

OFFICE OF THE STATE AUDITOR

AUDIT REPORT

**BOTTINEAU COUNTY
BOTTINEAU, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2013



BOTTINEAU COUNTY
Bottineau, North Dakota

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BOTTINEAU COUNTY
Bottineau, North Dakota

COUNTY OFFICIALS

At December 31, 2013

Jeff Beyer

Commissioner - Chairman

Daniel Marquardt
LeRoy Rude
Lance Kjelshus
Todd Streich

Commissioner - Vice-Chairman
Commissioner
Commissioner
Commissioner

Lisa Herbel
Ann Monson
Steve Watson
Helen Christenson
Rhonda Langehaug
A. Swain Benson, Sr.

Auditor
Treasurer
Sheriff
Recorder
Clerk of Court
State's Attorney

STATE AUDITOR

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



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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Bottineau County
Bottineau, North Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

BOTTINEAU COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 27-31 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 Bottineau County's basic financial statements. The *schedule of fund activity arising from cash transactions* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015 on our consideration of Bottineau 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 Bottineau County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 12, 2015

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF NET POSITION
December 31, 2013

	Primary Governmental Activities	Component Units
ASSETS:		
Cash and Investments	\$ 7,167,604	\$ 252,268
Accounts Receivable	26,208	-
Intergovernmental Receivable	2,440,287	-
Taxes Receivable	78,764	5,658
Road Receivables	196,216	-
Uncertified Special Assessments Receivable	-	3,051
Capital Assets (not being depreciated):		
Land	155,004	-
Construction in Progress	118,169	-
Capital Assets (being depreciated):		
Infrastructure	6,805,226	-
Buildings	1,542,106	-
Vehicles and Machinery	2,339,286	10,000
Furniture and Equipment	155,823	-
Total Capital Assets	<u>\$ 11,115,614</u>	<u>\$ 10,000</u>
Total Assets	<u>\$ 21,024,693</u>	<u>\$ 270,977</u>
LIABILITIES:		
Accounts Payable	\$ 347,321	\$ 184,897
Salaries Payable	2,881	-
Grants Received in Advance	107,225	-
Retainages Payable	4,426	1,849
Interest Payable	15,340	-
Long-Term Liabilities:		
Due Within One Year:		
Capital Leases Payable	362,858	-
Compensated Absences Payable	42,186	-
Due After One Year:		
Capital Leases Payable	793,435	-
Loans Payable	-	116,164
Compensated Absences Payable	<u>379,677</u>	<u>-</u>
Total Liabilities	<u>\$ 2,055,349</u>	<u>\$ 302,910</u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid Special Assessments	<u>\$ -</u>	<u>\$ 56,000</u>
NET POSITION:		
Net investment in capital assets	\$ 9,959,321	\$ -
Restricted for:		
Public Safety	88,208	-
Highways	5,926,955	-
Health and Welfare	37,175	-
Culture and Recreation	192,930	-
Conservation of Natural Resources	170,550	-
Emergencies	236,527	-
General Government	1,089,121	-
Unrestricted	<u>1,268,557</u>	<u>(87,933)</u>
Total Net Position	<u>\$ 18,969,344</u>	<u>\$ (87,933)</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Units
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	\$ 1,997,696	\$ 181,276	\$ 10,220	\$ (1,806,200)	\$ -
Public Safety	1,184,160	356,387	119,286	(708,487)	-
Highways	5,684,812	771,635	7,775,725	2,862,548	-
Flood Repair	210,556	-	327,176	116,620	-
Health and Welfare	826,204	415	183,011	(642,778)	-
Culture and Recreation	290,935	35,290	20,521	(235,124)	-
Conserv. of Natural Resources	232,437	-	20,866	(211,571)	-
Emergency	27,442	-	-	(27,442)	-
Other	15,876	-	-	(15,876)	-
Interest Expense on Long-Term Debt	28,831	-	-	(28,831)	-
Total Primary Government	\$ 10,498,949	\$ 1,345,003	\$ 8,456,805	\$ (697,141)	\$ -
Total Component Units	\$ 598,080	\$ -	\$ 256,770	\$ -	\$ (341,310)
<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes				\$ 446,687	\$ 163,579
Property taxes; levied for special purposes				2,568,606	-
Non Restricted Grants and Contributions				929,253	-
Earnings on Investments				39,844	751
Miscellaneous Revenue				154,887	403
Total General Revenues				\$ 4,139,277	\$ 164,733
Change in Net Position				\$ 3,442,136	\$ (176,577)
Net Position - January 1				\$ 15,461,958	\$ 88,644
Prior Period Adjustment				65,250	-
Net Position - January 1, as restated				\$ 15,527,208	\$ 88,644
Net Position - December 31				\$ 18,969,344	\$ (87,933)

