

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**PIERCE COUNTY
RUGBY, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



PIERCE COUNTY
Rugby, North Dakota

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PIERCE COUNTY
Rugby, North Dakota

COUNTY OFFICIALS

December 31, 2012

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

WATER RESOURCE BOARD OFFICIALS

December 31, 2012

Ronald Kremer	Chairman
Marvin Gisi	Vice-Chairman
Duane Hawk	Treasurer

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

December 31, 2012

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

STATE AUDITOR

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

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

**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED
SUPPLEMENTARY INFORMATION AND OTHER INFORMATION**

Independent Auditor's Report

Board of County Commissioners
Pierce County
Rugby, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Pierce County, Rugby, North Dakota, as of December 31, 2012, 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.

PIERCE COUNTY

Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information - 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 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The *schedule of fund activity arising from cash transactions and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 not fairly stated in all material respects in relation to the financial statements taken as a whole. In our opinion, the *schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013 on our consideration of Pierce County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pierce County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

March 25, 2013

PIERCE COUNTY
Rugby, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	Primary Government	Component Units	
	Governmental Activities	Water Resource Board	Heart of America Correctional and Treatment Center
ASSETS			
Cash, cash equivalents and investments	\$ 5,188,002	\$ 12,383	\$ 1,391,554
Accounts receivable	-	-	291,617
Intergovernmental receivable	277,927	-	-
Taxes receivable	20,634	503	-
Capital Assets (not being depreciated):			
Land	11,500	-	-
Capital Assets (net of accumulated depreciation):			
Buildings	343,678	-	-
Equipment	841,803	-	158,512
Infrastructure	1,370,404	-	75,422
Total Capital Assets	<u>\$ 2,567,385</u>	<u>\$ -</u>	<u>\$ 233,934</u>
Total Assets	<u>\$ 8,053,948</u>	<u>\$ 12,886</u>	<u>\$ 1,917,105</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ -	\$ -	\$ 50,276
Payroll Liability	-	-	2,581
Salaries Payable	-	-	47,464
Non-Current Liabilities:			
Due Within One Year:			
Special assessment payable	6,417	-	1,740
Loan payable	6,383	-	-
Compensated absences payable	9,321	-	12,304
Due After One Year:			
Special assessment payable	70,586	-	19,141
Loan payable	11,246	-	-
Compensated absences payable	37,283	-	49,218
Total Liabilities	<u>\$ 141,236</u>	<u>\$ -</u>	<u>\$ 182,724</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance	<u>\$ 498,593</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net Investment in Capital Assets	\$ 2,567,385	\$ -	\$ 233,934
Restricted for:			
Public safety	149,477	-	1,500,447
Highways	1,978,205	-	-
Flood Repair	354,396	-	-
Health and welfare	447,400	-	-
Culture and recreation	29,784	-	-
Conservation of natural resources	125,975	12,886	-
Emergencies	174,651	-	-
Other Purposes	315,373	-	-
Unrestricted	1,271,473	-	-
Total Net Position	<u>\$ 7,414,119</u>	<u>\$ 12,886</u>	<u>\$ 1,734,381</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, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 1,022,551	\$ 68,712	\$ 29,672	\$ (924,167)	\$ -	\$ -
Public safety	1,540,540	677,976	172,696	(689,868)	-	-
Highways	1,821,882	165,559	1,126,017	(530,306)	-	-
Flood Repair	855,915	-	665,506	(190,409)	-	-
Health and welfare	456,742	-	720	(456,022)	-	-
Culture and recreation	5,909	-	55,100	49,191	-	-
Conserv. of natural resources	135,387	24,371	-	(111,016)	-	-
Other	117,769	-	-	(117,769)	-	-
Interest and fiscal charges	1,668	-	-	(1,668)	-	-
Total Governmental Activities	\$ 5,958,363	\$ 936,618	\$ 2,049,711	\$ (2,972,034)	\$ -	\$ -
Component Units:						
Water resource district	\$ 32,243	\$ -	\$ -	\$ -	\$ (32,243)	\$ -
HACTC	3,180,985	3,135,347	-	-	-	(45,638)
Total Component Units	\$ 3,213,228	\$ 3,135,347	\$ -	\$ -	\$ (32,243)	\$ (45,638)
General Revenues:						
Taxes:						
Property taxes; levied for general purposes				\$ 406,243	\$ 48,110	\$ -
Property taxes; levied for special purposes				1,222,780	-	-
State aid & grants not restricted to specific programs:						
State Aid Distribution and Grants				680,660	7,940	-
Other State Shared Revenues				100,954	1,571	-
Forgiveness of debt				3,208	-	893
Unrestricted investment earnings				28,070	12	4,001
Miscellaneous revenue				518,223	347	4,992
Total General Revenues				\$ 2,960,138	\$ 57,980	\$ 9,886
Change in Net Position				\$ (11,896)	\$ 25,737	\$ (35,752)
Net Position - January 1				\$ 7,427,185	\$ (12,851)	\$ 1,770,133
Prior Period Adjustments				(1,170)	-	-
Net Position - January 1, as restated				\$ 7,426,015	\$ (12,851)	\$ 1,770,133
Net Position - December 31				\$ 7,414,119	\$ 12,886	\$ 1,734,381

