

# **OFFICE OF THE STATE AUDITOR**

## **AUDIT REPORT**

**RICHLAND COUNTY  
WAHPETON, NORTH DAKOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2014**



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RICHLAND COUNTY  
Wahpeton, North Dakota

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For the Year Ended December 31, 2014

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RICHLAND COUNTY  
Wahpeton, North Dakota

**COUNTY OFFICIALS**

December 31, 2014

Sid Berg	Commissioner - Chairperson
Tim Campbell	Commissioner - Vice-Chairperson
Nathan Berseth	Commissioner
Rollie Ehlert	Commissioner
Dan Thompson	Commissioner
Harris Bailey	Auditor/Administrator
Leslie Hage	Treasurer
Joan Oland	Data Processing
Mary DelVal	Administrative Assistant
Sandy Fossum	Tax Equalization Director
Larry Leshovsky	Sheriff
Cindy Schmitz	Clerk of Court
Harris Bailey	Superintendent of Schools
Ron McBeth	State's Attorney
Vacant	County Engineer

**WATER RESOURCE DISTRICT OFFICIALS**

December 31, 2014

Don Moffet	Board Member - Chairperson
Robert Rostad	Board Member - Vice-Chairperson
Arv Burvee	Board Member
Gary Friskop	Board Member
James Haugen	Board Member
Monica Zentgraf	Secretary/Treasurer
Sean Fredricks	Attorney

**STATE AUDITOR**

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

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

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**INDEPENDENT AUDITOR'S REPORT**

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Board of County Commissioners  
Richland County  
Wahpeton, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County, Wahpeton, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County, Wahpeton, 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 4-10 and 33-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015 on our consideration of Richland 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 Richland County's internal control over financial reporting and compliance.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
February 26, 2015

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RICHLAND COUNTY  
Wahpeton, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

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The Management's Discussion and Analysis (MD&A) of Richland County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2014. The intent of the MD&A is to look at the County's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended December 31, 2014 are as follows:

- The assets of Richland County exceeded its liabilities at the close of the most recent fiscal year by \$35,925,266 (net position). Of this amount, \$2,668,750 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position increased by \$6,697,849 for the year ended December 31, 2014 due to increased state funding for infrastructure.
- Total revenues from all sources were \$22,067,364 on the government-wide statement of activities and \$17,146,580 on the modified accrual basis.
- Total expenses were \$15,492,407 on the government-wide statement of activities and total expenditures were \$16,725,970 on the modified accrual basis.
- The County's general fund had \$6,690,596 in total revenues and \$4,933,958 in total expenditures. There was a total of \$1,451,087 used by other financing sources. Overall, the general fund balance increased by \$305,551 for the year ended December 31, 2014. Unassigned fund balances of the general fund totaled \$2,865,490 or 58.1% of general fund expenditures for the year.
- At the close of the report year, Richland County's governmental funds reported combined ending fund balances of \$6,483,608. Of that amount, \$2,865,490 is available for spending at the government's discretion (unassigned fund balances).

### **USING THIS ANNUAL REPORT**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand Richland County as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's major funds in separate columns with all other governmental funds presented in total in one column.

### **REPORTING ON THE COUNTY AS A WHOLE**

#### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the Richland County to provide programs and activities and attempt to answer the question "How did the County do financially during the year ended December 31, 2014?"

## **RICHLAND COUNTY**

### Management's Discussion and Analysis – Continued

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The Statement of Net Position presents information on all the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information on how the County's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes).

These two statements report the County's net position and changes in that position. This change in net position is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the County reports governmental activities. Governmental activities are the activities where most of the County's programs and services are reported including, but not limited to, general government, public safety, health and welfare, highways and bridges, flood repair, conservation of natural resources, culture and recreation, and economic development.

The government-wide financial statements include not only Richland County itself (known as the *primary government*), but also a legally separate water resource district for which Richland County is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 11-12 of this report.

## **REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS**

### Balance Sheet – Governmental Funds

The County uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the County to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the County's major funds. Using the criteria established by the Governmental Accounting Standards, Board, the County's general, highway, bridge replacement, social services, FEMA disaster reimbursement, and the job development authority are considered "major funds".

The County's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds". The basic governmental fund financial statements can be found on pages 13-16 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Richland County's own programs. The basic fiduciary fund financial statement can be found on page 17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-32 of the report.

**RICHLAND COUNTY**

## Management's Discussion and Analysis – Continued

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

Table I provides a summary of the County's net position as of December 31, 2014 and 2013.

As indicated in the financial highlights above, the County's net position increased by \$6,697,849 for the year ended December 31, 2014. The increase in net position was primarily due to increased state funding for infrastructure.

The largest portion of Richland County's net position (83.2%) reflects its net investment in capital assets (e.g., land, buildings, equipment and infrastructure, net of accumulated depreciation); less any related outstanding debt used to acquire those assets. Richland County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Richland County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Richland County's net position (9.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (7.4% or \$2,668,750) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year all three categories of net position are able to report positive balances.

<u>ASSETS:</u>	12-31-14	12-31-13
Current Assets	\$ 6,618,073	\$ 6,013,875
Long-term Receivable	658,124	506,422
Capital Assets (net of accumulated depreciation)	33,095,656	27,450,718
Total Assets	<u>\$40,371,853</u>	<u>\$33,971,015</u>
<u>LIABILITIES:</u>		
Current Liabilities	\$ 817,112	\$ 816,908
Long-term Liabilities	3,629,475	3,926,690
Total Liabilities	<u>\$ 4,446,587</u>	<u>\$ 4,743,598</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	\$29,890,226	\$23,929,266
Restricted	3,366,290	2,792,188
Unrestricted	2,668,750	2,505,963
Total Net Position	<u>\$35,925,266</u>	<u>\$29,227,417</u>

Table II shows the changes in net position for the fiscal year ended December 31, 2014 and 2013.

<u>Revenues</u>	12-31-14	12-31-13
<u>Program Revenues:</u>		
Charges for Services	\$ 1,381,085	\$ 1,592,270
Operating Grants & Contributions	5,863,419	5,015,604
Capital Grants & Contributions	4,895,716	-
<u>General Revenues:</u>		
Property Taxes	7,474,401	7,650,292
Gain on Sale of Capital Assets	122,294	168,607
Non Restricted Grants and Contributions	1,699,321	1,468,571
Unrestricted Investment Earnings	32,455	49,797
Miscellaneous Revenue	598,673	634,566
Total Revenues	<u>\$22,067,364</u>	<u>\$16,579,707</u>

**RICHLAND COUNTY**

## Management's Discussion and Analysis – Continued

**TABLE II – CONTINUED**  
**CHANGES IN NET POSITION**  
 As of December 31, 2014 and 2013

	12-31-14	12-31-13
<b>Expenses</b>		
General Government	\$ 2,752,761	\$ 2,419,878
Public Safety	3,052,010	3,086,351
Highways and Bridges	5,817,605	6,785,171
Flood Repair	227,091	403,345
Health and Welfare	2,941,115	2,897,762
Culture and Recreation	103,286	87,832
Conservation of Natural Resources	464,154	474,157
Economic Development	40,769	40,418
Emergency	390	-
Interest and Fiscal Charges	93,226	104,374
Total Expenses	<u>\$15,492,407</u>	<u>\$16,299,288</u>
Net Change in Position	<u>\$ 6,574,957</u>	<u>\$ 280,419</u>
Net Position – January 1	\$29,227,417	\$29,395,201
Prior Period Adjustment	122,892	(448,203)
Net Position – December 31	<u>\$35,925,266</u>	<u>\$29,227,417</u>

Property taxes constituted 34%, operating grants and contributions 27%, capital grants and contributions 22%, non-restricted grants and contributions 8%, charges for services 6%, and miscellaneous revenue and investment earnings made up 3% of the total revenues of governmental activities of the County for year ended December 31, 2014. Property Taxes decreased by \$175,891 due to a decrease in mills levied. Capital grants and contributions increased \$4,895,716 from state funding for infrastructure.

General government constituted 18%, public safety 20%, highways and bridges 38%, flood repair 1% and health & welfare 19% and the remaining 4% is split among five other categories of total expenses for governmental activities for the year ended December 31, 2014. Total expenses decreased by 5% (\$806,881) for the year ended December 31, 2014. The largest decrease in functional expenses was highways and bridges decreasing by 14% (\$967,566).

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

**TABLE III**  
**TOTAL AND NET COST OF SERVICES**  
 As of December 31, 2014 and 2013

	Total Cost For Year Ended Dec. 31, 2014	Net Cost For Year Ended Dec. 31, 2014	Total Cost For Year Ended Dec. 31, 2013	Net Cost For Year Ended Dec. 31, 2013
General Government	\$ 2,752,761	\$2,635,249	\$ 2,419,878	\$2,312,090
Public Safety	3,052,010	2,367,953	3,086,351	2,163,589
Highways and Bridges	5,817,605	(4,073,265)	6,785,171	2,707,803
Flood Repair	227,091	24,833	403,345	70,370
Health and Welfare	2,941,115	1,807,336	2,897,762	1,825,311
Culture and Recreation	103,286	17,604	87,832	86,381
Conservation of Natural Resources	464,154	456,189	474,157	396,016
Economic Development	40,769	22,672	40,418	25,480
Emergency	390	390	-	-
Interest and Service Charges	93,226	93,226	104,374	104,374
Total	<u>\$15,492,407</u>	<u>\$3,352,187</u>	<u>\$16,299,288</u>	<u>\$9,691,414</u>

## **RICHLAND COUNTY**

### Management's Discussion and Analysis – Continued

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Total costs decreased by 5%, or \$806,881, and net costs of services decreased by \$6,339,227, or 65% from year end 2013 to year end 2014. The net costs decreased most significantly in highways and bridges by \$6,781,068 due to construction projects.

