule set up for the collection of this loan. It is presumed that Ransom County-Maple River Water Resource District will pay it back once their bond payments have matured, which is set to occur in FY2015. The amount receivable and payable at year-end totaled \$32,960.

RANSOM COUNTY

Notes to the Financial Statements - Continued

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2014 for the primary government:

Governmental Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 12,101	\$ -	\$ -	\$ -	\$ 12,101
Construction in Progress	8,912	2,585,422	-	(39,105)	2,555,229
Total Capital Asset not being depreciated	\$ 21,013	\$2,585,422	\$ -	\$(39,105)	\$2,567,330
<i>Capital assets, being depreciated:</i>					
Buildings	\$2,362,419	\$ -	\$ -	\$ 39,105	\$2,401,524
Equipment & Vehicles	2,620,836	78,957	64,299	-	2,635,494
Infrastructure	2,344,179	-	-	-	2,344,179
Total Capital Assets, Being Depreciated	\$7,327,434	\$ 78,957	\$64,299	\$ 39,105	\$7,381,197
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 611,831	\$ 43,238	\$ -	\$ -	\$ 655,069
Equipment & Vehicles	1,491,788	153,711	19,333	-	1,626,166
Infrastructure	475,131	93,767	-	-	568,898
Total Accumulated Depreciation	\$2,578,750	\$ 290,716	\$19,333	\$ -	\$2,850,133
Total Capital Assets Being Depreciated, Net	\$4,748,684	\$ (211,759)	\$44,966	\$ 39,105	\$4,531,064
Governmental Activities - Capital Assets, Net	\$4,769,697	\$2,373,663	\$44,966	\$ -	\$7,098,394

Depreciation expense was charged to functions/programs of the county as follows for the year ended December 31, 2014:

Governmental Activities:	Amounts
General Government	\$ 18,587
Public Safety	39,628
Conservation	750
Highways and Bridges	222,116
Health and Welfare	9,635
Total Depreciation Expense - Governmental Activities	\$290,716

The following is a summary of changes in capital assets for the year ended December 31, 2014 for the Water Resource District:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets, being depreciated:</i>				
Other Building Improvements	\$306,389	\$ -	\$ -	\$306,389
Equipment & Vehicles	60,569	18,454	-	79,023
Total Capital Assets, Being Depreciated	\$366,958	\$18,454	\$ -	\$385,412
<i>Less accumulated depreciation for:</i>				
Other Improvements	\$201,556	\$ 6,525	\$ -	\$208,081
Equipment & Vehicles	35,076	9,405	-	4,481
Total Accumulated Depreciation	\$236,632	\$15,930	\$ -	\$252,562
Total Capital Assets Being Depreciated, Net	\$130,326	\$ 2,524	\$ -	\$132,850

Depreciation in 2014 of \$15,930 was charged to conservation of natural resources function.

RANSOM COUNTY

Notes to the Financial Statements - Continued

NOTE 10: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2014 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 11: SALARIES PAYABLE

Salaries payable consists of amounts earned by employees prior to year-end, but paid subsequent to year-end.

NOTE 12: GRANTS RECEIVED IN ADVANCE

Grants received in advance for the county consists of funds received in the FEMA fund where the eligibility requirements have not been met at December 31, 2014.

NOTE 13: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable) outstanding at December 31, 2014 for the County and Ransom County - Maple River Water Resource District.

NOTE 14: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and road receivables in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes and road receivables are measurable but not available.

NOTE 15: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2014 the following changes occurred in governmental activities long-term liabilities for Ransom County:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
G.O. Bonds Payable	\$ 60,000	\$ -	\$30,000	\$ 30,000	\$30,000
Compensated Absences *	94,187	-	1,333	92,854	64,998
Total Governmental Activities	\$154,187	\$ -	\$31,333	\$122,854	\$94,998

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding debt (excluding compensated absences) at December 31, 2014 for the primary government governmental activities consists of the following issues:

General Obligation Bonds:

\$210,000 General obligation bonds of 2007 due in annual installments of \$30,000 through 2015; interest at 4.25%.