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

PIERCE COUNTY
Rugby, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	General	Farm to Market Road	County Road and Bridge	2011 FEMA	Highway Tax Distribution	County Poor Relief
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
<u>Assets:</u>						
Cash and investments	\$ 1,373,234	\$ 482,178	\$ 80,846	\$ 344,832	\$ 976,611	\$ 434,663
Intergovernmental receivable	113,959	15,302	-	-	63,036	24,468
Taxes receivable	5,342	2,260	393	-	-	3,809
Due from other funds	176	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,492,711</u>	<u>\$ 499,740</u>	<u>\$ 81,239</u>	<u>\$ 344,832</u>	<u>\$ 1,039,647</u>	<u>\$ 462,940</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
<u>Liabilities:</u>						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Deferred Inflows Of Resources:</u>						
Taxes paid in advance	\$ 126,430	\$ 65,349	\$ 9,345	\$ -	\$ -	\$ 99,265
Taxes receivable	5,342	2,260	393	-	-	3,809
Total Deferred Inflows of Resources	<u>\$ 131,772</u>	<u>\$ 67,609</u>	<u>\$ 9,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,074</u>
Total Liabilities And Deferred Inflows of Resources	<u>\$ 131,772</u>	<u>\$ 67,609</u>	<u>\$ 9,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,074</u>
<u>Fund Balances:</u>						
<u>Restricted for:</u>						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and bridges	-	432,131	71,501	-	1,039,647	-
Flood repair	-	-	-	344,832	-	-
Health and welfare	-	-	-	-	-	359,866
Culture and recreation	-	-	-	-	-	-
Conserv. of natural resources	-	-	-	-	-	-
Emergency	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
<u>Committed to:</u>						
Public safety	-	-	-	-	-	-
Unassigned:	1,360,939	-	-	-	-	-
Total Fund Balances	<u>\$ 1,360,939</u>	<u>\$ 432,131</u>	<u>\$ 71,501</u>	<u>\$ 344,832</u>	<u>\$ 1,039,647</u>	<u>\$ 359,866</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,492,711</u>	<u>\$ 499,740</u>	<u>\$ 81,239</u>	<u>\$ 344,832</u>	<u>\$ 1,039,647</u>	<u>\$ 462,940</u>

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

Law Enforcement Center	HACTC	Other Governmental Funds	Total Governmental Funds
\$ 103,978	\$ 44,706	\$ 1,346,954	\$ 5,188,002
11,917	-	49,245	277,927
2,100	-	6,730	20,634
-	-	-	176
<hr/>			
\$ 117,995	\$ 44,706	\$ 1,402,929	\$ 5,486,739

\$ -	\$ -	\$ 176	\$ 176
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\$ 58,618	\$ -	\$ 139,586	\$ 498,593
2,100	-	6,730	20,634

\$ 60,718	\$ -	\$ 146,316	\$ 519,227
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\$ 60,718	\$ -	\$ 146,492	\$ 519,403
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\$ 57,277	\$ -	\$ 58,137	\$ 115,414
-	-	444,060	1,987,339
-	-	9,564	354,396
-	-	91,852	451,718
-	-	29,687	29,687
-	-	124,618	124,618
-	-	174,040	174,040
-	-	324,655	324,655
-	44,706	-	44,706
-	-	(176)	1,360,763

\$ 57,277	\$ 44,706	\$ 1,256,437	\$ 4,967,336
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\$ 117,995	\$ 44,706	\$ 1,402,929	\$ 5,486,739
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PIERCE COUNTY
Rugby, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2012