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	County Road & Bridge	Highway Tax Distribution	Misc. Road	FEMA		
ASSETS							
Cash and Investments	\$ 1,141,749	\$ 1,318,201	\$ 1,003,388	\$ 605,239	\$ 107,225	\$ 2,991,802	\$ 7,167,604
Accounts Receivable	26,208	-	-	-	-	-	26,208
Intergovernmental Receivable	125,499	2,048,919	110,169	-	-	155,700	2,440,287
Taxes Receivable	13,108	11,538	-	-	-	54,118	78,764
Road Receivables	-	196,216	-	-	-	-	196,216
Due from Other Funds	6,797	-	-	-	-	-	6,797
Total Assets	\$ 1,313,361	\$ 3,574,874	\$ 1,113,557	\$ 605,239	\$ 107,225	\$ 3,201,620	\$ 9,915,876
LIABILITIES, FUND BALANCE, AND DEFERRED INFLOWS OF RESOURCES							
Liabilities:							
Accounts Payable	\$ 5,700	\$ 205,805	\$ -	\$ 28,816	\$ -	\$ 107,000	\$ 347,321
Salaries Payable	1,605	1,276	-	-	-	-	2,881
Grants Received in Advance	-	-	-	-	107,225	-	107,225
Due to Other Funds	-	-	-	-	-	6,797	6,797
Total Liabilities	\$ 7,305	\$ 207,081	\$ -	\$ 28,816	\$ 107,225	\$ 113,797	\$ 464,224
Deferred Inflows of Resources:							
Taxes Receivable	\$ 13,108	\$ 11,538	\$ -	\$ -	\$ -	\$ 54,118	\$ 78,764
Road Receivables	-	196,216	-	-	-	-	196,216
Total Deferred Inflows of Resources	\$ 13,108	\$ 207,754	\$ -	\$ -	\$ -	\$ 54,118	\$ 274,980
Total Liabilities and Deferred Inflows of Resources	\$ 20,413	\$ 414,835	\$ -	\$ 28,816	\$ 107,225	\$ 167,915	\$ 739,204
Fund Balances:							
Restricted for:							
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,058	\$ 183,058
Highways	-	3,160,039	1,113,557	-	-	968,604	5,242,200
Health and Welfare	-	-	-	-	-	126,942	126,942
Culture and Recreation	-	-	-	-	-	198,427	198,427
Conservation of Natural Resources	-	-	-	-	-	172,506	172,506
Emergency	-	-	-	-	-	232,201	232,201
General Government	-	-	-	-	-	1,174,126	1,174,126
Committed for:							
Highways & Public Improvement	-	-	-	576,423	-	-	576,423
Unassigned	1,292,948	-	-	-	-	(22,159)	1,270,789
Total Fund Balances	\$ 1,292,948	\$ 3,160,039	\$ 1,113,557	\$ 576,423	\$ -	\$ 3,033,705	\$ 9,176,672
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,313,361	\$ 3,574,874	\$ 1,113,557	\$ 605,239	\$ 107,225	\$ 3,201,620	\$ 9,915,876

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

Total *Fund Balances* for Governmental Funds \$ 9,176,672

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	\$ 17,154,779	
Less: Accumulated Depreciation	<u>(6,039,165)</u>	11,115,614

Property taxes receivable 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 inflows of resource in the funds. 78,764

Road receivable 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 inflows of resources in the funds. 196,216

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

Capital Leases Payable	\$ (1,156,293)	
Interest Payable	(15,340)	
Retainage Payable	(4,426)	
Compensated Absences	<u>(421,863)</u>	<u>(1,597,922)</u>

Total Net Position of Governmental Activities \$ 18,969,344

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	County Road & Bridge	Highway Tax Distribution	Misc. Road	FEMA		
<u>Revenues:</u>							
Taxes	\$ 454,264	\$ 11,542	\$ -	-	\$ -	\$ 2,552,759	\$ 3,018,565
Intergovernmental	985,254	3,637,760	1,026,838	-	316,676	1,430,066	7,396,594
Charges for Services	541,206	-	-	749,026	-	67,671	1,357,903
Licenses, Permits and Fees	6,505	-	-	-	-	-	6,505
Interest Income	-	-	-	-	-	39,844	39,844
Contributions	-	1,989,464	-	-	-	-	1,989,464
Miscellaneous	65,217	20,622	-	-	-	69,048	154,887
Total Revenues	\$ 2,052,446	\$ 5,659,388	\$ 1,026,838	\$ 749,026	\$ 316,676	\$ 4,159,388	\$ 13,963,762
<u>Expenditures:</u>							
Current:							
General Government	\$ 969,624	\$ -	\$ -	\$ -	\$ -	\$ 1,003,636	\$ 1,973,260
Public Safety	972,363	-	-	-	-	186,990	1,159,353
Highways	-	3,081,801	903,097	832,488	-	1,230,606	6,047,992
Flood Repair	-	-	-	-	210,556	-	210,556
Health and Welfare	-	-	-	-	-	820,292	820,292
Culture and Recreation	27,500	-	-	-	-	255,408	282,908
Conserv. of Natural Resources	2,867	-	-	-	-	226,459	229,326
Emergency	-	-	-	-	-	27,442	27,442
Other	15,876	-	-	-	-	-	15,876
Debt Service:							
Principal	9,149	-	-	490,879	-	7,320	507,348
Interest & Service Charges	-	-	-	16,435	-	-	16,435
Total Expenditures	\$ 1,997,379	\$ 3,081,801	\$ 903,097	\$ 1,339,802	\$ 210,556	\$ 3,758,153	\$ 11,290,788
Excess (Deficiency) of Revenues Over Expenditures	\$ 55,067	\$ 2,577,587	\$ 123,741	\$ (590,776)	\$ 106,120	\$ 401,235	\$ 2,672,974
<u>Other Financing Sources (Uses):</u>							
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,925	\$ 58,925
Lease Financing	-	-	-	759,155	-	-	759,155
Transfers Out	(28,925)	-	-	-	-	(30,000)	(58,925)
Total Other Financing Sources and Uses	\$ (28,925)	\$ -	\$ -	\$ 759,155	\$ -	\$ 28,925	\$ 759,155
Net Change in Fund Balances	\$ 26,142	\$ 2,577,587	\$ 123,741	\$ 168,379	\$ 106,120	\$ 430,160	\$ 3,432,129
Fund Balance - January 1	\$ 1,266,806	\$ 582,452	\$ 989,816	\$ 408,044	\$ (106,120)	\$ 2,603,545	\$ 5,744,543
Fund Balance - December 31	\$ 1,292,948	\$ 3,160,039	\$ 1,113,557	\$ 576,423	\$ -	\$ 3,033,705	\$ 9,176,672

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

Net Change in *Fund Balances* - Total Governmental Funds \$ 3,432,129

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 exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 1,313,389	
Current Year Depreciation Expense	<u>(954,163)</u>	359,226

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales. (114,345)

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount that debt issuance exceeded the repayment of debt.

