

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**PIERCE COUNTY
RUGBY, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2011



PIERCE COUNTY
Rugby, North Dakota

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For the Year Ended December 31, 2011

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PIERCE COUNTY
Rugby, North Dakota

COUNTY OFFICIALS

December 31, 2011

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

WATER RESOURCE BOARD OFFICIALS

December 31, 2011

Ronald Kremer	Chairman
Marvin Gisi	Vice-Chairman
Duane Hawk	Treasurer

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

December 31, 2011

Joe Bohl	Chairman
Mike Christenson	Vice-Chairman
Duane Johnson	Commissioner
David Migler	Commissioner
Richard Larson	Commissioner
Elaine Little	Administrator
Justine Fjallengar	Accounting Specialist

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pierce County
Rugby, North Dakota

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Pierce County, Rugby, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pierce County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 units, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, North Dakota, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2012, on our consideration of Pierce County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 24 through 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Pierce County has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Pierce County's basic financial statements. The fund activity statement arising from cash transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements. The fund activity statement arising from cash transactions has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is not fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Handwritten signature of Robert R. Peterson in cursive.

Robert R. Peterson
State Auditor

April 27, 2012

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government	Component Units	
	Governmental Activities	Water Resource Board	Heart of America Correctional and Treatment Center
ASSETS:			
Cash, cash equivalents and investments	\$ 5,095,143	\$ 2,149	\$ 1,276,227
Accounts receivable	52,018	-	437,787
Intergovernmental receivable	157,996	-	-
Taxes receivable	23,641	-	-
Capital Assets (net of accumulated depreciated):			
Land	11,500	-	-
Buildings	351,733	-	-
Equipment	806,420	-	130,138
Infrastructure	1,490,687	-	77,013
Total Capital Assets	<u>\$ 2,660,340</u>	<u>\$ -</u>	<u>\$ 207,151</u>
Total Assets	<u>\$ 7,989,138</u>	<u>\$ 2,149</u>	<u>\$ 1,921,165</u>
LIABILITIES:			
Accounts Payable	\$ 32,132	\$ -	\$ 39,141
Unearned Revenue	403,551	-	-
Payroll Liability	-	-	2,804
Salaries Payable	-	-	13,428
Long-term Liabilities:			
Due Within One Year:			
Special assessment payable	6,417	-	1,740
Loan Payable	-	15,000	-
Compensated absences payable	8,570	-	14,607
Due After One Year:			
Special assessment payable	77,003	-	20,881
Compensated absences payable	34,280	-	58,431
Total Liabilities	<u>\$ 561,953</u>	<u>\$ 15,000</u>	<u>\$ 151,032</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 2,660,340	\$ -	\$ 207,151
Restricted for:			
Public safety	170,542	-	1,562,982
Highways	1,902,071	-	-
Flood Repair	657,817	-	-
Health and welfare	364,127	-	-
Culture and recreation	28,288	-	-
Conservation of natural resources	74,338	-	-
Emergencies	112,323	-	-
Other Purpsoses	239,929	-	-
Unrestricted	<u>1,217,410</u>	<u>(12,851)</u>	<u>-</u>
Total Net Assets	<u>\$ 7,427,185</u>	<u>\$ (12,851)</u>	<u>\$ 1,770,133</u>

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary	Component Units	
				Governmental Activities	Water Resource District	Heart of America Correctional and Treatment Center
Governmental Activities:						
General government	\$ 968,513	\$ 4,600	\$ 174,734	\$ (789,179)	\$ -	\$ -
Public safety	1,043,570	282,548	160,468	(600,554)	-	-
Highways	1,669,951	152,420	834,082	(683,449)	-	-
Flood Repair	373,514	-	867,889	494,375	-	-
Health and welfare	446,505	-	128,795	(317,710)	-	-
Culture and recreation	11,375	-	-	(11,375)	-	-
Conserv. of natural resources	145,639	14,087	25,284	(106,268)	-	-
Other	77,287	-	-	(77,287)	-	-
Interest and fiscal charges	1,798	-	-	(1,798)	-	-
Total Governmental Activities	\$ 4,738,152	\$ 453,655	\$ 2,191,252	\$ (2,093,245)	\$ -	\$ -
Component Units:						
Water resource district	\$ 46,812	\$ -	\$ -	\$ -	\$ (46,812)	\$ -
HACTC	2,641,868	3,255,154	-	-	-	613,286
Total Component Units	\$ 2,688,680	\$ 3,255,154	\$ -	\$ -	\$ (46,812)	\$ 613,286
General Revenues:						
Taxes:						
Property taxes; levied for general purposes				\$ 444,947	\$ 25,715	\$ -
Property taxes; levied for special purposes				1,138,597	-	-
State aid & grants not restricted to specific programs:						
State Aid Distribution and Grants				441,168	4,058	-
Other State Shared Revenues				100,547	1,356	-
Forgiveness of debt				3,208	-	888
Unrestricted investment earnings				32,870	13	-
Miscellaneous revenue				541,601	1,821	9,752
Total General Revenues				\$ 2,702,938	\$ 32,963	\$ 10,640
Change in Net Assets				\$ 609,693	\$ (13,849)	\$ 623,926
Net Assets - January 1				\$ 6,863,475	\$ 998	\$ 1,146,207
Prior Period Adjustments				(45,983)	-	-
Net Assets - January 1, as restated				\$ 6,817,492	\$ 998	\$ 1,146,207
Net Assets - December 31				\$ 7,427,185	\$ (12,851)	\$ 1,770,133