## **FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the County's governmental funds statements is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally can be used as a measure of the County's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The County's governmental funds had total revenue of \$17,146,580 and expenditures of \$16,725,970 for the year ended December 31, 2014. The totals represent an overall 4.5% (\$740,055) increase in revenues and 0.4% (\$65,717) increase in expenditures over the prior fiscal year-end. Of the total increase in revenues, \$1,078,565 was attributable to intergovernmental revenues, offset by a decrease of \$283,655 in tax revenue and charges for services. The increase in expenditures was primarily attributable to general government.

As of December 31, 2014, the County's general fund unassigned fund balance was \$2,865,490 and total fund balance for the entire County's governmental funds was \$6,483,608. The overall fund balance increased by \$968,076. The general fund balance increased primarily due to a reduction in transfers to the highway fund to pay for highway and bridges construction projects. The general fund revenues totaled \$6,690,596 and expenditures were \$4,933,958 for the year ended December 31, 2014. This represents a decrease of \$296,363 (4.2%) in revenues and an increase of \$322,927 (7.0%) in expenditures.

The introduction to GASB 54 in 2011 changed the classification of fund balance reporting. The types of fund balance include restricted, committed, and unassigned. See the Balance Sheet on page 13 and Note 1H on pages 22-24 in the Notes to the Financial Statements of this report for further details.

## **GENERAL FUND BUDGET HIGHLIGHTS**

Actual general fund revenue for the year ended December 31, 2014 was \$56,084 more than budgeted (a positive variance of 1%). The most significant variances were \$43,482 more in charges for services and \$92,482 in taxes offset by a short fall of \$54,496 from intergovernmental revenue.

Actual general fund expenditures were \$90,803 less than budgeted, or a 2% positive variance.

See Note 2 for further information on budget amendments and other county governmental funds on page 24 of this report. See also, budgetary comparison schedules for the major funds on pages 33-38 of this report.

## **CAPITAL ASSETS ADMINISTRATION**

As of December 31, 2014, Richland County had \$33,095,656 invested in capital assets (net of accumulated depreciation) and at December 31, 2013 had \$27,450,718 invested in capital assets (net of accumulated depreciation). Table IV shows the balances at December 31, 2014 and 2013.

**RICHLAND COUNTY**

## Management's Discussion and Analysis – Continued

**TABLE IV**  
**CAPITAL ASSETS**  
(Net of Accumulated Depreciation)  
December 31, 2014 and 2013

	12-31-14	12-31-13
Land	\$ 41,040	\$ 41,040
Buildings	2,348,689	2,364,492
Equipment	2,839,366	2,637,169
Vehicles	902,588	971,034
Infrastructure	24,164,948	21,436,983
Construction in Progress	2,799,025	-
Total Capital Assets (net of accumulated depreciation)	<u>\$33,095,656</u>	<u>\$27,450,718</u>

This total represents a net increase of \$5,644,938 (21%), in capital assets from January 1, 2014. The capital assets increase is due to construction in progress and the increased state funding for infrastructure. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 10 to the audited financial statements that follow this analysis on pages 27-28 of this report.

**DEBT ADMINISTRATION**

At the end of the most recent fiscal year, Richland County had total debt outstanding of \$3,205,430. Of this amount, \$517,619 is due within one year.

Richland County's debt decreased overall by \$316,022 (9.0%) during the current fiscal year due to bond payments.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. Richland County's debt is well within the legal debt limit of \$36,381,574.

**TABLE V**  
**OUTSTANDING GENERAL OBLIGATION DEBT**  
December 31, 2014 and 2013

	Total Outstanding Dec. 31, 2014	Due Within One Year	Total Outstanding Dec. 31, 2013	Due Within One Year
Bonds Payable	\$1,920,000	\$360,000	\$2,270,000	\$350,000
Capital Leases Payable	1,285,430	157,619	1,251,452	320,142
Total Debt	<u>\$3,205,430</u>	<u>\$517,619</u>	<u>\$3,521,452</u>	<u>\$670,142</u>

For a detailed breakdown of the additions and deductions to long-term debt, as well as for information about each individual issue, readers are referred to Note 16 to the audited financial statements on pages 29-30 of this report.

## **RICHLAND COUNTY**

Management's Discussion and Analysis – Continued

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Richland County is located in Southeastern North Dakota in the Red River Valley Region which is some of the most fertile agricultural area in the world. The economic outlook of the County remains strong. The closing in 2009 of a major manufacturing plant in Wahpeton was mitigated by two companies new to the area occupying the three buildings with no interruption of the real estate taxes and diversification of industry. The result was a positive impact on the area economy. The unemployment rate for Richland County is currently 3.2 percent, which is a decrease from a rate of 4.1 percent a year ago. This compares unfavorably to the state's unemployment rate of 2.8 percent and favorably to the national average rate of 5.4 percent. The taxable valuation of the County increased from \$70,194,419 in 2013 to \$77,290,300 in 2014. The budget for the general fund, special revenue funds and debt service fund in 2015 reflects a decrease in expenditures to \$14,612,039 (from \$16,890,054) due to a reduction in scheduling of major construction projects and a decrease in revenues to \$14,854,592 (from \$16,827,247) due to uncertainty of state funding for highway and bridge projects.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers, residents, and creditors with a general overview of Richland County' finances and to show the County's accountability for the money it receives to provide the best possible services to Richland County residents. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Harris Bailey, Director of Administration, Richland County, 418 2<sup>nd</sup> Avenue N., Wahpeton, ND 58075-4400, phone 701-642-7700, fax 701-642-7701, or email [hbailey@co.richland.nd.us](mailto:hbailey@co.richland.nd.us).

RICHLAND COUNTY  
Wahpeton, North Dakota

STATEMENT OF NET POSITION  
December 31, 2014

	Primary Government	Water Resource District
	Governmental Activities	District
<b><u>ASSETS</u></b>		
Cash and investments	\$ 5,659,591	\$ 3,270,360
Accounts receivable	18,131	-
Intergovernmental receivable	715,275	7,511
Due from county	-	1,411
Advance to other governemnt	108,967	-
Loans receivable	658,124	-
Road accounts receivable	14,752	-
Taxes receivable	101,357	11,551
Capital Assets Not Being Depreciated:		
Land	41,040	724,570
Construction in progress	2,799,025	239,006
Capital Assets (net of accumulated depreciation):		
Buildings	2,348,689	-
Equipment	2,839,366	1,445
Vehicles	902,588	-
Infrastructure	24,164,948	2,509,597
Total Capital Assets	<u>\$ 33,095,656</u>	<u>\$ 3,474,618</u>
Total Assets	<u>\$ 40,371,853</u>	<u>\$ 6,765,451</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities:</u></b>		
Accounts payable	\$ 263,117	\$ 12,289
Salaries payable	66,230	1,314
Grants received in advance	347,133	-
Retainage payable	115,168	-
Interest payable	25,464	-
<b><u>Non-Current Liabilities</u></b>		
Due Within One Year:		
Bonds payable	360,000	-
Capital leases payable	157,619	-
Compensated absences payable	106,011	823
Due After One Year:		
Bonds payable	1,560,000	-
Capital leases payable	1,127,811	-
Compensated absences payable	318,034	7,406
Total Liabilities	<u>\$ 4,446,587</u>	<u>\$ 21,832</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	\$ 29,890,226	\$ 3,474,618
Restricted for:		
Highways and bridges	900,172	-
Health and welfare	980,039	-
Culture and recreation	12,031	-
Conservation of natural resources	372,207	3,110,342
Emergencies	220,350	-
Economic development	881,491	-
Unrestricted	2,668,750	158,659
Total Net Position	<u>\$ 35,925,266</u>	<u>\$ 6,743,619</u>

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

RICHLAND COUNTY  
Wahpeton, 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	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
					Water	Resource
					Governmental	District
					Activities	
<u>Governmental Activities:</u>						
General government	\$ 2,752,761	\$ 103,543	\$ 13,969	\$ -	\$ (2,635,249)	\$ -
Public safety	3,052,010	648,493	35,564	-	(2,367,953)	-
Highways and bridges	5,817,605	219,125	4,776,029	4,895,716	4,073,265	-
Flood repair	227,091	-	202,258	-	(24,833)	-
Health and welfare	2,941,115	298,180	835,599	-	(1,807,336)	-
Culture and recreation	103,286	85,682	-	-	(17,604)	-
Conserv. of natural resources	464,154	7,965	-	-	(456,189)	-
Economic development	40,769	18,097	-	-	(22,672)	-
Emergency	390	-	-	-	(390)	-
Interest and fiscal charges	93,226	-	-	-	(93,226)	-
<b>Total Governmental Activities</b>	<b>\$ 15,492,407</b>	<b>\$ 1,381,085</b>	<b>\$ 5,863,419</b>	<b>\$ 4,895,716</b>	<b>\$ (3,352,187)</b>	<b>\$ -</b>
<b>Water Resource District</b>	<b>\$ 1,078,572</b>	<b>\$ -</b>	<b>\$ 256,026</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (822,546)</b>
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes					\$ 4,398,102	\$ 283,686
Property taxes; levied for special purposes					2,969,810	1,130,559
Property taxes; levied for debt service					106,489	-
Gain on sale of capital assets					122,294	-
State aid (non restricted grant)					1,465,079	-
Other non restricted state grants and contributions					234,242	-
Unrestricted investment earnings					32,455	1,101
Miscellaneous revenue					598,673	10,797
<b>Total General Revenues</b>					<b>\$ 9,927,144</b>	<b>\$ 1,426,143</b>
<b>Change in Net Position</b>					<b>\$ 6,574,957</b>	<b>\$ 603,597</b>
<b>Net Position - January 1</b>					<b>\$ 29,227,417</b>	<b>\$ 6,140,022</b>
<b>Prior Period Adjustments</b>					<b>122,892</b>	<b>-</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 29,350,309</b>	<b>\$ 6,140,022</b>
<b>Net Position - December 31</b>					<b>\$ 35,925,266</b>	<b>\$ 6,743,619</b>