Lease Repayment	\$ 507,348	
Capital Lease Issuance	<u>(759,155)</u>	(251,807)

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. This consists of the following:

Change in Compensated Absences	\$ (46,585)	
Change in Retainage Payable	98,591	
Change in Interest Payable	<u>(12,396)</u>	39,610

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

Change in Taxes Receivable	\$ (3,272)	
Change in Road Receivables	<u>(19,405)</u>	<u>(22,677)</u>

Change in Net Position of Governmental Activities \$ 3,442,136

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

BOTTINEAU COUNTY WATER RESOURCE DISTRICT
Bottineau, North Dakota

COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
December 31, 2013

	Bottineau Co. Water Resource Dist.	Boundary Creek Water Resource Dist.	Oak Creek Water Resource Dist.	Total
<u>ASSETS:</u>				
Cash and Invesments	\$ 145,031	\$ 31,804	\$ 75,433	\$ 252,268
Taxes Receivable	3,390	295	1,973	5,658
Uncertified Special Assessments Receivable	3,051	-	-	3,051
Capital Assets (being depreciated):				
Vehicles and Machinery	10,000	-	-	10,000
Total Assets	\$ 161,472	\$ 32,099	\$ 77,406	\$ 270,977
<u>LIABILITIES:</u>				
Accounts Payable	\$ -	\$ -	\$ 184,897	\$ 184,897
Retainage Payable	-	-	1,849	1,849
Long-Term Liabilities:				
Due After One Year:				
Loans Payable	116,164	-	-	116,164
Total Liabilities	\$ 116,164	\$ -	\$ 186,746	\$ 302,910
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Special Assessments	\$ 56,000	\$ -	\$ -	\$ 56,000
<u>NET POSITION:</u>				
Unrestricted	\$ (10,692)	\$ 32,099	\$ (109,340)	\$ (87,933)
Total Net Position	\$ (10,692)	\$ 32,099	\$ (109,340)	\$ (87,933)

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

BOTTINEAU COUNTY
Bottineau, North Dakota

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Operating Grants and Contributions	Bottineau County WRD	Boundary Creek WRD	Oak Creek WRD	Total
<u>Component Units:</u>						
Bottineau Co. WRD	\$ 330,286	\$ 256,770	\$ (73,516)	\$ -	\$ -	\$ (73,516)
Boundary Creek WRD	12,744	-	-	(12,744)	-	(12,744)
Oak Creek WRD	255,050	-	-	-	(255,050)	(255,050)
Total Component Units	<u>\$ 598,080</u>	<u>\$ 256,770</u>	<u>\$ (73,516)</u>	<u>\$ (12,744)</u>	<u>\$ (255,050)</u>	<u>\$ (341,310)</u>
<u>General Revenues:</u>						
Taxes:						
Property Taxes;						
Levied for General Purposes	\$ 76,946	\$ 12,992	\$ 73,641	\$ 163,579		
Earnings on Investments	239	92	420	751		
Miscellaneous Revenue	239	77	87	403		
Total General Revenues	<u>\$ 77,424</u>	<u>\$ 13,161</u>	<u>\$ 74,148</u>	<u>\$ 164,733</u>		
Change in Net Position	<u>\$ 3,908</u>	<u>\$ 417</u>	<u>\$ (180,902)</u>	<u>\$ (176,577)</u>		
Net Position - January 1	<u>\$ (14,600)</u>	<u>\$ 31,682</u>	<u>\$ 71,562</u>	<u>\$ 88,644</u>		
Net Position - December 31	<u>\$ (10,692)</u>	<u>\$ 32,099</u>	<u>\$ (109,340)</u>	<u>\$ (87,933)</u>		

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2013

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 1,611,156</u>
<u>Liabilities:</u>	
Due to Other Governments	\$ 1,607,049
Accounts Payable	<u>4,107</u>
Total Liabilities	<u>\$ 1,611,156</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bottineau County, North Dakota 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 Bottineau County. The county has considered all potential component units for which the county is financially accountable and other organizations for which the nature and significance of their relationships with the county such that exclusion would cause the county's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Bottineau County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Bottineau County.

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

COMPONENT UNITS

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity of the government-wide statements as 'aggregate' discretely presented component units.

Aggregate Discretely Presented Component Units: The component units' column in the combined government-wide financial statements includes the financial data of the county's three component units aggregated. These component units are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the county. Additionally, combining statements for the individual water resource districts are also shown for the component units following the fund financial statements.

Bottineau County Water Resource District: The Bottineau County Water Resource District governing board is appointed by the county's governing body. The County's governing body has the authority to disapprove, amend, or approve the water resource district budget.

Boundary Creek Water Resource District: The Boundary Creek Water Resource District governing board is appointed by the county's governing body. The County's governing body has the authority to disapprove, amend, or approve the water resource district budget.

Oak Creek Water Resource District: The Oak Creek Water Resource District governing board is appointed by the county's governing body. The County's governing body has the authority to disapprove, amend, or approve the water resource district budget.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Component Unit Financial Statements: Complete financial statements of the Bottineau County Water Resource District can be obtained from their administrative office. Financial statements of the Oak Creek Water Resource District and Boundary Creek Water Resource District are included with these financial statements.

Administrative Office:

Bottineau County Water Resource District
521 Main Street, Suite 3
Bottineau, North Dakota 58318

BLENDED COMPONENT UNIT

Blended component units, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government's funds and activities.

Bottineau County Park Board – The activities of the park board have been blended in the activities of the county park fund reported in other governmental funds in the primary government's fund financial statements, as well as in applicable areas in the primary government's activities. The park board does not have the right to sue in its own name without recourse to the county. Therefore it is reported as if it were part of the county's operations.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar item are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

The county reports the following major governmental funds:

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

County Road and Bridge Fund. This fund accounts for the maintenance and repair of county roads within the county. The major source of revenue is restricted State/Federal grants/reimbursements.