\$30,000

RANSOM COUNTY

Notes to the Financial Statements - Continued

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

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Bonds Payable	
	Principal	Interest
2015	\$30,000	\$637

DISCRETELY PRESENTED COMPONENT UNITS:

Ransom County – Maple River Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2014 the following changes occurred in governmental activities long-term liabilities for Ransom County – Maple River Water Resource District:

WRD Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bonds Payable	\$34,884	\$ -	\$16,980	\$17,904	\$17,904
Loans Payable	32,960	-	-	32,960	-
Total WRD Activities	\$67,844	\$ -	\$16,980	\$50,864	\$17,904

Outstanding debt at December 31, 2014 consists of the following individual items:

Refunding Improvement Bonds:

\$93,000 Refunding Improvement bonds of 2004 due in annual installments of \$12,044 through 2015; interest at 5.20%. \$11,590

\$50,000 Refunding Improvement bonds of 2005 due in annual installments of \$6,585 through 2015; interest at 5.70%. 6,314

Total Refunding Improvement Bonds Payable \$17,904

Loans Payable:

\$32,960 Loan payable of 2014 due to Ransom County WRD with set terms or interest rate. Expected to be paid back after the two refunding improvement bond mature in 2015. \$32,960

Debt service requirements on the Ransom County Maple River Water Resource District long-term debt at December 31, 2014 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2015	\$17,904	\$724	\$ -	\$ -
2016-2020	-	-	32,960	-
Total	\$17,904	\$724	\$32,960	\$ -

RANSOM COUNTY

Notes to the Financial Statements - Continued

NOTE 16: OPERATING LEASES

Ransom County is engaged in two operating leases, two of which are for copiers. Total lease payments were \$6,141 during the year ended December 31, 2014. The County departments are listed along with the piece of equipment that is being leased by that department in the following schedules.

Year Ending December 31	GOVERNMENTAL ACTIVITIES		
	County Treasurer Office Liberty-Copier	Motor Grader	Extension- Office Liberty Copier
2015	\$ 3,163	\$20,234	\$ 3,536
2016	3,163	20,234	3,536
2017	3,163	20,234	3,536
2018	3,163	20,234	3,536
2019	1,054	-	1,179
Totals	\$13,706	\$80,936	\$15,323

NOTE 17: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements of the governmental funds for the year ended December 31, 2014:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 4	\$239,761
County Road and Bridge	1,493	-
Equipment & Improvement	239,761	-
Debt Service Funds (Non-Major):		
County Nurse Special	-	18,558
OASIS/Social Security	8,054	-
Comprehensive Medical Insurance	10,500	-
County Loan	-	1,493
Total Transfers	\$259,812	\$259,812

NOTE 18: PENSION PLAN**North Dakota Public Employees' Retirement System**

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

During January 1, 2014 through December 31, 2014, plan members were required to contribute 7% of their annual covered salary. Ransom County has elected to contribute the employees required contribution. The County was required to contribute 8.26% of the employee's salary, which consists of 7.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's required contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$110,602, \$92,399, and \$76,860, respectively, and actual contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$204,332, \$170,704, and \$138,249, respectively.

RANSOM COUNTY

Notes to the Financial Statements - Continued

Other Programs:

Other contributions include the Nationwide System 457 Deferred Compensation plan. Ransom County's contributions to the Nationwide Retirement program for the fiscal years ended December 31, 2014, 2013, and 2012 were \$37,420, \$34,079, and \$31,077, respectively.

NOTE 19: RISK MANAGEMENT

Ransom 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. Ransom County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and one million dollars per occurrence for automobile and \$3,317,191 public assets (mobile equipment and portable property).

Ransom County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Ransom 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 Ransom County with blanket fidelity bond coverage in the amount of \$1,750,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 20: JOINT VENTURE

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2014:

GOVERNMENTAL ACTIVITIES	
Total Assets	\$8,091,476
Total Liabilities	<u>265,559</u>
Net Position	<u>\$7,825,917</u>
Revenues	\$2,395,150
Expenses	<u>1,368,330</u>
Change in Net Position	<u>\$1,026,820</u>

RANSOM COUNTY

Notes to the Financial Statements - Continued

Complete financial statements for the Red River Joint Water Resource District may be obtained from the Treasurer's office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

NOTE 21: JOINTLY GOVERNED ORGANIZATION

Ransom County and Sargent County participate in the Ransom-Sargent Senior Services, a jointly governed organization that provides services to the senior citizens of both Ransom and Sargent County. Ransom County contributed \$67,205 to the Ransom-Sargent Senior Services for the year 2014.