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

PIERCE COUNTY
Rugby, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2011

	General	Farm to Market Road	County Road and Bridge	2011 FEMA	Highway Tax Distribution	County Poor Relief	Law Enforcement Center	HACTC	Other Governmental Funds	Total Governmental Funds
ASSETS										
Cash and investments	\$ 1,368,065	\$ 975,901	\$ 22,481	\$ 647,312	\$ 657,479	\$ 326,703	\$ 93,934	\$ 33,332	\$ 969,936	\$ 5,095,143
Accounts receivable	-	-	-	-	-	-	2,208	35,723	14,087	52,018
Intergovernmental receivable	27,636	-	-	-	62,464	13,325	8,341	-	46,230	157,996
Taxes receivable	6,810	2,525	477	-	-	4,157	2,505	83	7,084	23,641
Total Assets	\$ 1,402,511	\$ 978,426	\$ 22,958	\$ 647,312	\$ 719,943	\$ 344,185	\$ 106,988	\$ 69,138	\$ 1,037,337	\$ 5,328,798
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 3,065	\$ -	\$ 1,898	\$ -	\$ -	\$ 3,230	\$ 4,437	\$ -	\$ 19,502	\$ 32,132
Unearned Revenue	98,616	43,405	7,466	-	-	76,088	39,065	-	138,911	403,551
Deferred revenue	6,810	2,525	477	-	-	4,157	2,505	83	7,084	23,641
Total Liabilities	\$ 108,491	\$ 45,930	\$ 9,841	\$ -	\$ -	\$ 83,475	\$ 46,007	\$ 83	\$ 165,497	\$ 459,324
Fund Balances:										
Restricted for:										
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,981	\$ -	\$ 50,752	\$ 111,733
Highways and bridges	-	932,496	13,117	-	719,943	-	-	-	255,947	1,921,503
Flood Repair	-	-	-	647,312	-	-	-	-	10,504	657,816
Health and welfare	-	-	-	-	-	260,710	-	-	107,486	368,196
Culture and recreation	-	-	-	-	-	-	-	-	28,160	28,160
Conserv. of natural resources	-	-	-	-	-	-	-	-	72,918	72,918
Emergency	-	-	-	-	-	-	-	-	111,819	111,819
Other Purposes	-	-	-	-	-	-	-	-	247,953	247,953
Committed to:										
Public Safety	-	-	-	-	-	-	-	69,055	-	69,055
Unassigned:	1,294,020	-	-	-	-	-	-	-	(13,699)	1,280,321
Total Fund Balances	\$ 1,294,020	\$ 932,496	\$ 13,117	\$ 647,312	\$ 719,943	\$ 260,710	\$ 60,981	\$ 69,055	\$ 871,840	\$ 4,869,474
Total Liabilities and Fund Balances	\$ 1,402,511	\$ 978,426	\$ 22,958	\$ 647,312	\$ 719,943	\$ 344,185	\$ 106,988	\$ 69,138	\$ 1,037,337	\$ 5,328,798

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

PIERCE COUNTY
Rugby, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2011

Total *Fund Balances* for Governmental Funds \$ 4,869,474

Total *net assets* reported for government activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 4,736,597	
Less Accumulated Depreciation	<u>(2,076,257)</u>	
Net Capital Assets		2,660,340

Property taxes 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. 23,641

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 assets. Balances at December 31, 2011 are the following:

Special Assessments Payable	\$ (83,420)	
Compensated Absences	<u>(42,850)</u>	
Total Long-Term Liabilities		<u>(126,270)</u>