Highway Tax Distribution Fund. This fund accounts for Highway Tax Distribution from the State for payroll expenses for roads within the county. The major source of revenues is restricted State/Federal grants/reimbursements.

Miscellaneous Road Fund. This fund accounts for the maintenance and repair of roads within the county, as well as debt service payments for capital leases related to highway equipment. The major source of revenue is committed charge for services revenue.

FEMA Fund. This fund accounts for state and federal grants related for flood disaster repairs and the related disbursements. The major source of revenue is restricted grants (reimbursements) for disaster related repair expenditures/projects.

Additionally, the county reports the following fund type:

Agency Funds. These fund accounts 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

D. Cash and Investments

Cash includes amounts in demand deposits, money market accounts, and certificates of deposit with a maturity of 3 months or less. Investments consist of certificates of deposit with a maturity of more than 3 months.

E. Capital Assets

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

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

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

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

ASSETS	YEARS
Buildings	30-50
Infrastructure	5-99
Furniture and Equipment	5-20
Vehicles and Machinery	5-20

F. Compensated Absences

Full time employees are granted vacation benefits from one to two days per month depending on tenure with the County. Upon termination of employment, employees will be paid for vacation benefits that have accrued. Sick leave benefits accrue at the rate of one day per month. Unused sick leave benefits are allowed to accumulate up to an unlimited amount. Upon termination of employment or retirement unused sick leave will be paid for Social Service employees at a rate of 15% of unused days up to a maximum of 144 hours, while other employees will be paid for 15% of unused days up to a maximum of 120 days. Severance pay for both County employees and Social Service employees will be provided to employees who have completed 10 consecutive years of service with the County. The employee will receive 10 days severance pay at his/her current salary level.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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. 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.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

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

I. Fund Balances / Net Position

GASB Statement No. 54 requires 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 Bottineau County to spend restricted resources first followed by committed 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 (county road and bridge, highway tax distribution, miscellaneous road, and FEMA funds) are disclosed in more detail in Note 1B.

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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

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

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

BOTTINEAU COUNTYNotes to the Financial Statements – Continued

Bottineau County reports amounts in the restricted, committed, and unassigned fund balances in the balance sheet at December 31, 2013.

Restricted Fund Balances – consist of the following items at December 31, 2013:

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & public improvement, health and welfare, culture & recreation, conservation of natural resources, emergencies, 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 3rd parties (State & Federal governments for various grants & reimbursements). Restricted fund balances totaled \$7,329,460 at year-end.

Restricted & Committed Fund Balances – Special Revenue Funds:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies (enabling legislation) – includes fund balances for various tax levies other than the general fund, including the road and bridge fund, farm to market road fund, and various other tax levy funds reported in other governmental funds.
 - Restricted grants/reimbursements – primarily includes amounts in county road and bridge fund, farm to market road fund, oil impact fund, FEMA fund, highway tax distribution fund, and other grant funds.
- (b) Committed fund balances (special revenue fund) – committed by governing board county commission action;
- Committed in special revenue funds for road work and snow removal performed for cities, townships, and private citizens reported in other governmental funds totaling \$576,423.

Unassigned fund balances – reported in the general fund at year end totaling \$1,292,948, and for negative fund balances in the other governmental funds totaling (\$22,159).

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.

Unrestricted net position is primarily unrestricted amounts related to general fund governmental activities, and is the portion of net position that is not restricted or reported as net investment in capital assets. The unrestricted net position is available to meet the district's ongoing obligations.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt used to purchase or finance capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. 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. Restricted net position is also shown by primary function and is restricted for public safety, highways, health & welfare, culture & recreation, conservation of natural resources, emergencies, and general government (health insurance, insurance reserve, veteran's service officer, and social security).

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

The board of county commissioners amended the county budget for 2013 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
General Fund	\$2,004,291	\$ 19,634	\$2,023,925
<u>Special Revenue Funds:</u>			
County Road and Bridge	1,260,000	1,614,719	2,874,719
Oil Impact	-	207,147	207,147
FEMA	-	371,915	371,915
Infrastructure	-	189,951	189,951
Homeland Security	-	16,659	16,659
Courthouse Bldg. and Imp.	25,000	26,925	51,925
County Park	30,500	67,007	97,507

NOTE 3: DEPOSITS

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

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

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

Primary Government:

At the year ended December 31, 2013, the county's carrying amount of deposits was \$8,774,155 and the bank balances were \$8,690,378. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance. The remaining balance of \$7,440,378 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Aggregate Discretely Presented Component Units:

At the year ended December 31, 2013, the Bottineau County Water Resource District's carrying amount of deposits was \$145,029 and the bank balances were \$147,818, all of which was covered by Federal Depository Insurance.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

At the year ended December 31, 2013, the Oak Creek Water Resource District's carrying amount of deposits was \$75,438 and the bank balances were \$85,577, all of which was covered by Federal Depository Insurance.

At year ended December 31, 2013, the Boundary Creek Water Resource District's carrying amount of deposits was \$31,804 and the bank balances were \$37,608, all of which was covered by Federal Depository Insurance.

Credit Risk:

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

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

As of December 31, 2013, the county held certificates of deposit in the amount of \$2,624,666, which are all considered deposits.

The discretely presented component units had the following certificates of deposit on hand at December 31, 2013, which are considered deposits:

Discretely Presented Component Units:	2013
Oak Creek Water Resource District	\$36,194
Boundary Creek Water Resource District	22,949

Concentration of Credit Risk:

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

NOTE 4: TAXES RECEIVABLE

Taxes receivable represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

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

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

NOTE 5: UNCERTIFIED SPECIAL ASSESSMENTS RECEIVABLE

Uncertified special assessments receivable in the component units represent the amount of uncertified special assessments to be certified in upcoming years for various projects for the Bottineau County Water Resource District.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

NOTE 6: ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due for contract policing and 911 fees.