NOTE 22: COMMITMENTSCommitments:

At December 31, 2014, Ransom County had commitments for remaining project costs related to the Sheldon Road (project CNOA-3700(002)). As of December 31, 2014, the remaining construction commitments are as follows:

Project	Original Contract	Change Orders	Total Contract	Total Completed	Retainage	Remaining Balance	Percent Completed
Sheldon Road	\$3,049,976	\$62,980	\$3,112,956	\$2,555,229	\$255,523	\$813,250	82.08%

RANSOM COUNTY
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 484,932	\$ 484,932	\$ 510,402	\$ 25,470
Intergovernmental	716,400	716,400	771,888	55,488
Charges for Services	321,650	321,650	358,165	36,515
Licenses, Permits and Fees	5,000	5,000	4,400	(600)
Interest Income	23,000	23,000	9,862	(13,138)
Miscellaneous	31,550	31,550	33,276	1,726
Total Revenues	<u>\$ 1,582,532</u>	<u>\$ 1,582,532</u>	<u>\$ 1,687,993</u>	<u>\$ 105,461</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 830,342	\$ 830,342	\$ 760,549	\$ 69,793
Public Safety	358,508	358,508	382,310	(23,802)
Health and Welfare	255,682	255,682	231,693	23,989
Total Expenditures	<u>\$ 1,444,532</u>	<u>\$ 1,444,532</u>	<u>\$ 1,374,552</u>	<u>\$ 69,980</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 138,000</u>	<u>\$ 138,000</u>	<u>\$ 313,441</u>	<u>\$ 175,441</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 4	\$ 4
Transfers out	-	-	(239,761)	(239,761)
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (239,757)</u>	<u>\$ (239,757)</u>
Net Change in Fund Balances	<u>\$ 138,000</u>	<u>\$ 138,000</u>	<u>\$ 73,684</u>	<u>\$ (64,316)</u>
Fund Balances - January 1	<u>\$ 920,757</u>	<u>\$ 920,757</u>	<u>\$ 920,757</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 1,058,757</u></u>	<u><u>\$ 1,058,757</u></u>	<u><u>\$ 994,441</u></u>	<u><u>\$ (64,316)</u></u>

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

RANSOM COUNTY
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 147,974	\$ 147,974	\$ 146,530	\$ (1,444)
Intergovernmental	1,218,000	1,218,000	905,824	(312,176)
Charges for Services	25,000	25,000	28,289	3,289
Miscellaneous	27,500	27,500	34,689	7,189
Total Revenues	<u>\$ 1,418,474</u>	<u>\$ 1,418,474</u>	<u>\$ 1,115,332</u>	<u>\$ (303,142)</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 1,179,974</u>	<u>\$ 1,179,974</u>	<u>\$ 908,471</u>	<u>\$ 271,503</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 238,500</u>	<u>\$ 238,500</u>	<u>\$ 206,861</u>	<u>\$ (31,639)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,493</u>	<u>\$ 1,493</u>
Net Change in Fund Balances	<u>\$ 238,500</u>	<u>\$ 238,500</u>	<u>\$ 208,354</u>	<u>\$ (30,146)</u>
Fund Balances - January 1	<u>\$ 1,275,544</u>	<u>\$ 1,275,544</u>	<u>\$ 1,275,544</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 1,514,044</u>	<u>\$ 1,514,044</u>	<u>\$ 1,483,898</u>	<u>\$ (30,146)</u>

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

RANSOM COUNTY
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 295,800	\$ 295,800	\$ 293,059	\$ (2,741)
Intergovernmental	-	-	2,182,585	2,182,585
Total Revenues	<u>\$ 295,800</u>	<u>\$ 295,800</u>	<u>\$ 2,475,644</u>	<u>\$ 2,179,844</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 600,000</u>	<u>\$ 2,874,409</u>	<u>\$ 2,882,489</u>	<u>\$ (8,080)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (304,200)</u>	<u>\$ (2,578,609)</u>	<u>\$ (406,845)</u>	<u>\$ 2,171,764</u>
Fund Balances - January 1	<u>\$ 514,507</u>	<u>\$ 514,507</u>	<u>\$ 514,507</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 210,307</u>	<u>\$ (2,064,102)</u>	<u>\$ 107,662</u>	<u>\$ 2,171,764</u>

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

RANSOM COUNTY
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FLOOD FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 80,925	\$ 5,925
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ 518,720	\$ 518,720	\$ 80,925	\$ 437,795
Excess (Deficiency) of Revenues Over Expenditures	\$ (443,720)	\$ (443,720)	\$ -	\$ 443,720
Fund Balances - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balances - December 31	\$ (443,720)	\$ (443,720)	\$ -	\$ 443,720