Total Net Assets of Governmental Activities \$ 7,427,185

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

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General	Farm to Market Road	County Road and Bridge	2011 FEMA	Highway Tax Distribution	County Poor Relief	Law Enforcement Center	HACTC	Other Governmental Funds	Total Governmental Funds
Revenues:										
Taxes	\$ 446,212	\$ 173,232	\$ 30,933	\$ -	\$ -	\$ 268,097	\$ 171,110	\$ 159	\$ 504,619	\$ 1,594,362
Intergovernmental	381,764	26,123	4,840	836,023	727,378	55,665	30,559	1	672,822	2,735,175
Licenses, permits and fees	4,600	-	-	-	-	-	-	-	-	4,600
Charges for services	39,227	-	152,420	-	-	-	26,770	155,508	72,922	446,847
Interest income	32,870	-	-	-	-	-	-	-	-	32,870
Miscellaneous	97,142	-	2,162	-	-	-	1,387	440,910	-	541,601
Total Revenues	\$1,001,815	\$ 199,355	\$ 190,355	\$ 836,023	\$ 727,378	\$ 323,762	\$ 229,826	\$ 596,578	\$ 1,250,363	\$ 5,355,455
Expenditures:										
Current:										
General government	\$ 649,955	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306,617	\$ 956,572
Public safety	171,481	-	-	-	-	-	228,998	562,830	91,885	1,055,194
Highways and bridges	-	150,187	736,438	-	249,141	-	-	-	386,156	1,521,922
Flood repair	-	-	-	188,711	-	-	-	-	184,803	373,514
Health and welfare	10,000	-	-	-	-	43,416	-	-	391,929	445,345
Culture and recreation	-	-	-	-	-	-	-	-	11,375	11,375
Conserv. of natural resources	700	-	-	-	-	-	-	-	140,843	141,543
Other	77,287	-	-	-	-	-	-	-	-	77,287
Debt Service:										
Principal	1,178	-	2,014	-	-	-	-	-	17	3,209
Interest and fees	660	-	1,128	-	-	-	-	-	10	1,798
Total Expenditures	\$ 911,261	\$ 150,187	\$ 739,580	\$ 188,711	\$ 249,141	\$ 43,416	\$ 228,998	\$ 562,830	\$ 1,513,635	\$ 4,587,759
Excess (Deficiency) of Revenues Over Expenditures	\$ 90,554	\$ 49,168	\$ (549,225)	\$ 647,312	\$ 478,237	\$ 280,346	\$ 828	\$ 33,748	\$ (263,272)	\$ 767,696
Other Financing Sources (Uses):										
Transfers in	\$ -	\$ -	\$ 495,000	\$ -	\$ -	\$ -	\$ 15,000	\$ -	\$ 352,242	\$ 862,242
Transfers out	-	-	-	-	(495,000)	(280,599)	-	-	(86,643)	(862,242)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 495,000	\$ -	\$ (495,000)	\$ (280,599)	\$ 15,000	\$ -	\$ 265,599	\$ -
Net Change in Fund Balances	\$ 90,554	\$ 49,168	\$ (54,225)	\$ 647,312	\$ (16,763)	\$ (253)	\$ 15,828	\$ 33,748	\$ 2,327	\$ 767,696
Fund Balances - January 1	\$1,203,466	\$ 877,899	\$ 72,771	\$ -	\$ 736,706	\$ 260,963	\$ 45,153	\$ 35,307	\$ 870,442	\$ 4,102,707
Prior Period Adjustment	-	5,429	(5,429)	-	-	-	-	-	(929)	(929)
Fund Balances - Jan. 1 as restated	\$1,203,466	\$ 883,328	\$ 67,342	\$ -	\$ 736,706	\$ 260,963	\$ 45,153	\$ 35,307	\$ 869,513	\$ 4,101,778
Fund Balances - December 31	\$1,294,020	\$ 932,496	\$ 13,117	\$ 647,312	\$ 719,943	\$ 260,710	\$ 60,981	\$ 69,055	\$ 871,840	\$ 4,869,474

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

PIERCE COUNTY
Rugby, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Net Change in *Fund Balances* - Total Governmental Funds \$ 767,696

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

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

Current Year Capital Outlay	\$ 287,356	
Current Year Depreciation Expense	<u>(427,165)</u>	(139,809)

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

Loss on Disposals of Capital Assets	(9,138)
-------------------------------------	---------

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 assets, 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 assets. This is the amount of debt repayment - special assessments.

6,417

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 Increase in Compensated Absences	(4,655)
--------------------------------------	---------

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 decrease in taxes receivable.

(10,818)

Change in Net Assets of Governmental Activities	<u>\$ 609,693</u>
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The notes to the financial statements are an integral part of this statement.

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2011

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 1,041,698</u>
<u>Liabilities:</u>	
Due to other governments/entities	<u>\$ 1,041,698</u>

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

PIERCE COUNTY
Rugby, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

COMPONENT UNITS

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

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

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

Heart of America Correctional and Treatment Center: The advisory board members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The county commission can approve, disapprove or amend the HACTC annual budget. The County is also responsible for their debt, should they default.

B. Basis of Presentation

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

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

The County reports the following major governmental funds:

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

Farm to Market Road Fund. This fund accounts for the costs of constructing and maintaining federal aid farm to market roads within the county. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

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

2011 FEMA Fund. This fund accounts for repair and improvement of highways and bridges that are damaged due to natural disasters and paid for primarily by FEMA public assistance monies. The major source of revenue is restricted Federal and State grants/reimbursements for flood related repairs

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

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

Law Enforcement Center Fund. This fund accounts for the costs related to the Law Enforcement Center. The major source of revenue is restricted tax levy.

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

Additionally, the County reports the following fund type:

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

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

Government-wide 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. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments consist of certificates of deposit.

E. Capital Assets

PRIMARY GOVERNMENT:

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

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

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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

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

F. Compensated Absences

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

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

H. Fund Balances / Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

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

Minimum Fund Balance Policy:

The Pierce County budget committee established a 15-20% general fund carryover balance target to help with financial stability. The 15-20% fund balance range is a part of the budget recommendation adopted by the school board each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$1,294,020 at December 31, 2011 represented 142% of annual 2011 expenditures.

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

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

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

Pierce County only has restricted, committed and unassigned fund balances at December 31, 2011.

Restricted & Committed Fund Balances – consist of the following items at December 31, 2011:

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

Committed fund balance exists in the public safety function and is committed by the highest level of decision making authority (governing board).

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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

(b) Committed funds by the governing board – funds are committed by contract and by the governing board (highest level of decision making authority) by formal motion in the HACTC fund (2992) for health insurance reimbursements.

Net Assets Equity:

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.

Restrictions of net assets equity shown in the net assets statement are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Net assets equity in the statement of net assets is shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

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.

I. Interfund Transactions

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

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2011 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
Road and Bridge Fund	\$652,234	\$105,693	\$757,927
2011 FEMA	-	188,711	188,711
<u>Non Major Funds:</u>			
Road Districts	322,327	63,829	386,156
State Grant	-	11,079	11,079
County Agent	54,753	4,659	59,412

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 3: DEPOSITS

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

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

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

At December 31, 2011, the county's carrying amount of deposits was \$5,991,170 and the bank balances were \$6,121,254. Of the bank balances, \$1,690,769 was covered by Federal Depository Insurance. The remaining balance of \$4,430,485 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2011, the county held certificates of deposit in the amount of \$2,400,000, which are all considered deposits.