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

RICHLAND COUNTY  
Wahpeton, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2014

	General	Highway	Bridge Replacement	Social Services	FEMA Disaster Reimb.	Job Develop. Authority	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and investments	\$ 2,509,138	\$ 370,291	\$ 783	\$ 743,864	\$ 347,133	\$ 217,730	\$ 1,470,652	\$ 5,659,591
Intergovernmental receivable	324,379	245,710	-	58,315	-	5,634	81,237	715,275
Accounts receivable	-	-	-	-	-	-	18,131	18,131
Advance to other government	108,967	-	-	-	-	-	-	108,967
Loans receivable	-	-	-	-	-	658,124	-	658,124
Road receivables	-	14,752	-	-	-	-	-	14,752
Taxes receivable	60,694	7,439	-	13,948	-	3	19,273	101,357
<b>Total Assets</b>	<b>\$ 3,003,178</b>	<b>\$ 638,192</b>	<b>\$ 783</b>	<b>\$ 816,127</b>	<b>\$ 347,133</b>	<b>\$ 881,491</b>	<b>\$ 1,589,293</b>	<b>\$ 7,276,197</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 76,994	\$ 20,168	\$ 105,549	\$ 30,549	\$ -	\$ -	\$ 29,857	\$ 263,117
Salaries payable	-	34,447	-	31,783	-	-	-	66,230
Grants received in advance	-	-	-	-	347,133	-	-	347,133
<b>Total Liabilities</b>	<b>\$ 76,994</b>	<b>\$ 54,615</b>	<b>\$ 105,549</b>	<b>\$ 62,332</b>	<b>\$ 347,133</b>	<b>\$ -</b>	<b>\$ 29,857</b>	<b>\$ 676,480</b>
<b>Deferred Inflows of Resources:</b>								
Road receivables	\$ -	\$ 14,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,752
Taxes receivable	60,694	7,439	-	13,948	-	3	19,273	101,357
<b>Total Deferred Inflows of Resources</b>	<b>\$ 60,694</b>	<b>\$ 22,191</b>	<b>\$ -</b>	<b>\$ 13,948</b>	<b>\$ -</b>	<b>\$ 3</b>	<b>\$ 19,273</b>	<b>\$ 116,109</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 137,688</b>	<b>\$ 76,806</b>	<b>\$ 105,549</b>	<b>\$ 76,280</b>	<b>\$ 347,133</b>	<b>\$ 3</b>	<b>\$ 49,130</b>	<b>\$ 792,589</b>
<b>Fund Balances:</b>								
<b>Nonspendable:</b>								
Loan receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 658,124	\$ -	\$ 658,124
<b>Restricted:</b>								
Public safety	-	-	-	-	-	-	75,047	75,047
Highways and bridges	-	561,386	-	-	-	-	483,065	1,044,451
Health and welfare	-	-	-	739,847	-	-	362,276	1,102,123
Culture and recreation	-	-	-	-	-	-	11,749	11,749
Conservation of natural resources	-	-	-	-	-	-	368,741	368,741
Emergency	-	-	-	-	-	-	227,067	227,067
Economic development	-	-	-	-	-	223,364	-	223,364
Debt service	-	-	-	-	-	-	18,458	18,458
Other purposes	-	-	-	-	-	-	298	298
Unassigned	2,865,490	-	(104,766)	-	-	-	(6,538)	2,754,186
<b>Total Fund Balances</b>	<b>\$ 2,865,490</b>	<b>\$ 561,386</b>	<b>\$ (104,766)</b>	<b>\$ 739,847</b>	<b>\$ -</b>	<b>\$ 881,488</b>	<b>\$ 1,540,163</b>	<b>\$ 6,483,608</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,003,178</b>	<b>\$ 638,192</b>	<b>\$ 783</b>	<b>\$ 816,127</b>	<b>\$ 347,133</b>	<b>\$ 881,491</b>	<b>\$ 1,589,293</b>	<b>\$ 7,276,197</b>

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

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RICHLAND COUNTY  
Wahpeton, North Dakota

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

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Total *Fund Balances* for Governmental Funds \$ 6,483,608

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	\$ 42,780,884	
Less Accumulated Depreciation	<u>(9,685,228)</u>	
Net Capital Assets		33,095,656

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	\$ 101,357	
Road Department Accounts Receivable	<u>14,752</u>	116,109

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, 2014 are:

Bonds Payable	\$ (1,920,000)	
Capital Leases Payable	(1,285,430)	
Interest Payable	(25,464)	
Retainage Payable	(115,168)	
Compensated Absences	<u>(424,045)</u>	
Total Long-Term Liabilities		<u>(3,770,107)</u>

Total Net Position of Governmental Activities \$ 35,925,266

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

RICHLAND COUNTY  
Wahpeton, North Dakota

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

	General	Highway	Bridge Replacement	Social Services	FEMA Disaster Reimb.	Job Develop. Authority	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>								
Taxes	\$ 4,427,942	\$ 566,106	\$ -	\$ 1,061,385	\$ -	\$ 1,900	\$ 1,460,758	\$ 7,518,091
Intergovernmental	1,379,761	4,598,818	225,635	592,991	202,258	19,201	544,076	7,562,740
Charges for services	391,107	272,660	-	17,172	-	18,097	733,065	1,432,101
Licenses, permits and fees	2,520	-	-	-	-	-	-	2,520
Interest income	32,455	-	-	-	-	-	-	32,455
Miscellaneous	456,811	9,502	-	35,116	-	-	97,244	598,673
<b>Total Revenues</b>	<b>\$ 6,690,596</b>	<b>\$ 5,447,086</b>	<b>\$ 225,635</b>	<b>\$ 1,706,664</b>	<b>\$ 202,258</b>	<b>\$ 39,198</b>	<b>\$ 2,835,143</b>	<b>\$ 17,146,580</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	\$ 2,681,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,681,298
Public safety	2,198,785	-	-	-	-	-	828,179	3,026,964
Highways and bridges	-	5,017,746	661,748	-	-	-	855,986	6,535,480
Flood repair	-	-	-	-	227,091	-	-	227,091
Health and welfare	29,375	-	-	1,677,469	-	-	1,236,420	2,943,264
Culture and recreation	17,500	-	-	-	-	-	85,786	103,286
Conserv. of natural resources	7,000	-	-	-	-	-	449,277	456,277
Economic development	-	-	-	-	-	40,769	-	40,769
<b>Debt Service:</b>								
Principal	-	-	-	-	-	-	618,302	618,302
Interest and fees	-	-	-	-	-	-	93,239	93,239
<b>Total Expenditures</b>	<b>\$ 4,933,958</b>	<b>\$ 5,017,746</b>	<b>\$ 661,748</b>	<b>\$ 1,677,469</b>	<b>\$ 227,091</b>	<b>\$ 40,769</b>	<b>\$ 4,167,189</b>	<b>\$ 16,725,970</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,756,638	\$ 429,340	\$ (436,113)	\$ 29,195	\$ (24,833)	\$ (1,571)	\$ (1,332,046)	\$ 420,610
<b>Other Financing Sources (Uses):</b>								
Lease financing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 425,172	\$ 425,172
Sale of equipment	-	-	-	-	-	-	122,294	122,294
Transfers in	-	519,000	331,000	-	-	-	1,344,187	2,194,187
Transfers out	(1,451,087)	(519,000)	-	(21,100)	-	-	(203,000)	(2,194,187)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (1,451,087)</b>	<b>\$ -</b>	<b>\$ 331,000</b>	<b>\$ (21,100)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,688,653</b>	<b>\$ 547,466</b>
<b>Net Change in Fund Balances</b>	<b>\$ 305,551</b>	<b>\$ 429,340</b>	<b>\$ (105,113)</b>	<b>\$ 8,095</b>	<b>\$ (24,833)</b>	<b>\$ (1,571)</b>	<b>\$ 356,607</b>	<b>\$ 968,076</b>
Fund Balances - January 1	\$ 2,559,939	\$ 132,046	\$ 347	\$ 731,752	\$ 24,833	\$ 883,059	\$ 1,183,556	\$ 5,515,532
Fund Balances - December 31	\$ 2,865,490	\$ 561,386	\$ (104,766)	\$ 739,847	\$ -	\$ 881,488	\$ 1,540,163	\$ 6,483,608

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

RICHLAND COUNTY  
Wahpeton, 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

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Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$	968,076
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$ 2,153,968	
Capital Grants and Contributions	4,895,716	
Current Year Depreciation Expense	<u>(1,364,007)</u>	5,685,677

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

(40,738)

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 repayments exceeded debt issuance:

Repayment of Debt - Leases	\$ 268,301	
Repayment of Debt - Bonds	350,000	
Issuance of Debt - Capital Leases	<u>(425,172)</u>	193,129

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

Net Change in Compensated Absences	\$ (18,807)	
Net Change in Interest Payable	13	
Net Change in Retainage Payable	<u>(115,168)</u>	(133,962)

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

Net Change in Taxes Receivable	\$ (43,690)	
Net Change in Road Department Receivables	<u>(53,535)</u>	<u>(97,225)</u>

Change in Net Position of Governmental Activities	\$	<u><u>6,574,957</u></u>
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The notes to the financial statements are an integral part of this statement.