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

RANSOM COUNTY
Lisbon, North Dakota

BUDGETARY COMPARISON SCHEDULE
EQUIPMENT & IMPROVEMENT FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses):				
Transfers in	\$ -	\$ -	\$ 239,761	\$ 239,761
Net Change in Fund Balances	\$ -	\$ -	\$ 239,761	\$ 239,761
Fund Balances - January 1	\$ 658,926	\$ 658,926	\$ 658,926	\$ -
Fund Balances - December 31	\$ 658,926	\$ 658,926	\$ 898,687	\$ 239,761

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

RANSOM COUNTY
Lisbon, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2014, Ransom County had the following fund expenditures in excess of budgeted amounts:

Overspent Funds:	Budget	Actual	Overspent
<u>Special Revenue Funds</u>			
Farm to Marker Road	\$2,874,409	\$2,882,489	\$ 8,080
County Park	15,690	16,570	880
Jail Board Prisoners	45,000	64,174	19,174

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

RANSOM COUNTY
Lisbon, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-14
Major Funds:						
General Fund	\$ 800,000.00	\$ 1,655,102.24	\$ 4.20	\$ 239,761.01	\$ 1,365,345.43	\$ 850,000.00
Special Revenue Funds:						
County Road and Bridge	\$ 1,239,238.79	\$ 1,103,515.67	\$ 1,492.63	\$ -	\$ 908,541.16	\$ 1,435,705.93
Farm to Market Road	541,662.48	2,481,820.18	-	-	2,874,408.61	149,074.05
FEMA Flood	675,238.93	37,551.50	-	-	80,925.21	631,865.22
Equipment & Improvements	658,926.65	-	239,761.01	-	-	898,687.66
Total Major Funds	\$ 3,915,066.85	\$ 5,277,989.59	\$ 241,257.84	\$ 239,761.01	\$ 5,229,220.41	\$ 3,965,332.86
Non-Major Funds:						
Special Revenue Funds:						
Human Services	\$ 116,293.86	\$ 404,355.07	\$ -	\$ -	\$ 399,022.53	\$ 121,626.40
Veterans Service Officer	3,347.63	29,946.31	-	-	30,675.85	2,618.09
County Agent	30,345.45	124,595.62	-	-	105,976.59	48,964.48
Weed Control	84,448.14	116,293.91	-	-	67,228.78	133,513.27
County Park	11,447.96	6,332.42	-	-	16,569.52	1,210.86
County Nurse Special	258,123.25	208,707.24	-	18,558.30	109,113.05	339,159.14
Jail-Board of Prisoners	69,028.14	19,913.59	-	-	64,173.84	24,767.89
Oasis and Social Security	83,568.08	361,855.85	8,054.10	-	359,407.12	94,070.91
Advertising	7,314.77	6,144.18	-	-	11,505.50	1,953.45
Emergency Fund	205,768.81	1,005.14	-	-	-	206,773.95
Emergency 911	68,468.18	40,793.83	-	-	61,806.05	47,455.96
Insurance Reserve	24,802.16	82,935.72	-	-	66,542.01	41,195.87
Comprehensive Medical Insurance	138,350.20	221,501.49	10,500.00	-	269,274.76	101,076.93
Abandoned Cemetery	1,212.15	9.38	-	-	300.00	921.53
Emergency 911 Wireless	156,391.00	66,225.11	-	-	8,440.63	214,175.48
Technology	93,628.34	121,032.81	-	-	103,439.34	111,221.81
Total Special Revenue Funds	\$ 1,352,538.12	\$ 1,811,647.67	\$ 18,554.10	\$ 18,558.30	\$ 1,673,475.57	\$ 1,490,706.02
Debt Service Funds:						
County Loan	\$ -	\$ 1,492.63	\$ -	\$ 1,492.63	\$ -	\$ -
General Obligation Bldg Bond '07/Debt	1,610.00	33,243.71	-	-	33,063.50	1,790.21
Total Debt Service Funds	\$ 1,610.00	\$ 34,736.34	\$ -	\$ 1,492.63	\$ 33,063.50	\$ 1,790.21
Total Non-Major Funds	\$ 1,354,148.12	\$ 1,846,384.01	\$ 18,554.10	\$ 20,050.93	\$ 1,706,539.07	\$ 1,492,496.23
Total Governmental Funds	\$ 5,269,214.97	\$ 7,124,373.60	\$ 259,811.94	\$ 259,811.94	\$ 6,935,759.48	\$ 5,457,829.09
Agency Funds:						
County Historical Society	\$ 23.57	\$ 8,778.68	\$ -	\$ -	\$ 8,778.98	\$ 23.27
Senior Citizens	101.46	67,215.20	-	-	67,205.58	111.08
Ambulance	(6,225.63)	97,487.78	-	-	97,182.06	(5,919.91)
County Fair	2,855.56	103,645.12	-	-	103,667.14	2,833.54
Domestic Violence	35.00	-	-	-	-	35.00
State Medical Center - State Taxes	101.13	44,420.15	-	-	44,410.57	110.71
Garrison Diversion	112.10	44,695.41	-	-	44,682.32	125.19
Estimated Tax	11,288.28	4,883.29	-	-	11,244.47	4,927.10

Continued on next page....