Total *Fund Balances* for Governmental Funds \$ 4,967,336

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	\$ 4,802,674	
Less Accumulated Depreciation	<u>(2,235,289)</u>	
Net Capital Assets		2,567,385

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. 20,634

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, 2012 are the following:

Special Assessments Payable	\$ (77,003)	
Loan Payable	(17,629)	
Compensated Absences	<u>(46,604)</u>	
Total Long-Term Liabilities		<u>(141,236)</u>

Total Net Position of Governmental Activities \$ 7,414,119

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, 2012

	General	Farm to Market Road	County Road and Bridge	2011 FEMA	Highway Tax Distribution	County Poor Relief
<u>Revenues:</u>						
Taxes	\$ 407,711	\$ 174,754	\$ 30,096	\$ -	\$ -	\$ 306,240
Intergovernmental	519,853	56,939	7,388	532,013	784,862	84,807
Licenses, permits and fees	3,450	-	-	-	-	-
Charges for services	42,244	-	158,120	-	-	-
Interest income	24,176	-	3,894	-	-	-
Miscellaneous	47,929	-	-	-	-	-
Total Revenues	\$ 1,045,363	\$ 231,693	\$ 199,498	\$ 532,013	\$ 784,862	\$ 391,047
<u>Expenditures:</u>						
Current:						
General government	\$ 741,131	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	195,486	-	-	-	-	-
Highways and bridges	-	732,058	513,053	-	90,158	-
Flood repair	-	-	-	834,493	-	-
Health and welfare	10,000	-	-	-	-	41,891
Culture and recreation	-	-	-	-	-	-
Conserv. of natural resources	-	-	-	-	-	-
Other	15,037	-	-	-	-	-
Debt Service:						
Principal	1,178	-	2,014	-	-	-
Interest and fees	612	-	1,047	-	-	-
Total Expenditures	\$ 963,444	\$ 732,058	\$ 516,114	\$ 834,493	\$ 90,158	\$ 41,891
Excess (Deficiency) of Revenues Over Expenditures	\$ 81,919	\$ (500,365)	\$ (316,616)	\$ (302,480)	\$ 694,704	\$ 349,156
<u>Other Financing Sources (Uses):</u>						
Transfers in	\$ -	\$ -	\$ 375,000	\$ -	\$ -	\$ -
Loan proceeds	-	-	-	-	-	-
Transfers out	(15,000)	-	-	-	(375,000)	(250,000)
Total Other Financing Sources and Uses	\$ (15,000)	\$ -	\$ 375,000	\$ -	\$ (375,000)	\$ (250,000)
Net Change in Fund Balances	\$ 66,919	\$ (500,365)	\$ 58,384	\$ (302,480)	\$ 319,704	\$ 99,156
Fund Balances - January 1	\$ 1,294,020	\$ 932,496	\$ 13,117	\$ 647,312	\$ 719,943	\$ 260,710
Prior Period Adjustment	-	-	-	-	-	-
Fund Balances - Jan. 1 as restated	\$ 1,294,020	\$ 932,496	\$ 13,117	\$ 647,312	\$ 719,943	\$ 260,710
Fund Balances - December 31	\$ 1,360,939	\$ 432,131	\$ 71,501	\$ 344,832	\$ 1,039,647	\$ 359,866

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

Law Enforcement Center	HACTC	Other Governmental Funds	Total Governmental Funds
\$ 157,441	\$ 83	\$ 555,705	\$ 1,632,030
37,764	3	807,696	2,831,325
-	-	28,280	31,730
28,544	588,008	87,972	904,888
-	-	-	28,070
308	401,511	68,475	518,223
<u>\$ 224,057</u>	<u>\$ 989,605</u>	<u>\$ 1,548,128</u>	<u>\$ 5,946,266</u>
\$ -	\$ -	\$ 289,378	\$ 1,030,509
227,761	1,013,954	114,777	1,551,978
-	-	375,313	1,710,582
-	-	21,422	855,915
-	-	404,951	456,842
-	-	5,909	5,909
-	-	130,482	130,482
-	-	102,732	117,769
-	-	17	3,209
-	-	9	1,668
<u>\$ 227,761</u>	<u>\$ 1,013,954</u>	<u>\$ 1,444,990</u>	<u>\$ 5,864,863</u>
<u>\$ (3,704)</u>	<u>\$ (24,349)</u>	<u>\$ 103,138</u>	<u>\$ 81,403</u>
\$ -	\$ -	\$ 338,261	\$ 713,261
-	-	17,629	17,629
-	-	(73,261)	(713,261)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,629</u>	<u>\$ 17,629</u>
<u>\$ (3,704)</u>	<u>\$ (24,349)</u>	<u>\$ 385,767</u>	<u>\$ 99,032</u>
\$ 60,981	\$ 69,055	\$ 871,840	\$ 4,869,474
-	-	(1,170)	(1,170)
<u>\$ 60,981</u>	<u>\$ 69,055</u>	<u>\$ 870,670</u>	<u>\$ 4,868,304</u>
<u>\$ 57,277</u>	<u>\$ 44,706</u>	<u>\$ 1,256,437</u>	<u>\$ 4,967,336</u>