NOTE 7: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 8: ROAD ACCOUNTS RECEIVABLE

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

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2013 for the primary government:

Primary Government:	Balance 1-1-13	Adjustments	Increases	Decreases	Transfers	Balance 12-31-13
Governmental Activities:						
<i>Capital assets not being depreciated:</i>						
Land	\$ 155,004	\$ -	\$ -	\$ -	\$ -	\$ 155,004
Construction Progress	5,080,660	50,000	193,365	-	(5,205,856)	118,169
Total Capital Assets, not being depreciated	\$ 5,235,664	\$ 50,000	\$ 193,365	\$ -	\$(5,205,856)	\$ 273,173
<i>Capital assets being depreciated:</i>						
Buildings	\$ 3,500,249	\$ -	\$ -	\$ 11,670	\$ -	\$ 3,488,579
Furniture and Equipment	554,606	82,345	9,500	-	-	646,451
Vehicles and Machinery	5,736,182	-	1,110,524	1,231,440	-	5,615,266
Infrastructure	1,925,455	-	-	-	5,205,856	7,131,311
Total Capital Assets, Being Depreciated	\$11,716,492	\$ 82,345	\$1,120,024	\$1,243,110	\$ 5,205,856	\$16,881,607
<i>Less Accumulated Depreciation for:</i>						
Buildings	\$ 1,867,052	\$ -	\$ 80,977	\$ 1,556	\$ -	\$ 1,946,473
Furniture and Equipment	408,531	24,703	57,394	-	-	490,628
Vehicles and Machinery	3,765,890	-	637,299	1,127,209	-	3,275,980
Infrastructure	147,592	-	178,493	-	-	326,085
Total Accumulated Depreciation	\$ 6,189,065	\$ 24,703	\$ 954,163	\$1,128,765	\$ -	\$ 6,039,166
Total Capital Assets Being Depreciated, Net	\$ 5,527,427	\$ 57,642	\$ 165,861	\$ 114,345	\$ 5,205,856	\$10,842,441
Governmental Activities- Capital Assets, Net	\$10,763,091	\$107,642	\$ 359,226	\$ 114,345	\$ -	\$11,115,614

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

Governmental Activities:	Amounts
General Government	\$ 84,378
Public Safety	68,842
Highways and Bridges	778,334
Culture and Recreation	20,347
Conservation of Natural Resources	2,262
Total Depreciation Expense-Governmental Activities	\$954,163

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Bottineau County Water Resource District:

The following is a summary of changes in capital assets for the Bottineau County WRD, a discretely presented component unit of Bottineau County, for the year ended December 31, 2013:

Bottineau County Water Resource District	Balance 1-1-13	Increases	Decreases	Balance 12-31-13
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Vehicles and Machinery	\$16,000	\$ -	\$ -	\$16,000
<i>Less Accumulated Depreciation for:</i>				
Vehicles and Machinery	\$ 4,000	\$ 2,000	\$ -	\$ 6,000
<i>Governmental Activities- Capital Assets, Net</i>	\$12,000	\$(2,000)	\$ -	\$10,000

NOTE 10: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2013 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 11: SALARIES PAYABLE

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

NOTE 12: GRANTS RECEIVED IN ADVANCE

Grants received in advance is a liability consisting of funds received in the FEMA fund where the cash has been received but the eligibility requirements have not been met at December 31, 2013.

NOTE 13: DEFERRED INFLOWS OF RESOURCES

Bottineau County early implemented provisions of GASB 65 "Items Previously Reported as Assets and Liabilities" during the year ended December 31, 2013. Prior to GASB 65, the offset to taxes receivable and road receivables were reported as a liability in the balance sheet, but is now reported as a deferred inflow of resources under the provisions of GASB 65.

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

NOTE 14: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long term debt outstanding at December 31, 2013.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

NOTE 15: LONG-TERM DEBT

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

Governmental Activities	Balance January 1	Adjustment	Increases	Decreases	Balance December 31	Due Within One Year
Capital Leases	\$ 862,094	\$42,392	\$759,155	\$507,348	\$1,156,293	\$362,858
Compensated Absences *	375,278	-	46,585	-	421,863	42,186
Total Governmental Activities	\$1,237,372	\$42,392	\$805,740	\$507,348	\$1,578,156	\$405,044

* - 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 Payable:

Motor Grader Lease #1 – due in annual installments of 88,262 through November 2014, interest at 3.4%.	\$ 85,359
Motor Grader Lease #2 – due in annual installments of \$42,113 through December 2016, interest at 3.25%.	118,550
Motor Grader Lease #3 – due in annual installments of \$86,893 through January 2017, interest at 2.75%.	324,153
Caterpillar Hydraulic Thumb – due in annual installments of \$3,849 through June 2017, interest at 4.75%.	14,380
Motor Grader Lease #4 – due in annual installments of \$88,228 through August 2017, interest at 2.65%.	330,717
Dozer Lease – due in annual installments of \$68,619 through August 2017, interest at 2.65%.	257,211
Copier Lease – due in monthly installments of \$610 through March 2015.	9,150
Phone System Lease – due in monthly installments of \$762 through May 2015.	<u>16,773</u>
Total Capital Leases Payable	<u>\$1,156,293</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013 were as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Loans Payable	
	Principal	Interest
2014	\$ 362,858	\$31,574
2015	277,185	21,971
2016	275,292	14,409
2017	240,958	6,632
Totals	\$1,156,293	\$74,586

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

DISCRETELY PRESENTED COMPONENT UNIT:Bottineau County Water Resource District:

Changes in Long-Term Liabilities – During the year ended December 31, 2013, the following changes occurred in governmental activities long-term liabilities for the Bottineau County Water Resource District:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loan Payable	\$125,000	\$195,000	\$203,836	\$116,164	\$ -

Note: All debt principal of \$125,000 is due in 2013, as is \$6,217 of interest.