Concentration of Credit Risk:

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

Discretely Presented Component Units:

At December 31, 2011, Pierce County Water Resource District's carrying amount of deposits was \$2,149 and the bank balance was \$7,701. Of the bank balances, the entire balance was covered by Federal Depository Insurance. The Water Resource District does not have any investments.

PIERCE COUNTY

Notes to the Financial Statements – Continued

At December 31, 2011, the Heart of America Correctional and Treatment Center's carrying amount of deposits was \$1,276,127 and the bank balance was \$1,417,782. Of the bank balances, \$1,397,937 was covered by Federal Depository Insurance. The remaining balance of \$19,845 was collateralized with securities held by the pledging financial institution's agent in the government's name. It was noted that pledges were adequate for but under pledged by \$7,115 at Bremer Bank and by \$7,412 at Ramsey National Bank. The Heart of America Correctional and Treatment Center does not have any investments.

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: ACCOUNTS RECEIVABLE

Accounts receivable consists of money due the highway department for roadwork performed for townships, cities, etc. and money due to various funds for interest earned and fees for services performed by other offices. No allowance has been established for estimated uncollectible accounts receivable

NOTE 6: INTERGOVERNMENTAL RECEIVABLES

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

NOTE 7: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2011:

	Transfers In	Transfers Out
Major Funds:		
Road and Bridge	\$495,000	\$ -
Highway Tax Distribution	-	495,000
Social Services	280,599	-
County Poor Relief	-	280,599
Special Revenue Funds:		
Social Security	-	71,643
Health Insurance	71,643	-
Law Enforcement Center	15,000	-
E911 Wireless	-	15,000
Total Transfers	\$862,242	\$862,242

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

NOTE 8: CAPITAL ASSETS

The following is a summary of changes in capital assets for Pierce County for the year ended December 31, 2011:

Governmental Activities:	Balance January 1	PPA's	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>						
Land	\$ 11,500	\$ -	\$ 11,500	\$ -	\$ -	\$ 11,500
<i>Capital assets, being depreciated:</i>						
Buildings	\$ 583,261	\$ -	\$ 583,261	\$ -	\$ -	\$ 583,261
Equipment	1,557,983	-	1,557,983	287,356	21,931	1,823,408
Infrastructure	2,318,428	-	2,318,428	-	-	2,318,428
Total Capital Assets, Being Depreciated	\$4,459,672	\$ -	\$4,459,672	\$ 287,356	\$21,931	\$4,725,097
<i>Less accumulated depreciation for:</i>						
Buildings	\$ 220,971	\$ 2,694	\$ 223,665	\$ 7,864	\$ -	\$ 231,529
Equipment	728,393	24,183	752,576	277,206	12,793	1,016,989
Infrastructure	667,468	18,176	685,644	142,095	-	827,739
Total Accumulated Depreciation	\$1,616,832	\$ 45,053	\$1,661,885	\$ 427,165	\$12,793	\$2,076,257
Total Capital Assets Being Depreciated, Net	\$2,842,840	\$(45,053)	\$2,797,787	\$(139,809)	\$ 9,138	\$2,648,840
Governmental Activities-Capital Assets, Net	\$2,854,340	\$(45,053)	\$2,809,287	\$(139,809)	\$ 9,138	\$2,660,340

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

Governmental Activities:	Amounts
General Government	\$ 6,439
Public Safety	14,950
Highways	400,871
Conservation of Natural Resources	4,905
Total Depreciation Expense - Governmental Activities	\$427,165

Heart of America Correctional and Treatment Center

The following is a summary of changes in capital assets for the Heart of America Correctional and Treatment Center, a discretely presented component unit of Pierce County, for the year ended December 31, 2011:

Heart of America Correctional & Treatment Center	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets, being depreciated:</i>				
Equipment	\$ 40,756	\$102,828	\$ -	\$143,584
Infrastructure	79,531	-	-	79,531
Total Capital Assets, Being Depreciated	\$120,287	\$102,828	\$ -	\$223,115
<i>Less accumulated depreciation for:</i>				
Equipment	\$ 4,002	\$ 9,443	\$ -	\$ 13,445
Infrastructure	928	1,591	-	2,519
Total Accumulated Depreciation	\$ 4,930	\$ 11,034	\$ -	\$ 15,964
Total Capital Assets Being Depreciated, Net	\$115,357	\$ 91,794	\$ -	\$207,151

Depreciation expense totaling \$11,034 was charged to the public safety function.

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 9: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2011 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 10: DEFERRED REVENUES

Deferred revenues consist of amounts 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, such amounts are measurable but not available.

NOTE 11: LONG-TERM DEBT

PRIMARY GOVERNMENT:

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in long-term liabilities for Pierce County:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Special Assessments – Co. Property	\$ 89,837	\$ -	\$6,417	\$ 83,420	\$ 6,417
Compensated Absences *	38,195	4,655	-	42,850	8,570
Total Governmental Activities	\$128,032	\$4,655	\$6,417	\$126,270	\$14,987

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

Outstanding debt (excluding compensated absences) at December 31, 2011 consists of the following issues:

Special Assessments on County Property:

Special assessments on several parcels of property at various locations throughout the County.