PIERCE COUNTY
Rugby, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Net Change in *Fund Balances* - Total Governmental Funds \$ 99,032

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

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

Current Year Capital Outlay	\$ 328,493	
Current Year Depreciation Expense	<u>(406,828)</u>	(78,335)

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		(14,620)
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The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt issuance exceeded debt repayment.

Repayment of Debt - Special Assessments	\$ 6,417	
Loan Issued	<u>(17,629)</u>	(11,212)

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		(3,754)
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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.

	<u>(3,007)</u>
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Change in Net Position of Governmental Activities		<u><u>\$ (11,896)</u></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, 2012

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 1,357,428</u>
<u>Liabilities:</u>	
Due to other governments/entities	<u>\$ 1,357,428</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, 2012

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 position 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 non-exchange transactions.

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

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

The County reports the following major governmental funds:

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

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The county has elected not to follow subsequent private-sector guidance.

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the year ended December 31, 2012 consist of certificates of deposit stated at fair value.

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.

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

DISCRETELY PRESENTED COMPONENT UNITS:

Capital Assets – Component Units:

Capital assets of the Heart of America Correctional and Treatment Center include Vehicles, Equipment, and Infrastructure. Assets are reported in combined component unit column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend asset lives are not capitalized.

F. Compensated Absences

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

G. Long-Term Obligations

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

H. Fund Balances / Net Position

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 county each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$1,360,939 at December 31, 2012 represented 141% of annual 2012 expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (county road & bridge, farm to market road, highway tax distribution, 2011 FEMA road, county poor, law enforcement center, and HACTC) are disclosed in more detail in Note 1B in the discussion of major funds.

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

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.

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.

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PIERCE COUNTY

Notes to the Financial Statements – Continued

CLASSIFICATION	DEFINITION	EXAMPLES
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 has restricted, committed and unassigned fund balances at December 31, 2012.

Restricted & Committed Fund Balances – consist of the following items at December 31, 2012:

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.

(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.

Unassigned Fund Balances:

Unassigned fund balances at year-end 2012 consist of an amount in the general fund and amounts reported for negative fund balances in the sheriff's grant fund and library elevator project fund.

Net Position:

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

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

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

Restrictions of net position in the statement of net position is shown by primary function (as fund balances are shown) and are 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).

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for negative funds (library elevator project and sheriff’s grant). The unrestricted net position is available to meet the district’s ongoing obligations.

I. Interfund Transactions

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

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2012 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
Farm to Market	\$395,000	\$337,058	\$732,058
2011 FEMA	-	834,493	834,493
Law Enforcement Center	231,353	845	232,198
HACTC	611,616	402,338	1,013,954
<u>Non Major Funds:</u>			
2004 FEMA	-	14,592	14,592
2005 FEMA	-	21,422	21,422
2009 FEMA	-	940	940
911 Wireless	9,500	11,399	20,899
Weed Control	102,056	3,609	105,655
State Grant	-	6,401	6,401
Library Elevator Project	-	102,738	102,738

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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

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, 2012, the county's carrying amount of deposits was \$6,304,004 and the bank balances were \$6,506,298. Of the bank balances, \$1,361,044 was covered by Federal Depository Insurance. The remaining balance of \$5,145,254 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, 2012, the county held certificates of deposit in the amount of \$1,900,000, which are all considered deposits.