NOTE 16: TRANSFERS

The following is a summary of transfers in and transfers out reported in the basic financial statements for the year ended December 31, 2013:

	Transfers In	Transfers Out
General Fund	\$ -	\$28,925
<u>Special Revenue Funds:</u>	-	-
Library	-	30,000
Library Building	30,000	-
Courthouse Building Imp. & Equip.	28,925	-
Total Transfers	\$58,925	\$58,925

The purpose of the transfer from the library fund to the library building fund was to help with costs of a library project.

NOTE 17: PENSION PLAN

Bottineau County contributes to the North Dakota Public Employees' 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.

During January 1, 2013 through December 31, 2013, plan members were required to contribute 5% of their annual covered salary. Bottineau County has elected to contribute the employees required contribution. The county was required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's contributions to NDPERS for the years ending December 31, 2013, 2012, and 2011 were \$196,562, \$152,209, and \$124,223, respectively, equal to the required contributions for the year.

NOTE 18: RISK MANAGEMENT

Bottineau 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.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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. Bottineau County pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and auto coverage and \$5,005,063 for public assets (mobile equipment and portable property) coverage.

Bottineau County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Bottineau 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 Bottineau County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees and provides Bottineau County Water Resource District, a discretely presented component unit of Bottineau County, with blanket fidelity bond coverage in the amount of \$135,000. The State Bonding Fund does not currently charge any premium for this coverage.

Bottineau County has workers compensation with the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 19: DEFICIT FUND BALANCES

Bottineau County had the following deficit fund balances at December 31, 2013:

Fund	2013
Homeland Security	\$(2,530)
Law Enforcement Block Grant	(4,268)

The deficits will be relieved by future revenues and transfers from the General Fund and reimbursements as applicable for the grant funds.

NOTE 20: COMMITMENTSCommitments:

At December 31, 2013, Bottineau County had commitments for remaining project costs related to Project BRO-0005(030). As of December 31, 2013, the remaining construction commitments are as follows:

Project	Original Contract	Total Completed	Retainage	Remaining Balance	Percent Completed
BRO-0005(030)	\$353,791	\$221,316	\$4,426	\$136,901	62.56%

At December 31, 2013, the Oak Creek Water Resource District had commitments for remaining project costs related to FEMA Site BUWDOC2 - PW-0315(0). As of December 31, 2013, the remaining construction commitments are as follows:

Project	Original Contract	Total Completed	Retainage	Remaining Balance	Percent Completed
FEMA Site BUWDOC2 - PW-0315(0)	\$247,897	\$184,897	\$1,849	\$64,849	74.59%

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Retainages Payable:

Retainages payable is reported in the government-wide statement of net position for the above listed road project with construction commitments remaining at year-end.

NOTE 21: BUDGET TO ACTUAL RECONCILIATION

The county entered into several leases for highway equipment. The lease proceeds and corresponding general government expenditures were reported on the statement of revenues, expenditures and changes in fund balance – governmental funds, but were not reported on the budgetary comparison schedule in the general fund. The county didn't budget for these funds and these transactions were not recorded on the county's general ledger. The differences are as follows:

Misc. Road Fund	Combined Statement	Adjustment	Budget to Actual
Expenditures	\$1,339,802	\$(759,155)	\$580,647
Lease Proceeds	759,155	(759,155)	-

NOTE 22: PRIOR PERIOD ADJUSTMENTSCounty:

There were prior period adjustments for the period ending December 31, 2013 for Governmental Activities involving adjustments to capital assets and capital leases.

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$15,461,958
Adjustments to restate the January 1, 2013 Net Position:	
Capital asset cost adjustment	132,345
Capital asset depreciation adjustment	(24,703)
Capital lease adjustment	(42,392)
Net Position January 1, as restated	\$15,527,208

NOTE 23: CONTRIBUTIONS REVENUE

Contributions revenue reported in the road and bridge fund consists of \$1,989,464 donated by the Howard Long estate to be used for road and bridge purposes. This amount is reported in the government-wide statements as an operating grant and contribution netted against highways expenses.

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 454,000	\$ 454,000	\$ 454,264	\$ 264
Intergovernmental	823,500	823,500	985,254	161,754
Charges for Services	561,550	561,550	541,206	(20,344)
Licenses, Permits and Fees	5,600	5,600	6,505	905
Miscellaneous	57,500	57,500	65,217	7,717
Total Revenues	\$ 1,902,150	\$ 1,902,150	\$ 2,052,446	\$ 150,296
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,020,759	\$ 1,020,759	\$ 969,624	\$ 51,135
Public Safety	929,232	948,866	972,363	(23,497)
Culture and Recreation	27,500	27,500	27,500	-
Conser. of Natural Resources	2,600	2,600	2,867	(267)
Other	15,000	15,000	15,876	(876)
Debt Service:				
Principal	9,200	9,200	9,149	51
Total Expenditures	\$ 2,004,291	\$ 2,023,925	\$ 1,997,379	\$ 26,546
Excess (Deficiency) of Revenues Over Expenditures	\$ (102,141)	\$ (121,775)	\$ 55,067	\$ 176,842
<u>Other Financig Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (28,925)	\$ (28,925)
Net Change in Fund Balance	\$ (102,141)	\$ (121,775)	\$ 26,142	\$ 147,917
Fund Balance - January 1	\$ 1,266,806	\$ 1,266,806	\$ 1,266,806	\$ -
Fund Balance - December 31	\$ 1,164,665	\$ 1,145,031	\$ 1,292,948	\$ 147,917