\$83,420

The annual requirements to amortize the outstanding debt excluding compensated absences but including interest of \$26,951, is as follows:

Year Ending December 31	Special Assessments on County Property	
	Principal	Interest
2012	\$ 6,417	\$ 3,337
2013	6,417	3,080
2014	6,417	2,824
2015	6,417	2,567
2016	6,417	2,310
2017 - 2021	32,085	7,700
2022 - 2026	19,250	1,540
TOTAL	\$83,420	\$23,358

PIERCE COUNTY

Notes to the Financial Statements – Continued

DISCRETELY PRESENTED COMPONENT UNITS:

Heart of America Correctional and Treatment Center

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in governmental long-term liabilities of the Correctional Center:

Heart of America Correctional and Treatment Center	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Special Assessments – HACTC Property	\$24,361	\$ -	\$1,740	\$22,621	\$ 1,740
Compensated Absences *	61,221	11,817	-	73,038	14,608
Total Governmental Activities	\$85,582	\$11,817	\$1,740	\$95,659	\$16,348

Outstanding debt (excluding compensated absences) at December 31, 2011 consists of the following issues:

Special Assessments on Water Resource District Property:

Special assessments on several parcels of property at various locations throughout the County.

\$22,621

The annual requirements to amortize the outstanding debt including interest of \$7,308, is as follows:

Year Ending December 31	Special Assessments on HACTC Property	
	Principal	Interest
2012	\$ 1,740	\$ 905
2013	1,740	835
2014	1,740	766
2015	1,740	696
2016	1,740	626
2017 - 2021	8,701	2,088
2022 - 2026	5,220	418
TOTAL	\$22,621	\$6,334

NOTE 12: PENSION PLAN

Pierce 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.

From January 1 to June 30, plan members were required to contribute 4% of their annual covered salary. The county is required to contribute 5.12% of the employee's salary, which consists of 4.12% for employee retirement and 1% for the retiree health benefits fund. From July 30 to December 31, plan members are required to contribute 4% of their annual covered salary. The county is required to contribute 5.26% of the employee's salary, which consists of 4.12% 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, 2011, 2010, and 2009 were \$60,259, \$57,197, and \$56,358, respectively, equal to the required contributions for the year.

PIERCE COUNTY

Notes to the Financial Statements – Continued

The Heart of America Correctional and Treatment Center's contributions to NDPERS for the years ended December 31, 2011, 2010, and 2009 were \$107,043, \$93,860 and \$43,936, respectively.

NOTE 13: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Pierce County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF for automobile and general liability is limited to losses of two million dollars per occurrence. Inland marine coverage is limited to \$1,597,635.

Pierce County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Pierce County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides Pierce County with blanket fidelity bond coverage in the amount of \$1,100,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 14: JOINT VENTURES

Lake Region District Health Unit

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

Unaudited summary financial information for the year ended December 31, 2011 is as follows:

Cash and Investments	\$ 425,907
Total Revenues	\$1,489,722
Total Expenses	1,486,150
Net Increase in Equity	\$ 3,572

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

Heart of America Library

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

Unaudited summary financial information for the year ended December 31, 2011 is as follows:

Cash and Investments	\$ 57,967
Total Revenues	\$152,532
Total Expenses	139,306
Net Decrease in Equity	\$ 13,226

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

Devils Lake Basin Joint Water Resource District

Under authorization of state statutes the Pierce County Water Resource District joined the water resource districts of Rolette County, Benson County, Nelson County, Ramsey County, Cavalier County, Towner County and Walsh County to establish and operate a joint exercise of powers agreement for water management districts located within the Devils Lake Basin. The joint agreement created the Devils Lake Basin Joint Water Resource Board. The agreement was established for the mutual advantage of the governments. One member of the directors for the joint venture is appointed by each government. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined due to lack of provisions being made for this in the joint powers agreement.

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

	Devils Lake Basin Joint WRD
Total Assets	\$664,254
Total Liabilities	(25,968)
Total Net Assets	\$638,286
Revenues	\$312,857
Expenses	406,925
Net Decrease in Net Assets	\$ (94,068)

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

NOTE 15: PRIOR PERIOD ADJSUTMENTS

Prior period errors were noted in the accumulated depreciation for Pierce County. The result of the error was to decrease beginning net assets by a total of \$45,983 in the statement of activities.

PIERCE COUNTY

Notes to the Financial Statements – Continued

Governmental Activities (County):	Amounts
Beginning Net Assets, as previously reported	\$6,863,475
Adjustments to restate the January 1, 2011 Net Assets:	
Adjustment to beginning net assets to include depreciation	(45,054)
Adjustment to remove agency funds	(929)
Net Assets January 1, as restated	\$6,817,492

A prior period error was noted in intergovernmental receivables. An intergovernmental receivable was erroneously accrued to the Farm to Market Fund, and should have been accrued to the County Road & Bridge Fund. The result of the error was to increase the Farm to Market Road fund and decrease the County Road & Bridge Fund by \$5,429 in the Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds (County):	Amounts
Beginning Farm To Market fund balance, as previously reported	\$877,899
Adjustments to restate the January 1, 2011 Fund Balance:	
Adjustment to include prior intergovernmental receivable	5,429
Fund Balances January 1, as restated	\$883,328

Governmental Funds (County):	Amounts
Beginning Road & Bridge fund balance, as previously reported	\$72,771
Adjustments to restate the January 1, 2011 Fund Balance:	
Adjustment to exclude prior intergovernmental receivable	(5,429)
Fund Balance January 1, as restated	\$67,342