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RICHLAND COUNTY  
Wahpeton, North Dakota

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2014

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	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 7,109,104</u>
<u>Liabilities:</u>	
Due to other governments	<u>\$ 7,109,104</u>

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

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RICHLAND COUNTY  
Wahpeton, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2014

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Richland 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 Richland 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 to exclude. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability and misleading to exclude in GASB Statement No. 61 "The Financial Reporting Entity". This criteria requires a legally separate entity to be included as a component unit if (1) it is fiscally dependent on the primary government, and (2) a financial benefit or burden relationship exists.

Richland County (primary government) is financially accountable if it appoints a voting majority of an organization's governing body, and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Richland County, regardless of whether the organization has a separately elected governing board, or a governing board appointed by a higher level of government, or a jointly appointed board.

An organization has a financial benefit or burden relationship with the primary government if any of the following conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources;
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization;
- The primary government is obligated in some manner for the debt of the organization.

Based on GASB Statement No. 61 criteria, there is one discretely presented component unit and one blended component unit to be included within Richland County's reporting entity.

**COMPONENT UNITS**

In conformity with accounting principles generally accepted in the United States of America as amended by GASB Statement No. 61, the financial statements of the Water Resource District have been included in the financial reporting entity as a discretely presented component unit.

Discretely Presented Component Unit: The component unit column in the basic financial statements includes the financial data of the county's discretely presented component unit. This component unit is reported in a separate column to emphasize that it is legally separate from the county, and is considered a major component unit.

## **RICHLAND COUNTY**

### Notes to the Financial Statements – Continued

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Richland County Water Resource District - The primary government's governing board appoints a voting majority of the members of the Richland County Water Resource District Board and is able to impose its will on the district. 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. No significant transactions were noted between the district and the county.

Blended Component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from this unit is combined with data from the primary government in the funds. Criteria outlined in GASB Statement No. 61 for blending component units occurs under these circumstances: (a) the component units governing body is substantively the same as the governing body of the primary government, and there is a financial benefit or burden relationship, or management of the primary government has operational responsibility for the component unit. Operational responsibility exists if it manages the component unit in essentially the same manner in which it manages its own programs, departments, or agencies; (b) the component unit provides services entirely, or almost entirely, to the primary government, or exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it; (c) the component units total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government.

When a component unit is blended, the funds of the component unit are subject to the same financial reporting requirements as the primary government's funds.

Richland County Job Development Authority – The County's governing board appoints a voting majority of the members of the Richland County Job Development Authority. The governing body of the JDA is essentially the same as the governing body of the primary government. The county has the authority to approve or modify the Job Development Authority's operational and capital budgets. The county's governing board must approve the tax levy established by the Job Development Authority. The JDA has the authority to issue bonded debt. The activities of the JDA are blended at the government-wide level in the appropriate activities, and shown as a major (special revenue) fund at the fund level.

Component Unit Financial Statements: The financial statements of the discretely presented component unit and the blended component unit are presented in the County's basic financial statements. Complete financial statements of the individual discretely presented component unit can be obtained from the Secretary-Treasurer, Richland County Water Resource District, 418 2<sup>nd</sup> Ave. N., Wahpeton, North Dakota, 58030. Complete financial statements of the blended component unit can be obtained from the County Auditor (Office of Finance and Administration), Richland County, 418 2<sup>nd</sup> Ave. N., Wahpeton, ND 58030.

#### B. Basis of Presentation

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government, Richland County and its component units, including the discretely presented component unit and blended component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made, when applicable, to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other 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 unit'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 taxes, interest & 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 (agency) 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 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.

*Highway Fund.* This fund accounts for repair and improvement of highways that are legally restricted from taxes levied and highway tax distribution from the state. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

*Bridge Replacement Fund.* This fund accounts for repair and improvement of bridges that are legally restricted from grant funds. The major source of revenues are restricted State/Federal project reimbursements.

*Social Services Fund.* This fund accounts for the costs of providing social service benefits and programs to needy residents of the county. The major primary sources of revenues is a restricted tax levy and State/Federal grants/reimbursements.

*FEMA Disaster Reimbursement 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

*Job Development Authority.* This fund accounts for operations of the Job Development Authority, a blended component unit of the county. The Job Development Authority issues loans to business for either startup costs or expansion costs. The major primary source of revenues is a restricted tax levy.

Additionally, 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 in 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.

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**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

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.

**E. Capital Assets****PRIMARY GOVERNMENT:**

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

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

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:

<b>Assets</b>	<b>Years</b>
Buildings	50
Building Improvements	15 - 40
Office Equipment	5 - 20
Machinery & Equipment	15 - 30
Vehicles	5 - 10
Infrastructure - Highways	20
Infrastructure - Bridges	75

**DISCRETELY PRESENTED COMPONENT UNIT:****Richland County Water Resource District:**

Capital assets of the Richland County Water Resource District, a discretely presented component unit of Richland County, include plant and equipment. Assets are reported in a discretely presented component unit 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 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.

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

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General infrastructure assets acquired prior to January 1, 2004 consisting of various drain projects are not reported in the financial statements, as the District was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. The District reported various infrastructure projects in progress at December 31, 2014 as construction in progress.

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

<b>Assets</b>	<b>Years</b>
Infrastructure	30
Equipment	7

F. Compensated Absences

Vacation leave is earned at the rate of one to two working days per month by county employees depending on years of service. Sick leave benefits are earned by full-time employees at the rate of one day per month regardless of the years of service. Unused sick leave benefits will be allowed to accumulate to a limit of 100 days. When that limit is reached, employees may trade additional earned sick leave for vacation days at the rate of 6 days sick leave for 1 day of vacation. Any employee hired prior to October 1, 1988 and who has twenty or more consecutive years of employment or who has reached the age of 65 prior to employment termination will be eligible to receive payment for sick leave at a rate of 50% of the unused balance to a limit of 50 days. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

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 for the primary government and the discretely presented component unit. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

H. Fund Balances / Net Position

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

***Fund Balance Spending Policy:***

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

***Major Special Revenue Fund Purposes & Revenue Sources:***

Purposes and major revenue sources of the major special revenue funds (highway, bridge replacement, social services, FEMA disaster reimbursement, and job development authority) are disclosed in more detail in Note 1B.

**RICHLAND 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.

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</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.

Richland County only has non-spendable, restricted, and unassigned fund balances at December 31, 2014.

Non-spendable Fund Balance:

Non-spendable fund balance is reported in the job development authority major fund for loans receivable totaling \$658,124.

Restricted Fund Balances – consist of the following items at December 31, 2014:

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, health & welfare, culture & recreation, conservation of resources, emergencies, economic development, debt service, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3<sup>rd</sup> parties (State & Federal governments for various grants & reimbursements). Restricted fund balances total \$3,071,298 at year-end.

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.

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

Unassigned Fund Balances:

Unassigned fund balances are shown for the positive fund balance of the general fund totaling \$2,865,490, and for negative non-major fund (\$6,538), and the negative bridge replacement fund (\$104,766) for a net total of \$2,754,186.

**Net Position:**

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

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

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position in the statement of net position is also shown by primary function restricted for highways and bridges, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and economic development.

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 expenditure budget for 2014 for various funds as follows on the next page:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Special Revenue Funds:</u>			
15 Mill Road Fund	\$683,905	\$ 35,000	\$718,905
Bridge Replacement	425,000	142,000	567,000
NDIRN Fees	7,750	22,000	29,750
Water Rescue Team	2,500	1,500	4,000
Special Response Team	1,000	100	1,100
Home Health Holding	327,449	9,000	336,449
WIC Program	69,151	3,000	72,151
Sheriff Counteract	800	13,000	13,800
Sobriety Test	161,150	173,000	334,150
Job Development Authority	250	300	550

## **RICHLAND COUNTY**

### Notes to the Financial Statements – Continued

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#### **NOTE 3: DEPOSITS**

In accordance with North Dakota Statutes, Richland 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 \$12,766,917 and the bank balances totaled \$12,899,032. Of the bank balances, \$1,528,300 was covered by Federal Depository Insurance. The remaining bank balances totaling \$11,370,732 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2014, the water resource district's carrying amount of deposits was \$3,270,360 and the bank balances totaled \$3,272,488. Of the bank balances, \$256,589 was covered by Federal Depository Insurance. The remaining bank balances totaling \$3,015,899 were collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk:

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

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

As of December 31, 2014, the county had certificates of deposit totaling \$2,556,550.

#### Concentration of Credit Risk:

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

#### **NOTE 4: TAXES RECEIVABLE**

The taxes receivable represents the past 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.