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 11,875	\$ 11,875	\$ 11,542	\$ (333)
Intergovernmental	1,512,227	1,512,227	3,637,760	2,125,533
Contributions	-	-	1,989,464	1,989,464
Miscellaneous	-	-	20,622	20,622
Total Revenues	\$ 1,524,102	\$ 1,524,102	\$ 5,659,388	\$ 4,135,286
<u>Expenditures:</u>				
Current:				
Hwy. & Public Improve.	\$ 1,260,000	\$ 2,874,719	\$ 3,081,801	\$ (207,082)
Excess (Deficiency) of Revenues Over Expenditures	\$ 264,102	\$ (1,350,617)	\$ 2,577,587	\$ 3,928,204
Fund Balance - January 1	\$ 582,452	\$ 582,452	\$ 582,452	\$ -
Fund Balance - December 31	\$ 846,554	\$ (768,165)	\$ 3,160,039	\$ 3,928,204

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 933,506	\$ 933,506	\$ 1,026,838	\$ 93,332
<u>Expenditures:</u>				
Current:				
Hwy. & Public Improve.	\$ 1,026,956	\$ 1,026,956	\$ 903,097	\$ 123,859
Excess (Deficiency) of Revenues Over Expenditures	\$ (93,450)	\$ (93,450)	\$ 123,741	\$ 217,191
Fund Balance - January 1	\$ 989,816	\$ 989,816	\$ 989,816	\$ -
Fund Balance - December 31	\$ 896,366	\$ 896,366	\$ 1,113,557	\$ 217,191

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Charges for Services	\$ 450,000	\$ 450,000	\$ 749,026	\$ 299,026
<u>Expenditures:</u>				
Current:				
Hwy. & Public Improve.	\$ 76,210	\$ 76,210	\$ 73,333	\$ 2,877
Debt Service:				
Principal	491,000	491,000	490,879	121
Interest	-	-	16,435	(16,435)
Total Expenditures	\$ 567,210	\$ 567,210	\$ 580,647	\$ (13,437)
Excess (Deficiency) of Revenues Over Expenditures	\$ (117,210)	\$ (117,210)	\$ 168,379	\$ 285,589
Fund Balance - January 1	\$ 408,044	\$ 408,044	\$ 408,044	\$ -
Fund Balance - December 31	\$ 290,834	\$ 290,834	\$ 576,423	\$ 285,589

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

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 316,676	\$ 316,676
<u>Expenditures:</u>				
<u>Current:</u>				
Flood Repair	\$ -	\$ 371,915	\$ 210,556	\$ 161,359
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (371,915)	\$ 106,120	\$ 478,035
Fund Balance - January 1	\$ (106,120)	\$ (106,120)	\$ (106,120)	\$ -
Fund Balance - December 31	\$ (106,120)	\$ (478,035)	\$ -	\$ 478,035

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

BOTTINEAU COUNTY
Bottineau, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2013

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

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

Special Revenue Funds:	Budget	Spent	Over Budget
County Road and Bridge Fund	\$2,874,719	\$3,081,801	\$207,082
Township Road Construction	-	1,582	1,582
LAW Enforcement Grant	-	66,242	66,242

No remedial action is anticipated or required regarding these excess expenditures

BOTTINEAU COUNTY
Bottineau, North Dakota

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

	Balance 1-1-13	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-13
Major Funds:						
General Fund	\$ 1,086,690.46	\$ 2,085,779.66	\$ -	\$ 28,925.00	\$ 1,995,000.39	\$ 1,148,544.73
County Road & Bridge	241,237.13	3,951,684.20	-	-	2,874,718.87	1,318,202.46
Highway Tax Distribution	881,881.47	1,024,603.00	-	-	903,096.59	1,003,387.88
Miscellaneous Road	423,423.77	749,025.35	-	-	567,210.05	605,239.07
Oil Impact	-	207,146.59	-	-	207,146.59	-
FEMA	226,609.59	272,898.37	-	-	392,282.73	107,225.23
Total Major Funds	\$ 2,859,842.42	\$ 8,291,137.17	\$ -	\$ 28,925.00	\$ 6,939,455.22	\$ 4,182,599.37
Nonmajor Funds:						
Farm to Market Blacktop	\$ 386,580.20	\$ 525,786.66	\$ -	\$ -	\$ 601,847.23	\$ 310,519.63
County Road Repair	2,849.66	262,893.28	-	-	220,993.99	44,748.95
Township Road Construction	185,900.00	-	-	-	1,582.00	184,318.00
Social Service	407,408.33	823,709.10	-	-	819,615.74	411,501.69
Infrastructure	124,861.06	65,089.47	-	-	189,950.53	-
Emergency	111,338.51	195,178.72	-	-	79,059.59	227,457.64
9-1-1	171,313.23	142,310.82	-	-	112,915.19	200,708.86
Veteran Service Officer	15,148.95	33,578.12	-	-	33,567.22	15,159.85
Health Care Insurance	348,298.82	148,556.52	-	-	226,510.94	270,344.40
Social Security/Rtmt/Tech	145,966.58	609,794.52	-	-	566,002.73	189,758.37
Property Insurance Reserve	110,536.25	144,486.94	-	-	114,625.07	140,398.12
Advertising	6,637.48	26,289.16	-	-	18,004.78	14,921.86
Library	186,361.07	157,987.14	-	30,000.00	138,451.23	175,896.98
Library Building	83,287.44	957.21	30,000.00	-	1,002.00	113,242.65
Weed Control Fund	160,322.94	223,128.73	-	-	222,108.58	161,343.09
Multi-Hazard Mitigation	(10,500.00)	10,500.00	-	-	-	-
Hazardous Chemical	9,286.44	3,462.50	-	-	-	12,748.94
Homeland Security	-	14,128.95	-	-	16,658.69	(2,529.74)
Courthouse Building Imp. & Equip.	31,094.21	436,884.54	28,925.00	-	51,925.09	444,978.66
County Park	26,092.23	73,549.92	-	-	97,507.01	2,135.14
County Zoning	10,776.74	1,900.00	-	-	319.78	12,356.96
Document Preservation	42,747.47	20,865.88	-	-	4,350.42	59,262.93
Law Enforcement Block Grant	(9,267.98)	71,242.49	-	-	66,242.10	(4,267.59)
Total Nonmajor Funds	\$ 2,547,039.63	\$ 3,992,280.67	\$ 58,925.00	\$ 30,000.00	\$ 3,583,239.91	\$ 2,985,005.39
Total Government Funds	\$ 5,406,882.05	\$ 12,283,417.84	\$ 58,925.00	\$ 58,925.00	\$ 10,522,695.13	\$ 7,167,604.76
Agency Funds:						
Flexible Benefits Plan	\$ 3,967.26	\$ 45,048.31	\$ -	\$ -	\$ 42,162.76	\$ 6,852.81
Airport Authority	157.30	40,710.22	-	-	40,729.42	138.10
NDSU Extension	77,999.71	112,400.99	-	-	108,774.15	81,626.55
Jobs Development Authority	525.97	207,499.71	-	-	207,374.10	651.58
Senior Citizens Fund	175.33	110,621.68	-	-	110,627.78	169.23
State Tax	175.33	46,987.59	-	-	46,993.69	169.23
Game and Fish Licenses	7,272.00	61,999.30	-	-	68,696.00	575.30
Protest	-	2,258.42	-	-	2,258.42	-
County Health-1st District	17,077.33	136,121.94	-	-	152,212.32	986.95
Garrison Diversion	175.33	51,809.87	-	-	51,815.97	169.23
Safe Communities	1,604.11	1,475.38	-	-	1,167.99	1,911.50
County Historical Society	67.98	12,614.61	-	-	12,595.21	87.38
Unlocatable Mineral Owners	7,352.52	22.17	-	-	-	7,374.69
Trust Fund	1,617,294.87	1,497,163.99	-	-	1,685,161.53	1,429,297.33