A prior period error was noted in Total Nonmajor Funds. The Senior Citizens fund and Historical Society fund was reported as Special Revenue funds, and should have been reported as Agency Funds. The result of the error was to decrease Total Nonmajor Funds by \$929 in the Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds (County):	Amounts
Beginning Nonmajor Funds balance, as previously reported	\$870,442
Adjustments to restate the January 1, 2011 Fund Balance:	
Adjustment to remove agency funds	(929)
Fund Balance January 1, as restated	\$869,513

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 449,023	\$ 449,023	\$ 446,212	\$ (2,811)
Intergovernmental	274,987	274,987	381,764	106,777
Licenses, permits and fees	3,600	3,600	4,600	1,000
Charges for services	42,500	42,500	39,227	(3,273)
Interest income	80,000	80,000	32,870	(47,130)
Miscellaneous	27,800	27,800	97,142	69,342
Total Revenues	\$ 877,910	\$ 877,910	\$ 1,001,815	\$ 123,905
<u>Expenditures:</u>				
Current:				
General government	\$ 903,114	\$ 903,114	\$ 649,955	\$ 253,159
Public Safety	205,978	205,978	171,481	34,497
Health and welfare	10,000	10,000	10,000	-
Conservation of natural resources	1,100	1,100	700	400
Other	26,000	26,000	77,287	(51,287)
Debt Service:				
Principal	-	-	1,178	(1,178)
Interest	-	-	660	(660)
Total Expenditures	\$ 1,146,192	\$ 1,146,192	\$ 911,261	\$ 234,931
Excess (Deficiency) of Revenues Over Expenditures	\$ (268,282)	\$ (268,282)	\$ 90,554	\$ 358,836
Fund Balances - January 1	\$ 1,203,466	\$ 1,203,466	\$ 1,203,466	\$ -
Fund Balances - December 31	\$ 935,184	\$ 935,184	\$ 1,294,020	\$ 358,836

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROADS FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 179,108	\$ 179,108	\$ 173,232	\$ (5,876)
Intergovernmental	22,762	22,762	26,123	3,361
Total Revenues	\$ 201,870	\$ 201,870	\$ 199,355	\$ (2,515)
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 475,000	\$ 475,000	\$ 150,187	\$ 324,813
Excess (Deficiency) of Revenues Over Expenditures	\$ (273,130)	\$ (273,130)	\$ 49,168	\$ 322,298
Fund Balances - January 1	\$ 877,899	\$ 877,899	\$ 877,899	\$ -
Prior Period Adjustment	5,429	5,429	5,429	-
Fund Balances - January 1, as restated	\$ 883,328	\$ 883,328	\$ 883,328	\$ -
Fund Balances - December 31	\$ 610,198	\$ 610,198	\$ 932,496	\$ 322,298

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 31,435	\$ 31,435	\$ 30,933	\$ (502)
Intergovernmental	4,753	4,753	4,840	87
Charges for Services	115,040	115,040	152,420	37,380
Miscellaneous	5,000	5,000	2,162	(2,838)
Total Revenues	\$ 156,228	\$ 156,228	\$ 190,355	\$ 34,127
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 652,234	\$ 757,927	\$ 736,438	\$ 21,489
Debt Service:				
Principal	-	-	2,014	(2,014)
Interest	-	-	1,128	(1,128)
Total Expenditures	\$ 652,234	\$ 757,927	\$ 739,580	\$ 18,347
Excess (Deficiency) of Revenues Over Expenditures	\$ (496,006)	\$ (601,699)	\$ (549,225)	\$ 52,474
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 350,000	\$ 350,000	\$ 495,000	\$ 145,000
Net Change in Fund Balances	\$ (146,006)	\$ (251,699)	\$ (54,225)	\$ 197,474
Fund Balances - January 1	\$ 72,771	\$ 72,771	\$ 72,771	\$ -
Prior Period Adjustment	(5,429)	(5,429)	(5,429)	-
Fund Balances - January 1, as restated	\$ 67,342	\$ 67,342	\$ 67,342	\$ -
Fund Balances - December 31	\$ (78,664)	\$ (184,357)	\$ 13,117	\$ 197,474

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
2011 FEMA FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 836,023	\$ 836,023
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ -	\$ 188,711	\$ 188,711	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (188,711)	\$ 647,312	\$ 836,023
Fund Balances - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balances - December 31	\$ -	\$ (188,711)	\$ 647,312	\$ 836,023

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 378,255	\$ 378,255	\$ 727,378	\$ 349,123
Interest income	120,000	120,000	-	(120,000)
Total Revenues	\$ 498,255	\$ 498,255	\$ 727,378	\$ 229,123
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 355,385	\$ 355,385	\$ 249,141	\$ 106,244
Excess (Deficiency) of Revenues Over Expenditures	\$ 142,870	\$ 142,870	\$ 478,237	\$ 335,367
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (350,000)	\$ (350,000)	\$ (495,000)	\$ (145,000)
Net Change in Fund Balances	\$ (207,130)	\$ (207,130)	\$ (16,763)	\$ 190,367
Fund Balances - January 1	\$ 736,706	\$ 736,706	\$ 736,706	\$ -
Fund Balances - December 31	\$ 529,576	\$ 529,576	\$ 719,943	\$ 190,367