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

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

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

**NOTE 5: ACCOUNTS RECEIVABLE**

Accounts receivable of the primary government consists of amounts due for E-911 fees earned but not collected prior to year-end.

**NOTE 6: ROAD / ACCOUNTS RECEIVABLE**

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

**NOTE 7: INTERGOVERNMENTAL RECEIVABLE**

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

**NOTE 8: ADVANCE TO OTHER GOVERNMENT**

Richland County entered into transactions as of December 31, 2014 that involved loans to townships that would enable them to fix roads that were damaged during spring flooding. The amounts will be paid back to Richland County by the townships once the applicable FEMA reimbursements are received.

**NOTE 9: JOB DEVELOPMENT LOANS RECEIVABLE**

The Job Development Authority, a blended component unit of Richland County, provides loans to businesses for either startup costs or expansion costs. The Development Authority receives applications from various businesses within the community and either approves or denies the applications based on majority board decision. The Authority had the following activity in loans outstanding for the year ended December 31, 2014.

<b>Name/Business</b>	<b>Balance January 1</b>	<b>New Loans/ Additions</b>	<b>Adjust/ Write-offs</b>	<b>Principal Payments</b>	<b>Balance December 31</b>
Aurora Group Inc.	\$ 30,739	\$ -	\$ -	\$ 2,429	\$28,310
Barth Investments	48,542	-	-	-	48,542
Berger Body and Glass	4,582	-	-	-	4,582
Blotske, Jason & Larie	28,976	-	-	3,636	25,340
Boutain Inc.	3,200	-	-	2,164	1,036
Bullinger Enterprises, LLLP	48,995	-	-	48,995	-
Lidgerwood Market, Inc.	-	50,000	-	5,620	44,380
Dyste's Food Pride	26,199	-	-	26,199	-
Precision Powder Coating	4,826	-	-	2,040	2,786

**TABLE CONTINUED ON NEXT PAGE.....**

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

TABLE CONTINUED.....

Name/Business	Balance January 1	New Loans/ Additions	Adjust/ Write-offs	Principal Payments	Balance December 31
Giant Snacks, Inc.	\$ 42,070	\$ -	\$ -	\$ -	\$ 42,070
Haninson CDC (Heartland Candies)	30,238	-	-	2,019	28,219
Hankinson Hardware	15,591	-	-	4,748	10,843
Hot Cakes & Lodging, Inc. (1)	6,891	-	-	2,781	4,110
M&T Repair Inc.	-	35,000	-	1,046	33,954
Dee's Bar and Grill	15,304	-	-	1,843	13,461
Northcreek Dental P.C.	-	50,000	-	3,093	46,907
Lidgerwood Golf Course	1	-	-	-	-
Barth Investments	-	17,507	-	-	17,507
Noel Clean & Stor Inc.	-	73,400	-	985	72,415
Lost Sock Laundry, LLLP	24,730	-	-	2,988	21,742
Machine Design Inc.	22,578	-	-	-	22,578
Jeff's Tree Service	4,085	-	-	2,493	1,592
Smykowski, Breanna	27,800	-	-	1,240	26,560
Storbakken Sanitation Inc.	5,566	-	-	5,566	-
Mr. Mike & Linda Storbakken	29,524	-	-	2,119	27,405
Geothermal Solutions Inc.	-	61,600	-	4,680	56,920
Tublicks LLC	23,368	-	(23,368)	-	-
Karizma Salon	5,592	-	-	1,365	4,227
Mr. Nathan & Janell Berseth	19,580	-	-	1,030	18,550
Hankinson Harware, Inc.	7,256	-	-	1,944	5,312
Mike and Lynda Storbakken	14,674	-	-	1,728	12,946
Wahpeton Fabrication	6,838	-	-	1,791	5,047
Anderson Offroad, LLC	36,870	-	-	6,088	30,782
<b>Total</b>	<b>\$534,615</b>	<b>\$287,507</b>	<b>(\$23,368)</b>	<b>\$140,630</b>	<b>\$658,124</b>
Allowance for Doubtful Accounts	\$ (28,193)	\$ -	\$28,193	\$ -	\$ -
<b>Net Loans Receivable</b>	<b>\$506,422</b>	<b>\$287,507</b>	<b>\$4,825</b>	<b>\$140,630</b>	<b>\$658,124</b>

**NOTE 10: CAPITAL ASSETS**

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

Governmental Activities:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 41,040	\$ -	\$ -	\$ -	\$ 41,040
Construction in Progress	-	6,253,090	-	(3,454,065)	2,799,025
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 41,040</b>	<b>\$6,253,090</b>	<b>\$ -</b>	<b>\$(3,454,065)</b>	<b>\$ 2,840,065</b>
<i>Capital assets, being depreciated:</i>					
Buildings	\$ 4,639,939	\$ 82,352	\$ -	\$ -	\$4,722,291
Equipment	4,707,913	591,393	27,358	-	5,271,948
Vehicles	1,936,891	122,849	317,854	-	1,741,886
Infrastructure	24,750,630	-	-	3,454,065	28,204,695
<b>Total Capital Assets, Being Depreciated</b>	<b>\$36,035,373</b>	<b>\$ 796,594</b>	<b>\$345,212</b>	<b>\$ 3,454,065</b>	<b>\$39,940,820</b>
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 2,275,448	\$ 98,154	\$ -	\$ -	\$ 2,373,602
Equipment	2,070,742	386,604	24,764	-	2432,582
Vehicles	965,857	153,150	279,709	-	839,298
Infrastructure	3,313,648	726,099	-	-	4,039,747
<b>Total Accumulated Depreciation</b>	<b>\$ 8,625,695</b>	<b>\$1,364,007</b>	<b>\$304,473</b>	<b>\$ -</b>	<b>\$ 9,685,229</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$27,409,678</b>	<b>\$ (567,413)</b>	<b>\$ 40,739</b>	<b>\$ 3,454,065</b>	<b>\$30,255,591</b>
<b>Governmental Activities-Capital Assets, Net</b>	<b>\$27,450,718</b>	<b>\$5,685,677</b>	<b>\$ 40,739</b>	<b>\$ -</b>	<b>\$33,095,656</b>

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

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

<b>Governmental Activities:</b>	<b>Amount</b>
General Government	\$ 83,352
Public Safety	183,118
Highways	1,073,266
Conservation of Natural Resources	15,915
Health and Welfare	8,356
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$1,364,007</b>

Richland County Water Resource District:

The following is a summary of changes in capital assets for the Richland County Water Resource District, a discretely presented component unit of Richland County, for the year ended December 31, 2014:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 724,570	\$ -	\$ -	\$ -	\$ 724,570
Construction in Progress	380,475	112,557	-	(254,026)	239,006
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$1,105,045</b>	<b>\$112,557</b>	<b>\$ -</b>	<b>\$(254,026)</b>	<b>\$ 963,576</b>
<i>Capital assets, being depreciated:</i>					
Equipment	\$ 5,057	\$ -	\$ -	\$ -	\$ 5,057
Infrastructure	2,706,856	68,745	-	254,026	3,029,629
<b>Total Capital Assets, Being Depreciated</b>	<b>\$2,711,913</b>	<b>\$ 68,745</b>	<b>\$ -</b>	<b>\$ 254,026</b>	<b>\$3,034,684</b>
<i>Less accumulated depreciation for:</i>					
Equipment	\$ 2,890	\$ 722	\$ -	\$ -	\$ 3,612
Infrastructure	429,802	90,228	-	-	520,030
<b>Total Accumulated Depreciation</b>	<b>\$ 432,692</b>	<b>\$ 90,950</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 523,642</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$2,279,221</b>	<b>\$(22,205)</b>	<b>\$ -</b>	<b>\$ 254,026</b>	<b>\$2,511,042</b>
<b>Governmental Activities-Capital Assets, Net</b>	<b>\$3,384,266</b>	<b>\$ 90,352</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$3,474,618</b>

Depreciation expense totaling \$90,950 was charged to the conservation of natural resources function.

**NOTE 11: 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, 2014.

**NOTE 12: 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 13: 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, 2014.

**NOTE 14: RETAINAGES PAYABLE**

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at December 31, 2014 by the Water Resource District (component unit).

**NOTE 15: INTEREST PAYABLE**

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2014.

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

**NOTE 16: LONG-TERM DEBT**

Primary Government:

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

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Leases Payable	\$1,251,452	\$ 425,172	\$391,194	\$1,285,430	\$157,619
Bonds Payable	2,270,000	-	350,000	1,920,000	360,000
Compensated Absences *	405,238	18,807	-	424,045	106,011
<b>Total Governmental Activities</b>	<b>\$3,926,690</b>	<b>\$443,979</b>	<b>\$741,194</b>	<b>\$3,629,475</b>	<b>\$623,630</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.

**Capital Leases** - The primary government has entered into lease agreements as lessee for financing the acquisition of road department equipment (total principal cost of \$1,489,369). These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014, were as follows:

<b>Year Ending December 31</b>	<b>Capital Leases</b>
2015	\$ 168,036
2016	282,927
2017	284,481
2018	448,042
2019	211,202
Total Payments	\$1,394,688
Less: amount representing interest	(109,258)
Present value of minimum lease payments	<u>\$1,285,430</u>

**Bonds Payable**

\$3,600,000 due in annual installments from \$320,000 to \$410,000 through November 1, 2019; interest from 2.0% to 3.4%.