Concentration of Credit Risk:

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

Discretely Presented Component Units:

At December 31, 2012, Pierce County Water Resource District's carrying amount of deposits was \$12,383 and the bank balance was \$16,442. Of the bank balances, the entire balance was covered by Federal Depository Insurance. The Water Resource District does not have any investments.

At December 31, 2012, the Heart of America Correctional and Treatment Center's carrying amount of deposits was \$1,391,454 and the bank balance was \$1,431,923. Of the bank balances, \$1,334,247 was covered by Federal Depository Insurance. The remaining balance of \$97,675 was collateralized with securities held by the pledging financial institution's agent in the government's name. The Heart of America Correction and Treatment Center does not have any investments.

NOTE 4: TAXES RECEIVABLE

Taxes receivable included in the deferred inflows of resources on the balance sheet represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment

PIERCE COUNTY

Notes to the Financial Statements – Continued

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: INTERGOVERNMENTAL RECEIVABLES

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

NOTE 6: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2012:

	Transfers In	Transfers Out
Major Funds:		
General	\$ -	\$ 15,000
Road & Bridge	375,000	-
Highway Tax Distribution	-	375,000
County Poor Relief	-	250,000
Special Revenue Funds:		
Social Services	250,000	-
Social Security	-	73,261
Health Insurance	73,261	-
Library Elevator Project	15,000	-
Total Transfers	\$713,261	\$713,261

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 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for Pierce County for the year ended December 31, 2012

	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,500	\$ -	\$ -	\$ 11,500
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	\$ 11,500	\$ -	\$ -	\$ 11,500
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 583,261	\$ -	\$ -	\$ 583,261
Equipment	1,823,408	328,493	262,416	1,889,485
Infrastructure	2,318,428	-	-	2,318,428
Total Capital Assets, Being Depreciated	\$4,725,097	\$328,493	\$262,416	\$4,791,174
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 231,529	\$ 8,055	\$ -	\$ 239,584
Equipment	1,016,989	278,490	247,796	1,047,683
Infrastructure	827,739	120,283	-	948,022
Total Accumulated Depreciation	\$2,076,257	\$406,828	\$247,796	\$2,235,289
Total Capital Assets Being Depreciated, Net	\$2,648,840	\$ (78,335)	\$ 14,620	\$2,555,885
Governmental Activities-Capital Assets, Net	\$2,660,340	\$ (78,335)	\$ 14,620	\$2,567,385

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

Governmental Activities:	Amounts
General Government	\$ 6,089
Public Safety	16,286
Highways	379,548
Conservation of Natural Resources	4,905
Total Depreciation Expense - Governmental Activities	\$406,828

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, 2012:

Heart of America Correctional and Treatment Center	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets, being depreciated:</i>				
Equipment	\$143,585	\$46,225	\$ -	\$189,810
Infrastructure	79,531	-	-	79,531
Total Capital Assets, Being Depreciated	\$223,116	\$46,225	\$ -	\$269,341
<i>Less accumulated depreciation for:</i>				
Equipment	\$ 13,447	\$17,851	\$ -	\$ 31,298
Infrastructure	2,518	1,591	-	4,109
Total Accumulated Depreciation	\$ 15,965	\$19,442	\$ -	\$ 35,407
Total Capital Assets Being Depreciated, Net	\$207,151	\$26,783	\$ -	\$233,934

Depreciation expense totaling \$19,442 was charged to the public safety function.

NOTE 8: TAXES PAID IN ADVANCE / DEFERRED INFLOWS

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the amount for taxes paid in advance in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes are measurable but not available. Taxes paid in advance in the deferred inflows of resources in the government wide statement of net position consist of prepaid taxes collected prior to December 31, 2012 but not earned until January 2013 when they are properly apportioned.

NOTE 9: LONG-TERM DEBT

PRIMARY GOVERNMENT:

Changes in Long-Term Liabilities - During the year ended December 31, 2012, 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	\$ 83,420	\$ -	\$6,417	\$ 77,003	\$ 6,417
USDA Loan	-	17,629	-	17,629	6,383
Compensated Absences *	42,850	3,754	-	46,604	9,321
Total Governmental Activities	\$126,270	\$21,383	\$6,417	\$141,236	\$22,121

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

Outstanding debt (excluding compensated absences) at December 31, 2012 consists of the following issues:

Special Assessments on County Property:

Special assessments on several parcels of property at various locations throughout the County \$77,003

Loans Payable:

\$17,629 Loan Payable for library elevator project, due in monthly installments of \$7,000 through December 11, 2015; interest at 3.50%. \$17,629

Total Long-Term Debt (excluding compensated absences) \$94,632

The annual requirements to amortize the outstanding debt excluding compensated absences but including interest of \$21,164, is as follows:

Year Ending December 31	Special Assessments on County Property		USDA Loan		Total Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 6,417	\$ 3,080	\$ 6,383	\$ 617	\$12,800	\$ 3,697
2014	6,417	2,823	6,606	364	13,023	3,187
2015	6,417	2,567	4,640	162	11,057	2,729
2016	6,417	2,310	-	-	6,417	2,310
2017	6,417	2,053	-	-	6,417	2,053
2018 - 2022	32,085	6,417	-	-	32,085	6,417
2023 - 2027	12,833	771	-	-	12,833	771
TOTAL	\$77,003	\$20,021	\$17,629	\$1,143	\$94,632	\$21,164

DISCRETELY PRESENTED COMPONENT UNITS:

Heart of America Correctional and Treatment Center

Changes in Long-Term Liabilities - During the year ended December 31, 2012, 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	\$22,621	\$ -	\$ 1,740	\$20,881	\$ 1,740
Compensated Absences *	73,038	-	11,516	61,522	12,304
Total Governmental Activities	\$95,659	\$ -	\$13,256	\$82,403	\$14,044

Outstanding debt (excluding compensated absences) at December 31, 2012 consists of the following issues:

Special Assessments on Heart of America Correctional and Treatment Center Property:

Special assessments on several parcels of property at various locations throughout the County. \$20,881

PIERCE COUNTY

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding debt including interest of \$5,428, is as follows:

Year Ending December 31	Special Assessments on HACTC Property	
	Principal	Interest
2013	\$ 1,740	\$ 835
2014	1,740	766
2015	1,740	696
2016	1,740	626
2017	1,740	557
2018 - 2022	8,700	1,740
2023 - 2027	3,481	208
TOTAL	\$20,881	\$5,428

Pierce County Water Resource District

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in governmental long-term liabilities of the Water Resource District:

Pierce County Water Resource Dist.	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loan Payable	\$15,000	\$ -	\$15,000	\$ -	\$ -

NOTE 10: PENSION PLAN

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

Plan members are required to contribute 5% of their annual covered salary. The county is required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$79,837, \$60,259, and \$56,358, respectively, equal to the required contributions for the year.

The Heart of America Correctional and Treatment Center's contributions to NDPERS for the years ended December 31, 2012, 2011, and 2010 were \$130,990, \$107,043 and \$93,860, respectively.

NOTE 11: 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.

PIERCE 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. Pierce County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF for automobile and general liability is limited to losses of two million dollars per occurrence. Public Assets 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 \$1,211,760 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 12: 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 Change in Position	\$ 3,572

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

Heart of America Library

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

Unaudited summary financial information for the year ended December 31, 2012 is as follows:

Cash and Investments	\$ 64,937
Total Revenues	\$165,155
Total Expenses	150,897
Net Change in Position	\$ 14,258

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 net position cannot be determined due to lack of provisions being made for this in the joint powers agreement.

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

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

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

NOTE 13: PRIOR PERIOD ADJSUTMENTS

A prior period adjustment was done to remove a special revenue funds (NDSU Extension Activity Fund) beginning fund balances and net position to agency funds. The special revenue funds were reclassified due to not meeting the definition of special revenue funds under provisions of GASB Statement 54. The adjustments are noted below:

Governmental Funds (County):	Amounts
Beginning Nonmajor Funds balance, as previously reported	\$871,840
Adjustments to restate the January 1, 2012 Fund Balance:	
Adjustment to remove agency funds	(1,170)
Fund Balance January 1, as restated	<u>\$870,670</u>

Governmental Activities (County):	Amounts
Net Position – January 1, 2012	\$7,427,185
Adjustments to restate the January 1, 2012 beginning net position due to the following:	
Fund Balance Reclassifications	(1,170)
Restated Net Position - January 1, 2012	<u>\$7,426,015</u>