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY POOR RELIEF FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 273,351	\$ 273,351	\$ 268,097	\$ (5,254)
Intergovernmental	41,864	41,864	55,665	13,801
Total Revenues	\$ 315,215	\$ 315,215	\$ 323,762	\$ 8,547
<u>Expenditures:</u>				
Current:				
Health and welfare	\$ 52,150	\$ 52,150	\$ 43,416	\$ 8,734
Excess (Deficiency) of Revenues Over Expenditures	\$ 263,065	\$ 263,065	\$ 280,346	\$ 17,281
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (280,599)	\$ (280,599)	\$ (280,599)	\$ -
Net Change in Fund Balances	\$ (17,534)	\$ (17,534)	\$ (253)	\$ 17,281
Fund Balances - January 1	\$ 260,963	\$ 260,963	\$ 260,963	\$ -
Fund Balances - December 31	\$ 243,429	\$ 243,429	\$ 260,710	\$ 17,281

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT CENTER FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 174,475	\$ 174,475	\$ 171,110	\$ (3,365)
Intergovernmental	18,613	18,613	30,559	11,946
Charges for services	28,000	28,000	26,770	(1,230)
Miscellaneous	95	95	1,387	1,292
Total Revenues	\$ 221,183	\$ 221,183	\$ 229,826	\$ 8,643
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 232,983	\$ 232,983	\$ 228,998	\$ 3,985
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,800)	\$ (11,800)	\$ 828	\$ 12,628
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Net Change in Fund Balances	\$ 3,200	\$ 3,200	\$ 15,828	\$ 12,628
Fund Balances - January 1	\$ 45,153	\$ 45,153	\$ 45,153	\$ -
Fund Balances - December 31	\$ 48,353	\$ 48,353	\$ 60,981	\$ 12,628

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
HACTC FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 159	\$ 159
Intergovernmental	-	-	1	1
Charges for services	155,508	155,508	155,508	-
Miscellaneous	423,538	423,538	440,910	17,372
Total Revenues	\$ 579,046	\$ 579,046	\$ 596,578	\$ 17,532
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 585,518	\$ 585,518	\$ 562,830	\$ 22,688
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,472)	\$ (6,472)	\$ 33,748	\$ 40,220
Fund Balances - January 1	\$ 35,307	\$ 35,307	\$ 35,307	-
Fund Balances - December 31	\$ 28,835	\$ 28,835	\$ 69,055	\$ 40,220

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

PIERCE COUNTY
Rugby, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

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 section 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 section 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 section 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 section 57-15-31.1
- All appropriations lapse at year-end.

PIERCE COUNTY
Rugby, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-11
Major Funds:						
General Fund	\$ 1,192,269.05	\$ 929,088.94	\$ -	\$ -	\$ 851,908.93	\$ 1,269,449.06
Farm to Market	877,898.66	204,784.18	-	-	150,187.13	932,495.71
Road and Bridge	86,619.00	191,323.16	495,000.00	-	757,927.12	15,015.04
FEMA 2011	-	836,023.13	-	-	188,710.85	647,312.28
Highway Distribution	681,000.68	720,619.36	-	495,000.00	249,141.00	657,479.04
County Poor Relief	252,553.76	318,846.65	-	280,599.00	40,186.72	250,614.69
Law Enforcement Center	37,578.84	226,850.94	15,000.00	-	224,561.22	54,868.56
HACTC Facility	35,306.85	560,854.28	-	-	562,829.64	33,331.49
Total Major Funds	\$ 3,163,226.84	\$ 3,988,390.64	\$ 510,000.00	\$ 775,599.00	\$ 3,025,452.61	\$ 3,860,565.87
Nonmajor Funds:						
Special Revenue Funds:						
Road Districts	\$ 256,185.33	\$ 378,722.04	\$ -	\$ -	\$ 386,156.09	\$ 248,751.28
04 Fema-de-obilgate	892.50	-	-	-	-	892.50
09 Disaster/FEMA	148,848.95	31,866.17	-	-	170,210.85	10,504.27
Social Services	52,072.32	131,186.65	280,599.00	-	389,070.11	74,787.86
Emergency Poor	26,241.19	0.70	-	-	-	26,241.89
Emergency Fund	73,319.12	39,422.72	-	-	3,350.00	109,391.84
Veterans Service Officer	4,437.29	5,832.80	-	-	5,095.09	5,175.00
Social Security	102,359.07	232,204.12	-	71,643.00	60,313.42	202,606.77
Health Insurance	7,601.48	145,793.16	71,643.00	-	223,717.52	1,320.12
County Agent	6,269.49	53,052.29	-	-	59,411.95	(90.17)
Weed Control	46,545.92	86,167.00	-	-	81,418.36	51,294.56
E911 Wireless	16,520.15	32,515.96	-	15,000.00	5,949.02	28,087.09
E 911 System	25,797.49	26,319.29	-	-	29,451.47	22,665.31
Community Service	16,126.87	42,257.96	-	-	43,223.20	15,161.63
County Park	13,722.58	10,104.62	-	-	9,323.63	14,503.57
Sheriff's Grant	(173.41)	2,355.41	-	-	2,182.00	-
Insurance Reserve	15,386.20	17,315.69	-	-	14,140.58	18,561.31
State Grant	110.00	10,969.22	-	-	11,079.22	-
NDSU Extension Activity	1,048.85	160.00	-	-	39.00	1,169.85
Total Nonmajor Funds	\$ 813,311.39	\$ 1,246,245.80	\$ 352,242.00	\$ 86,643.00	\$ 1,494,131.51	\$ 831,024.68
Total Governmental Funds	\$ 3,976,538.23	\$ 5,234,636.44	\$ 862,242.00	\$ 862,242.00	\$ 4,519,584.12	\$ 4,691,590.55
Agency Funds:						
Payroll Deduction	\$ 3,032.28	\$ 610,739.40	\$ -	\$ -	\$ 610,801.79	\$ 2,969.89
Senior Citizens	109.57	30,189.52	-	-	25,934.84	4,364.25
Job Development	66.31	66.61	-	-	132.62	0.30
State Medical Tax	108.84	17,873.11	-	-	17,948.39	33.56
Paid Under Protest	10,557.82	6,642.16	-	-	17,199.98	-
Mobile Homes	13,591.40	11,834.58	-	-	12,874.96	12,551.02
Advance Tax	20,711.60	43,737.19	-	-	39,806.17	24,642.62