\$1,960,000

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

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>G.O. Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2015	\$ 360,000	\$ 54,180
2016	370,000	43,680
2017	385,000	32,355
2018	395,000	20,260
2019	410,000	6,970
<b>Total</b>	<b>\$1,920,000</b>	<b>\$157,445</b>

**RICHLAND COUNTY**

Notes to the Financial Statements – Continued

**DISCRETELY PRESENTED COMPONENT UNIT:**

Richland County Water Resource District:

**Changes in Long-Term Liabilities** - During the year ended December 31, 2014, the following changes occurred in governmental long-term liabilities of the District:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$7,545	\$684	\$-	\$8,229	\$823

\* 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.

**NOTE 17: DEFERRED INFLOWS OF RESOURCES**

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

**NOTE 18: TRANSFERS**

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

	<b>Transfers In</b>	<b>Transfers Out</b>
<b><u>Major Funds:</u></b>		
General Fund	\$ -	\$1,451,087
Highway Fund	519,000	519,000
Social Services Fund	-	21,100
Bridge Replacement	331,000	-
<b><u>Special Revenue Funds:</u></b>		
Road and Bridge Equipment	293,000	-
15 Mill Road Fund	-	105,000
911 Communications	566,000	-
911 Wireless	-	98,000
NDIRN Fees	11,000	-
Drug Court	20,000	-
Water Rescue Team Fund	2,500	-
Public Health Fund	271,100	-
Home Health Care Holding Fund	150,000	-
Family Planning Fund	30,587	-
<b>Total Transfers</b>	<b>\$2,194,187</b>	<b>\$2,194,187</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 19: PENSION PLAN**

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

## **RICHLAND COUNTY**

### Notes to the Financial Statements – Continued

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Plan members are required to contribute 5% of their annual covered salary. The county is required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's required contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$592,334, \$475,126, and \$357,254, respectively. The water resource district's required contributions to NDPERS for the years ended December 31, 2014, 2013, and 2012, were \$4,483, \$3,473, and \$3,678, respectively.

#### **NOTE 20: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Richland County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence for general liability and automobile and \$6,007,635 for mobile equipment and portable property. The coverage for the Water Resource District by NDRIF is limited to losses of two million dollars for general liability and automobile and \$12,700 for mobile equipment and portable property. Richland County also has Hartford Steam Boiler Insurance which has multiple coverage and dollar limits.

Richland County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Richland 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 Richland County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees, while the Water Resource District carries \$1,337,000 coverage. 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 years.

#### **NOTE 21: JOINT VENTURES**

Under authorization of state statutes, the Richland 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 Traill County, Pembina County, Grand Forks County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for water management districts located within the Red River Valley, known as the Red River Valley Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and net position 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.

**RICHLAND COUNTY**

## Notes to the Financial Statements – Continued

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2013, which is the most current audited information available.

	<b>Red River Joint Water Resource District</b>
Total Assets	\$6,976,146
Total Liabilities	177,049
Net Position	\$6,799,097
Revenues	\$2,042,747
Expenses	1,288,712
Change in Net Position	\$ 754,035

**NOTE 22: CONDUIT DEBT**

From time to time, Richland County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, State, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2014 there are three series of Industrial Revenue Bonds with a principal amount outstanding of \$28,055,000. The county is in no way liable to repay the Industrial Revenue Bonds.

**NOTE 23: CONSTRUCTION COMMITMENTS**

Richland County had the following open construction commitments as of December 31, 2014 as follows:

<b>Project</b>	<b>Amended Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance w/Retainages</b>	<b>% Complete</b>
CNOA-3946(053)	\$2,953,464	\$2,554,746	\$ 51,095	\$449,813	86.50%
BRO-0039(041)	1,595,220	1,339,328	25,139	281,030	83.96%
CS-3934(057)	1,207,184	1,105,834	22,117	123,467	91.60%
CP 3906(014)	307,211	336,334	16,817	(12,306)	109.48%
Totals	\$6,063,079	\$5,336,242	\$115,168	\$842,005	88.01%

Project CP 3906(014) does not have change orders associated with it.

**NOTE 24: PRIOR PERIOD ADJUSTMENTS**

The prior period adjustments for the 2014 Statement of Activities consist of beginning balance adjustments to adjust beginning capital leases payable related to a John Deere 200DLC lease, and a loader lease. 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	\$29,227,417
<b>Adjustments to restate the January 1, 2014 Net Position:</b>	
Lease Payable Adjustments	122,892
Net Position January 1, as restated	\$29,350,309

RICHLAND COUNTY  
Wahpeton, 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	\$ 4,335,460	\$ 4,335,460	\$ 4,427,942	\$ 92,482
Intergovernmental	1,434,257	1,434,257	1,379,761	(54,496)
Licenses, permits and fees	2,560	2,560	2,520	(40)
Charges for services	347,625	347,625	391,107	43,482
Interest income	35,000	35,000	32,455	(2,545)
Miscellaneous	479,610	479,610	456,811	(22,799)
<b>Total Revenues</b>	<b>\$ 6,634,512</b>	<b>\$ 6,634,512</b>	<b>\$ 6,690,596</b>	<b>\$ 56,084</b>
<u>Expenditures:</u>				
Current:				
General government	\$ 2,720,086	\$ 2,720,086	\$ 2,681,298	\$ 38,788
Public safety	2,257,875	2,257,875	2,198,785	59,090
Health and welfare	22,300	22,300	29,375	(7,075)
Culture and recreation	17,500	17,500	17,500	-
Conservation of natural resources	7,000	7,000	7,000	-
<b>Total Expenditures</b>	<b>\$ 5,024,761</b>	<b>\$ 5,024,761</b>	<b>\$ 4,933,958</b>	<b>\$ 90,803</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 1,609,751</b>	<b>\$ 1,609,751</b>	<b>\$ 1,756,638</b>	<b>\$ 146,887</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 11,000	\$ 11,000	\$ -	\$ (11,000)
Transfers out	(1,366,385)	(1,366,385)	(1,451,087)	(84,702)
<b>Net Change in Fund Balances</b>	<b>\$ 254,366</b>	<b>\$ 254,366</b>	<b>\$ 305,551</b>	<b>\$ 51,185</b>
<b>Fund Balances - January 1</b>	<b>\$ 2,559,939</b>	<b>\$ 2,559,939</b>	<b>\$ 2,559,939</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 2,814,305</b>	<b>\$ 2,814,305</b>	<b>\$ 2,865,490</b>	<b>\$ 51,185</b>

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

RICHLAND COUNTY  
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 556,300	\$ 556,300	\$ 566,106	\$ 9,806
Intergovernmental	4,499,731	4,499,731	4,598,818	99,087
Charges for services	130,000	130,000	272,660	142,660
Miscellaneous	50,000	50,000	9,502	(40,498)
<b>Total Revenues</b>	<b>\$ 5,236,031</b>	<b>\$ 5,236,031</b>	<b>\$ 5,447,086</b>	<b>\$ 211,055</b>
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 5,283,420	\$ 5,283,420	\$ 5,017,746	\$ 265,674
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (47,389)</b>	<b>\$ (47,389)</b>	<b>\$ 429,340</b>	<b>\$ 476,729</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 237,000	\$ 237,000	\$ 519,000	\$ 282,000
Transfers out	(190,000)	(190,000)	(519,000)	(329,000)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 47,000</b>	<b>\$ 47,000</b>	<b>\$ -</b>	<b>\$ (47,000)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (389)</b>	<b>\$ (389)</b>	<b>\$ 429,340</b>	<b>\$ 429,729</b>
<b>Fund Balances - January 1</b>	<b>\$ 132,046</b>	<b>\$ 132,046</b>	<b>\$ 132,046</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 131,657</b>	<b>\$ 131,657</b>	<b>\$ 561,386</b>	<b>\$ 429,729</b>

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

RICHLAND COUNTY  
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 225,635	\$ 225,635
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 425,000	\$ 567,000	\$ 661,748	\$ (94,748)
Excess (Deficiency) of Revenues Over Expenditures	\$ (425,000)	\$ (567,000)	\$ (436,113)	\$ 130,887
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 425,000	\$ 425,000	\$ 331,000	\$ (94,000)
Net Change in Fund Balances	\$ -	\$ (142,000)	\$ (105,113)	\$ 36,887
Fund Balances - January 1	\$ 347	\$ 347	\$ 347	\$ -
Fund Balances - December 31	\$ 347	\$ (141,653)	\$ (104,766)	\$ 36,887

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

RICHLAND COUNTY  
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,043,040	\$ 1,043,040	\$ 1,061,385	\$ 18,345
Intergovernmental	578,061	578,061	592,991	14,930
Charges for services	15,300	15,300	17,172	1,872
Miscellaneous	31,000	31,000	35,116	4,116
Total Revenues	<u>\$ 1,667,401</u>	<u>\$ 1,667,401</u>	<u>\$ 1,706,664</u>	<u>\$ 39,263</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>\$ 1,711,723</u>	<u>\$ 1,711,723</u>	<u>\$ 1,677,469</u>	<u>\$ 34,254</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (44,322)</u>	<u>\$ (44,322)</u>	<u>\$ 29,195</u>	<u>\$ 73,517</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	<u>\$ (21,100)</u>	<u>\$ (21,100)</u>	<u>\$ (21,100)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (65,422)</u>	<u>\$ (65,422)</u>	<u>\$ 8,095</u>	<u>\$ 73,517</u>
Fund Balances - January 1	<u>\$ 731,752</u>	<u>\$ 731,752</u>	<u>\$ 731,752</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 666,330</u></u>	<u><u>\$ 666,330</u></u>	<u><u>\$ 739,847</u></u>	<u><u>\$ 73,517</u></u>