Continued on next page...

BOTTINEAU COUNTY
Bottineau, North Dakota

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

CONTINUED....	Balance 1-1-13	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-13
<u>Agency Funds (Cont.):</u>						
County Fair	\$ 175.33	\$ 82,514.81	\$ -	\$ -	\$ 82,520.91	\$ 169.23
County Fair Bldg. & Improvements	87.67	23,190.36	-	-	23,193.39	84.64
ND Income Tax	-	29,162.07	-	-	29,162.07	-
Domestic Violence Prevention	70.00	1,505.00	-	-	1,540.00	35.00
Coalition Domestic Violence	299.00	5,927.00	-	-	5,845.00	381.00
Cheer-Social Service	341.38	-	-	-	-	341.38
Total Water Management Districts	822.59	239,079.63	-	-	239,325.97	576.25
Total Ambulance Districts	350.67	110,072.89	-	-	110,071.87	351.69
Total Cities	11,509.79	904,559.17	-	-	907,555.00	8,513.96
Total Park Districts	2,341.05	656,504.55	-	-	657,368.22	1,477.38
Total School Districts	156,217.76	4,838,420.59	-	-	4,978,994.77	15,643.58
Total Townships	3,156.96	1,842,326.14	-	-	1,792,973.98	52,509.12
Total Fire Districts	1,135.40	254,612.33	-	-	255,047.01	700.72
Total Soil Conservation Districts	388.10	100,665.91	-	-	100,691.47	362.54
Total Agency Funds	\$ 1,910,740.74	\$ 11,415,274.63	\$ -	\$ -	\$ 11,714,859.00	\$ 1,611,156.37
Total Primary Government	\$ 7,317,622.79	\$ 23,698,692.47	\$ 58,925.00	\$ 58,925.00	\$ 22,237,554.13	\$ 8,778,761.13
<u>Bottineau County WRD:</u>						
General Fund	\$ 180,120.85	\$ -	\$ -	\$ -	\$ -	\$ 180,120.85
Russel O & M	(8,680.90)	-	-	-	-	(8,680.90)
White Spur O & M	17,703.54	-	-	-	-	17,703.54
Kane/Tacoma O & M	29,261.03	-	-	-	-	29,261.03
Gessner O & M	(5,153.02)	-	-	-	-	(5,153.02)
Baumann O & M	4,256.29	-	-	-	-	4,256.29
Overgard O & M	(12,727.33)	-	-	-	-	(12,727.33)
Brander Capital Projects	44,407.57	-	-	-	-	44,407.57
Stone Creek Debt Service	(46,792.91)	-	-	-	-	(46,792.91)
White Spur Debt Service	(120,718.49)	-	-	-	-	(120,718.49)
Stone Creek Lateral	409.08	-	-	-	-	409.08
Stone Creek O & M	35,318.95	-	-	-	-	35,318.95
Houmann	(20,273.30)	-	-	-	-	(20,273.30)
Brandt Blada	(13,350.64)	-	-	-	-	(13,350.64)
Stead Drain O & M	160.18	-	-	-	-	160.18
Willow Creek	(3,294.18)	-	-	-	-	(3,294.18)
Total Water Resource District Funds	\$ 80,646.72	\$ -	\$ -	\$ -	\$ -	\$ 80,646.72
Boundary Creek WRD	\$ 42,528.20	\$ -	\$ -	\$ -	\$ -	\$ 42,528.20
Oak Creek WRD	93,866.10	-	-	-	-	93,866.10
Total Discretely Presented Component Units	\$ 217,041.02	\$ -	\$ -	\$ -	\$ -	\$ 217,041.02
Total Reporting Entity	\$ 7,534,663.81	\$ 23,698,692.47	\$ 58,925.00	\$ 58,925.00	\$ 22,237,554.13	\$ 8,995,802.15

STATE AUDITOR

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

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

Independent Auditor's Report

Board of County Commissioners
Bottineau County
Bottineau, 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 Bottineau County, Bottineau, North Dakota as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Bottineau County's basic financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bottineau County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

BOTTINEAU COUNTY

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 12, 2015