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PIERCE COUNTY
Rugby, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-11
Agency Funds (Continued):						
Abused Persons	\$ -	\$ 525.00	\$ -	\$ -	\$ 490.00	\$ 35.00
Transit Fund	15,121.43	2,297.51	-	-	17,418.94	-
Game & Fish	9,149.00	31,265.00	-	-	23,665.00	16,749.00
NDSU Pesticide	4,234.92	1,650.00	-	-	1,571.21	4,313.71
Preservation Fund	5,570.25	5,699.52	-	-	6,209.98	5,059.79
Unapportioned Taxes	1,144,064.12	1,353,613.98	-	-	1,144,064.12	1,353,613.98
Water Resource District	268.98	34,271.72	-	-	31,129.15	3,411.55
Ambulance	219.44	40,731.17	-	-	40,883.45	67.16
County/City Library	509.16	81,422.88	-	-	81,776.18	155.86
Garrison Diversion	108.84	20,186.67	-	-	20,261.95	33.56
Health District Fund	367.08	56,415.11	-	-	48,247.00	8,535.19
Historical Society	61.77	8,122.36	-	-	8,167.19	16.94
Soil Conservation	108.76	19,568.00	-	-	19,634.87	41.89
Total Cities	487.25	745,577.06	-	-	745,478.90	585.41
Total City Park Districts	280.32	91,680.91	-	-	90,388.93	1,572.30
Total School Districts	16,387.56	2,531,249.03	-	-	2,542,258.23	5,378.36
Total Townships	1,612.07	514,581.32	-	-	514,956.55	1,236.84
Total Water District	25.75	2,308.29	-	-	2,285.98	48.06
Total Fire Districts	405.33	65,549.19	-	-	65,815.03	139.49
Total Agency Funds	\$ 1,247,159.85	\$ 6,327,797.29	\$ -	\$ -	\$ 6,129,401.41	\$ 1,445,555.73
Total Primary Government	\$ 5,223,698.08	\$ 11,562,433.73	\$ 862,242.00	\$ 862,242.00	\$ 10,648,985.53	\$ 6,137,146.28

STATE AUDITOR

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

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*

Board of County Commissioners
Pierce County
Rugby, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, North Dakota as of and for the year ended December 31, 2011, which collectively comprise Pierce County's financial statements and have issued our report thereon dated April 27, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pierce County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pierce County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pierce County's internal control over financial reporting.

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 or corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs* that we consider to be significant deficiencies in internal control over financial reporting [2011-01, 2011-02, & 2011-03]. 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 charges with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pierce County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Pierce County in a separate letter dated April 27, 2012.

Pierce County's response to the findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. We did not audit Pierce County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of County Commissioners, and others within the county, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bob Peterson". The signature is written in black ink and is positioned above the printed name and title.

Robert R. Peterson
State Auditor

April 27, 2012

PIERCE COUNTY
Rugby, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Reports Issued?

Governmental Activities	Unqualified
Major Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified
Discretely Presented Component Units	Unqualified

Internal Control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Section II – Financial Statement Findings

2011-01 – LACK OF SEGREGATION OF DUTIES - COUNTY

Condition:

Pierce County has two employees in the auditor and treasurer offices responsible for all duties performed by each office. It appears that the county does not have segregation of duties for keeping the assets separate from the posting to the general ledger.

Criteria:

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the County.

Effect:

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

Recommendation:

Due to the size, complexity and the economic realities of Pierce County, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

Views of Responsible Officials / Planned Corrective Actions:

We agree with the recommendation regarding limited segregation of duties. We do plan on rotating the personnel in the Auditor/Treasurer's office on a rotated basis every three months for counting the money daily.

2011-02 – LACK OF SEGREGATION OF DUTIES – WATER RESOURCE BOARD

Condition:

Pierce County has two employees in the auditor and treasurer offices responsible for all duties performed by each office. It appears that the county does not have segregation of duties for keeping the assets separate from the posting to the General Ledger.

Criteria:

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the County.

Effect:

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

Recommendation:

Due to the size, complexity and the economic realities of Pierce County, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

Views of Responsible Officials / Planned Corrective Actions:

While we concur that improper segregation of duties exists, due to the size and economic realities confronting the Water Resource District, it is unlikely that we will be able to adequately segregate duties.

2011-03 – LACK OF SEGREGATION OF DUTIES - HACTC

Condition:

The Heart of America Correctional and Treatment Center has one employee responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

Criteria:

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Correctional Center.

Effect:

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Heart of America Correctional and Treatment Center financial condition, whether due to error or fraud.

Recommendation:

Due to the size, complexity and the economic realities of the Heart of America Correctional and Treatment Center, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

Views of Responsible Officials / Planned Corrective Actions:

We concur that improper segregation of duties exists. The HACTC agrees that if it ever becomes feasible to add accounting staff, accounting duties will be segregated to the greatest extent possible to reduce the potential risk of loss.