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

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RICHLAND COUNTY  
Wahpeton, North Dakota

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

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 130,000	\$ 130,000	\$ 202,258	\$ 72,258
<u>Expenditures:</u>				
Current:				
Flood repair	\$ 250,000	\$ 250,000	\$ 227,091	\$ 22,909
Excess (Deficiency) of Revenues Over Expenditures	\$ (120,000)	\$ (120,000)	\$ (24,833)	\$ 95,167
Fund Balances - January 1	\$ 24,833	\$ 24,833	\$ 24,833	\$ -
Fund Balances - December 31	\$ (95,167)	\$ (95,167)	\$ -	\$ 95,167

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

RICHLAND COUNTY  
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE  
JOB DEVELOPMENT AUTHORITY FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 110	\$ 110	\$ 1,900	\$ 1,790
Intergovernmental	18,930	18,930	19,201	271
Charges for services	100,000	100,000	18,097	(81,903)
 Total Revenues	 \$ 119,040	 \$ 119,040	 \$ 39,198	 \$ (79,842)
<u>Expenditures:</u>				
Current:				
Economic development	\$ 161,150	\$ 334,150	\$ 40,769	\$ 293,381
 Excess (Deficiency) of Revenues Over Expenditures	 \$ (42,110)	 \$ (215,110)	 \$ (1,571)	 \$ 213,539
 Fund Balances - January 1	 \$ 883,059	 \$ 883,059	 \$ 883,059	 \$ -
 Fund Balances - December 31	 \$ 840,949	 \$ 667,949	 \$ 881,488	 \$ 213,539

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

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RICHLAND COUNTY  
Wahpeton, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2014

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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.

RICHLAND COUNTY  
Wahpeton, North Dakota

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

	Balance 1-1-14	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-14
<b>Major Funds:</b>							
General Fund	\$ 2,262,370.44	\$ 6,663,784.62	\$ -	\$ -	\$ 1,451,086.70	\$ 4,965,929.84	\$ 2,509,138.52
<b>Special Revenue Funds:</b>							
Highway Fund	\$ 811.77	\$ 5,419,859.88	\$ 519,000.00	\$ -	\$ 519,000.00	\$ 5,050,380.04	\$ 370,291.61
Bridge Replacement	347.36	225,635.37	331,000.00	-	-	556,199.31	783.42
Social Services Fund	754,984.64	1,703,681.76	-	-	21,100.00	1,693,702.49	743,863.91
FEMA Disaster Reimb. Fund	492,105.68	82,118.42	-	-	-	227,091.39	347,132.71
Job Development Authority	372,325.35	178,691.17	-	-	-	333,287.01	217,729.51
Total Major Special Revenue Funds	\$ 1,620,574.80	\$ 7,609,986.60	\$ 850,000.00	\$ -	\$ 540,100.00	\$ 7,860,660.24	\$ 1,679,801.16
Total Major Funds	\$ 3,882,945.24	\$ 14,273,771.22	\$ 850,000.00	\$ -	\$ 1,991,186.70	\$ 12,826,590.08	\$ 4,188,939.68
<b>Nonmajor Special Revenue Funds:</b>							
Road and Bridge Equipment	\$ 280.64	\$ 10,230.00	\$ 293,000.00	\$ 117,651.00	\$ -	\$ 420,613.64	\$ 548.00
15 Mill Road Fund	101,077.98	1,174,957.77	-	-	105,000.00	717,948.66	453,087.09
Emergency Assistance Fund	937.83	3,070.00	-	-	-	2,515.61	1,492.22
Emergency Fund	225,574.38	-	-	-	-	-	225,574.38
911 Communications	487.45	179,130.03	566,000.00	-	-	745,239.71	377.77
911 Wireless	723.83	127,693.17	-	-	98,000.00	29,699.24	717.76
NDIRN Fees	86.91	18,458.25	11,000.00	-	-	29,465.83	79.33
Special Assessments-Co. Property	151.29	146.55	-	-	-	-	297.84
Drug Court	19.09	-	20,000.00	-	-	19,515.14	503.95
Water Rescue Team Fund	2,085.14	76.33	2,500.00	-	-	3,956.50	704.97
Special Response	2,000.00	97.52	-	-	-	1,096.83	1,000.69
County Agent	61,136.18	155,187.93	-	-	-	136,830.32	79,493.79
Veteran's Service Officer	36,713.33	78,872.69	-	-	-	69,267.82	46,318.20
Weed Control Levy	332,021.74	218,565.62	-	-	-	273,760.55	276,826.81
Public Health Fund	145,983.48	373,554.52	271,100.00	4,642.65	-	603,291.40	191,989.25
Home Health Care Holding Fund	90,259.00	179,094.33	150,000.00	-	-	336,021.74	83,331.59
Family Planning Fund	31,550.24	106,013.77	30,586.70	-	-	153,295.11	14,855.60
WIC Program Fund	3,463.73	69,092.88	-	-	-	71,692.31	864.30
Hazardous Chemicals Fund	9,948.34	2,737.50	-	-	-	671.45	12,014.39
Jail Concession Fund	36,817.80	18,886.16	-	-	-	12,810.28	42,893.68
Sobriety Test Fund	2,043.14	15,640.00	-	-	-	13,451.12	4,232.02
County Park	17,837.86	77,819.03	-	-	-	85,785.53	9,871.36
Sheriff-Counteract Fund	958.27	-	-	-	-	523.58	434.69
County Agent Special Account	3,943.78	9,806.34	-	-	-	9,065.51	4,684.61
Total Nonmajor Special Revenue Funds	\$ 1,106,101.43	\$ 2,819,130.39	\$ 1,344,186.70	\$ 122,293.65	\$ 203,000.00	\$ 3,736,517.88	\$ 1,452,194.29
<b>Nonmajor Debt Service Fund:</b>							
County Loan Payment Fund	\$ 18,457.97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,457.97
Total Nonmajor Funds	\$ 1,124,559.40	\$ 2,819,130.39	\$ 1,344,186.70	\$ 122,293.65	\$ 203,000.00	\$ 3,736,517.88	\$ 1,470,652.26
Total Governmental Funds	\$ 5,007,504.64	\$ 17,092,901.61	\$ 2,194,186.70	\$ 122,293.65	\$ 2,194,186.70	\$ 16,563,107.96	\$ 5,659,591.94
<b>Agency Funds:</b>							
State Medical Center	\$ 324.85	\$ 72,381.86	\$ -	\$ -	\$ -	\$ 72,462.21	\$ 244.50
Game and Fish	15,907.00	78,497.00	-	-	-	56,521.00	37,883.00
Three Rivers Crisis Center	-	6,502.60	-	-	-	6,502.60	-
Garrison Diversion	175.39	80,052.89	-	-	-	79,983.78	244.50
Domestic Violence	245.00	3,465.00	-	-	-	3,360.00	350.00
Financial Institution Tax Fund	-	390,383.12	-	-	-	390,383.12	-
Township Share Gas & Oil Taxes	-	272,594.60	-	-	-	272,594.60	-
Telecommunications Tax Fund	-	185,292.44	-	-	-	185,292.44	-
State Aid Distribution	-	207,358.03	-	-	-	207,358.03	-
SEMCA Program Fund	(8,682.96)	208,693.82	-	-	-	209,491.82	(9,480.96)
ND State Income Tax W/H Fund	12,273.32	46,634.51	-	-	-	47,359.98	11,547.85
Senior Citizens	175.39	134,071.22	-	-	-	134,002.11	244.50
Historical Society	1,465.82	19,488.68	-	-	-	20,893.40	61.10
Soil Conservation District	175.39	74,399.33	-	-	-	74,330.22	244.50
Water Management Levy	701.59	311,276.64	-	-	-	311,000.12	978.11
Red River Joint Water Resource	350.83	149,030.44	-	-	-	148,892.24	489.03
Estimated Real Estate Tax	716.60	50,213.21	-	-	-	46,056.22	4,873.59
Taxes Paid in Advance	6,550,486.57	6,995,432.65	-	-	-	6,550,486.57	6,995,432.65

RICHLAND COUNTY  
Wahpeton, North Dakota

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

	Balance 1-1-14	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-14
CONTINUED.....							
<u>Agency Funds (Continued):</u>							
Total Cities	\$ 18,918.51	\$ 4,250,848.34	\$ -	\$ -	\$ -	\$ 4,243,626.86	\$ 26,139.99
Total Park Districts	2,122.64	618,405.79	-	-	-	617,790.01	2,738.42
Total School Districts	42,355.48	8,360,321.44	-	-	-	8,371,896.74	30,780.18
Total Townships	5,455.15	1,146,910.00	-	-	-	1,148,492.75	3,872.40
County Drain Assessments	476.70	1,088,091.59	-	-	-	1,088,135.27	433.02
Total Fire Protection Districts	2,920.77	472,504.49	-	-	-	473,696.85	1,728.41
Total Ambulance Districts	1,932.37	129,994.01	-	-	-	131,626.72	299.66
Total Vector Districts	-	139.17	-	-	-	139.17	-
<b>Total Agency Funds</b>	<b>\$ 6,648,496.41</b>	<b>\$ 25,352,982.87</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,892,374.83</b>	<b>\$ 7,109,104.45</b>
<b>Total Primary Government</b>	<b>\$ 11,656,001.05</b>	<b>\$ 42,445,884.48</b>	<b>\$ 2,194,186.70</b>	<b>\$ 122,293.65</b>	<b>\$ 2,194,186.70</b>	<b>\$ 41,455,482.79</b>	<b>\$ 12,768,696.39</b>
<u>Component Unit:</u>							
Water Resource District	\$ 2,753,043.74	\$ 1,676,359.69	\$ 105,000.00	\$ -	\$ 105,000.00	\$ 1,159,043.27	\$ 3,270,360.16
<b>Total Primary Government</b>	<b>\$ 14,409,044.79</b>	<b>\$ 44,122,244.17</b>	<b>\$ 2,299,186.70</b>	<b>\$ 122,293.65</b>	<b>\$ 2,299,186.70</b>	<b>\$ 42,614,526.06</b>	<b>\$ 16,039,056.55</b>