RANSOM COUNTY
Lisbon, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-14
CONTINUED...						
<u>Agency Funds:</u>						
Current Tax Holdings	\$ 592,844.18	\$ 639,387.20	\$ -	\$ -	\$ 592,844.18	\$ 639,387.20
Game and Fish Licenses	3,423.00	28,013.00	-	-	23,466.00	7,970.00
Soil Conservation District	101.46	40,660.13	-	-	40,669.51	92.08
Joint Red River Water Resource Dist.	202.58	76,531.62	-	-	76,527.60	206.60
Job Development	152.77	60,038.47	-	-	60,043.06	148.18
County Agent Special	4,814.87	11,586.72	-	-	9,731.44	6,670.15
Water Resource District (County)	405.98	178,170.56	-	-	178,132.17	444.37
County Sheriff Special	1,612.49	10,563.84	-	-	8,328.63	3,847.70
Hazardous Chemical	12,964.69	987.50	-	-	-	13,952.19
County Agent Professional Development	988.35	-	-	-	-	988.35
Victim Witness Fee	-	13,618.00	-	-	13,493.00	125.00
Total Cities	175,385.36	1,718,164.08	-	-	1,706,896.31	186,653.13
Total Schools	547,040.57	3,273,739.89	-	-	3,166,563.69	654,216.77
Total Townships	106,953.90	782,281.80	-	-	772,951.23	116,284.47
Long Drain #1 - Tri-County	41,585.55	226,072.70	-	-	182,268.09	85,390.16
Shenford Drain	2.40	4,170.82	-	-	3,425.22	748.00
Coburn Drain #2	577.28	7,693.36	-	-	6,766.64	1,504.00
Coburn Drain #2-Reconstruction	1,218.16	18,364.08	-	-	18,094.24	1,488.00
McLeod Drain #1-Construction	2,884.37	16,967.66	-	-	16,140.58	3,711.45
McLeod Drain #1-Maintenance	2,576.50	15,717.79	-	-	14,883.59	3,410.70
Total Rural Fire Protection Dist.	37,626.74	216,381.10	-	-	213,865.43	40,142.41
Total Agency Funds	<u>\$ 1,541,652.67</u>	<u>\$ 7,433,109.17</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,205,427.97</u>	<u>\$ 1,769,626.89</u>
Total Primary Government	<u>\$ 6,810,867.64</u>	<u>\$ 14,557,482.77</u>	<u>\$ 259,811.94</u>	<u>\$ 259,811.94</u>	<u>\$ 14,141,187.45</u>	<u>\$ 7,227,455.98</u>
<u>Component Units:</u>						
Ransom County Water Resource Dist.	\$ 254,717.85	\$ -	\$ -	\$ -	\$ -	\$ 254,717.85
Ransom County - Maple River WRD	307.48	-	-	-	-	307.48
Total Water Resource Districts	<u>\$ 255,025.33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,025.33</u>
Total Reporting Entity	<u>\$ 7,065,892.97</u>	<u>\$ 14,557,482.77</u>	<u>\$ 259,811.94</u>	<u>\$ 259,811.94</u>	<u>\$ 14,141,187.45</u>	<u>\$ 7,482,481.31</u>

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

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

Independent Auditor's Report

Board of County Commissioners
Ransom County
Lisbon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ransom County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Ransom County's basic financial statements, and have issued our report thereon dated October 22, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ransom 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 is required to be reported under *Government Auditing Standards*.

RANSOM 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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 22, 2015

STATE AUDITOR

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Board of County Commissioners
Ransom County
Lisbon, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Ransom County, Lisbon, North Dakota, for the year ended December 31, 2014 which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 22, 2015. 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 August 14, 2015, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic 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 Ransom County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ransom County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ransom County's internal control over financial reporting.

As part of obtaining reasonable assurance about whether Ransom 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 and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Ransom County's compliance with those requirements.

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 Ransom County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2014. 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 October 22, 2015.

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.

This information is intended solely for the use of the Board of County Commissioners and management of Ransom 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 Ransom 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 Ransom County.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 22, 2015

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Division of State Audit

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