RICHLAND COUNTY WATER RESOURCE DISTRICT  
Wahpeton, North Dakota

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

	Balance 1-1-14	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-14
General Fund	\$ 100,563.18	\$ 317,165.10	\$ -	\$ -	\$ 105,000.00	\$ 154,069.59	\$ 158,658.69
<b>Special Revenue Funds:</b>							
Drain #1	\$ 56,828.31	\$ 379.62	\$ -	\$ -	\$ -	\$ 935.00	\$ 56,272.93
Drain #2	91,317.76	51,953.50	-	-	-	31,936.93	111,334.33
Drain #3	81,260.11	16,828.60	-	-	-	2,887.50	95,201.21
Drain #4	89,528.18	64,205.71	-	-	-	147,585.89	6,148.00
Drain #5	323,139.24	28,259.64	-	-	-	84,532.25	266,866.63
Drain #7	7,763.51	66,578.98	-	-	-	36,840.47	37,502.02
Drain #10	24,947.59	14,492.17	-	-	-	921.75	38,518.01
Drain #12	181,305.24	58,809.10	-	-	-	41,077.70	199,036.64
Drain #14	175,800.87	96,255.23	-	-	-	38,874.24	233,181.86
Drain #15	139,295.23	36,746.62	-	-	-	19,194.50	156,847.35
Drain #17	38,428.80	9,548.68	-	-	-	28,539.66	19,437.82
Drain #18	18,941.19	18,562.39	-	-	-	2,884.00	34,619.58
Drain #19	17,250.55	3,038.45	-	-	-	400.00	19,889.00
Drain #26	6,962.55	13,916.40	-	-	-	2,357.50	18,521.45
Drain #31	323,689.13	94,868.77	-	-	-	78,601.08	339,956.82
Drain #34	4,892.60	7,654.90	-	-	-	5,523.50	7,024.00
Drain #35	12,446.75	4,412.07	-	-	-	1,856.25	15,002.57
Drain #39	172,938.58	46,158.14	-	-	-	7,754.43	211,342.29
Drain #41	(8,909.99)	14,946.22	-	-	-	-	6,036.23
Drain #48	8,030.55	6,834.00	-	-	-	33,118.74	(18,254.19)
Drain #55	20,954.79	28,939.43	-	-	-	19,452.71	30,441.51
Drain #58	22,411.75	9,947.32	-	-	-	1,743.75	30,615.32
Drain #62	39,234.18	14,370.70	-	-	-	3,395.26	50,209.62
Drain #63	(194.55)	14,889.68	-	-	-	6,198.00	8,497.13
Drain #65	62,771.44	178,335.31	-	-	-	42,613.39	198,493.36
Drain #66	115,422.42	14,952.94	-	-	-	5,489.10	124,886.26
Drain #67-8	146,785.94	32,877.99	-	-	-	37,173.07	142,490.86
Drain #72	85,143.08	84,329.97	-	-	-	55,855.34	113,617.71
Drain #95	(8,516.95)	105,193.50	-	-	-	7,340.79	89,335.76
Drain #97	27,468.71	4,511.72	-	-	-	2,381.25	29,599.18
Drain RS #1	149,255.12	98,528.84	-	-	-	11,768.69	236,015.27
Drain #SW2	11,215.24	-	-	-	-	275.00	10,940.24
Waterways	208,975.92	117,868.00	105,000.00	-	-	245,465.94	186,377.98
FEMA Administrative Fee	5,696.72	-	-	-	-	-	5,696.72
<b>Total Special Revenue Funds</b>	<b>\$ 2,652,480.56</b>	<b>\$ 1,359,194.59</b>	<b>\$ 105,000.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,004,973.68</b>	<b>\$ 3,111,701.47</b>
<b>Debt Service Funds:</b>							
Bond #95	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond #97	-	-	-	-	-	-	-
<b>Total Debt Service Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total All Funds</b>	<b>\$ 2,753,043.74</b>	<b>\$ 1,676,359.69</b>	<b>\$ 105,000.00</b>	<b>\$ -</b>	<b>\$ 105,000.00</b>	<b>\$ 1,159,043.27</b>	<b>\$ 3,270,360.16</b>

RICHLAND COUNTY  
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>		
<u>Passed Through the State Department of Human Services:</u>		
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	\$ 58,101
Promoting Safe and Stable Families	93.556	2,829
Temporary Assistance for Needy Families	93.558	110,227
Child Support Enforcement	93.563	431
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	15,435
Stephanie Tubbs Jones Child Welfare Services Program	93.645	14,670
Foster Care-Title IV-E	93.658	80,706
Adoption Assistance	93.659	1,219
Children's Health Insurance Program	93.767	149
Medical Assistance Program	93.778	469
Maternal and Child Health Services Block Grant to the States	93.994	2,299
<u>Passed Through the State Department of Health:</u>		
Public Health Emergency Preparedness	93.069	3,359
Family Planning Services	93.217	37,106
Immunization Grants	93.268	7,018
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	900
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	4,646
Assistance Programs for Chronic Disease Prevention and Control	93.945	4,767
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	660
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	2,359
Coordinated Choric Disease	93.544	2,500
HIV Care Formula Grants	93.917	957
National Breast and Cervical Cancer Early Detection Program	93.919	17,190
HIV Prevention Activities-Health Department Based	93.940	1,530
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	400
Maternal and Child Health Services Block Grant to the States	93.994	11,828
Total U.S. Department of Health and Human Services Pass-Through Programs		<u>\$ 381,755</u>
<b>U.S. DEPARTMENT OF JUSTICE:</b>		
<u>Passed Through the State Office of Attorney General:</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>\$ 48,103</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>		
<u>Passed Through the State Department of Health:</u>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	<u>\$ 69,093</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>		
<u>Passed Through the State Department of Emergency Services:</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	** 97.036	\$ 201,282
Emergency Management Performance Grants	97.042	37,764
Homeland Security Grant Program	97.067	19,427
Total U.S. Department of Transportation Pass-Through Programs		<u>\$ 258,473</u>
Total Expenditures of Federal Awards		<u><u>\$ 757,424</u></u>

\*\* - Major program

**NOTE 1: BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Richland County under programs of the federal government for the year ended December 31, 2014. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Richland County, it is not intended to and does not present the net position or changes in net position of Richland County.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

**STATE AUDITOR**

ROBERT R. PETERSON  
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**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  
Richland County  
Wahpeton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Richland County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Richland County's basic financial statements, and have issued our report thereon dated February 26, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2014-01].

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Richland County's financial statements are free from 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*.

**RICHLAND 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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**Richland County's Response to Findings**

Richland County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Richland County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
February 26, 2015

**STATE AUDITOR**

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

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Independent Auditor's Report

Board of County Commissioners  
Richland County  
Wahpeton, North Dakota

**Report on Compliance for Each Major Federal Programs**

We have audited Richland County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Richland County's major federal program for the year ended December 31, 2014. Richland County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Programs***

In our opinion, Richland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

## **RICHLAND COUNTY**

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

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### **Report on Internal Control Over Compliance**

Management of Richland County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Richland County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Richland County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Richland County as of and for the year ended December 31, 2014, and have issued our report thereon dated February 26, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
February 26, 2015

RICHLAND COUNTY  
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2014

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

Financial Statements

Type of Report Issued?

Governmental 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 None noted

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ X None noted

Federal Awards

Internal control over major programs:

Material weakness identified? \_\_\_\_\_ Yes \_\_\_\_\_ X None noted

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

Type of auditor's report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? \_\_\_\_\_ Yes \_\_\_\_\_ X None noted

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ X Yes \_\_\_\_\_ No

**RICHLAND COUNTY**

Schedule of Findings and Questioned Costs – Continued

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**Section II - Financial Statement Findings**

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**2014-01 – LACK OF SEGREGATION OF DUTIES – WRD**

**Condition:**

The Richland County Water Resource District has one Secretary/Treasurer 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.

**Criteria:**

An accounting system should segregate the duties of authorizing transactions, posting of transactions, custody of assets, and reconciliation.

**Effect:**

The lack of segregation of duties in this key control area creates a higher risk that the financial statements could be misstated due to errors or fraud.

**Recommendation:**

Due to the size, complexity and the economic realities of Richland County Water Resource District, 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:**

The Richland County Water Resource District agrees and will segregate duties as it becomes feasible.

**Section III - Federal Award Findings and Questioned Costs**

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No matters reported.