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 407,843	\$ 407,843	\$ 407,711	\$ (132)
Intergovernmental	327,126	327,126	519,853	192,727
Licenses, permits and fees	3,600	3,600	3,450	(150)
Charges for services	48,500	48,500	42,244	(6,256)
Interest income	60,000	60,000	24,176	(35,824)
Miscellaneous	60,350	60,350	47,929	(12,421)
Total Revenues	\$ 907,419	\$ 907,419	\$ 1,045,363	\$ 137,944
<u>Expenditures:</u>				
Current:				
General government	\$ 889,727	\$ 889,727	\$ 741,131	\$ 148,596
Public safety	212,220	212,220	195,486	16,734
Health and welfare	10,000	10,000	10,000	-
Conservation of natural resources	1,100	1,100	-	1,100
Other	35,159	35,159	15,037	20,122
Debt Service:				
Principal	-	-	1,178	(1,178)
Interest	-	-	612	(612)
Total Expenditures	\$ 1,148,206	\$ 1,148,206	\$ 963,444	\$ 184,762
Excess (Deficiency) of Revenues Over Expenditures	\$ (240,787)	\$ (240,787)	\$ 81,919	\$ 322,706
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (15,000)	\$ (15,000)
Net Change in Fund Balances	\$ (240,787)	\$ (240,787)	\$ 66,919	\$ 307,706
Fund Balances - January 1	\$ 1,294,020	\$ 1,294,020	\$ 1,294,020	\$ -
Fund Balances - December 31	\$ 1,053,233	\$ 1,053,233	\$ 1,360,939	\$ 307,706

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 185,626	\$ 185,626	\$ 174,754	\$ (10,872)
Intergovernmental	29,782	29,782	56,939	27,157
Total Revenues	<u>\$ 215,408</u>	<u>\$ 215,408</u>	<u>\$ 231,693</u>	<u>\$ 16,285</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	<u>\$ 395,000</u>	<u>\$ 732,058</u>	<u>\$ 732,058</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (179,592)</u>	<u>\$ (516,650)</u>	<u>\$ (500,365)</u>	<u>\$ 16,285</u>
Fund Balances - January 1	<u>\$ 932,496</u>	<u>\$ 932,496</u>	<u>\$ 932,496</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 752,904</u>	<u>\$ 415,846</u>	<u>\$ 432,131</u>	<u>\$ 16,285</u>

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

PIERCE COUNTY
Rugby, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 30,929	\$ 30,929	\$ 30,096	\$ (833)
Intergovernmental	5,518	5,518	7,388	1,870
Charges for Services	130,520	130,520	158,120	27,600
Miscellaneous	5,000	5,000	-	(5,000)
Total Revenues	\$ 171,967	\$ 171,967	\$ 199,498	\$ 27,531
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 757,148	\$ 757,148	\$ 513,053	\$ 244,095
Debt Service:				
Principal	-	-	2,014	(2,014)
Interest	-	-	1,047	(1,047)
Total Expenditures	\$ 757,148	\$ 757,148	\$ 516,114	\$ 241,034
Excess (Deficiency) of Revenues Over Expenditures	\$ (585,181)	\$ (585,181)	\$ (316,616)	\$ 268,565
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 375,000	\$ 375,000
Net Change in Fund Balances	\$ (585,181)	\$ (585,181)	\$ 58,384	\$ 643,565
Fund Balances - January 1	\$ 13,117	\$ 13,117	\$ 13,117	\$ -
Fund Balances - December 31	\$ (572,064)	\$ (572,064)	\$ 71,501	\$ 643,565

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 532,013	\$ 532,013
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ -	\$ 834,493	\$ 834,493	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (834,493)	\$ (302,480)	\$ 532,013
Fund Balances - January 1	\$ 647,312	\$ 647,312	\$ 647,312	\$ -
Fund Balances - December 31	\$ 647,312	\$ (187,181)	\$ 344,832	\$ 532,013

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 472,087	\$ 472,087	\$ 784,862	\$ 312,775
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 335,385	\$ 335,385	\$ 90,158	\$ 245,227
Excess (Deficiency) of Revenues Over Expenditures	\$ 136,702	\$ 136,702	\$ 694,704	\$ 558,002
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (375,000)	\$ (375,000)
Net Change in Fund Balances	\$ 136,702	\$ 136,702	\$ 319,704	\$ 183,002
Fund Balances - January 1	\$ 719,943	\$ 719,943	\$ 719,943	\$ -
Fund Balances - December 31	\$ 856,645	\$ 856,645	\$ 1,039,647	\$ 183,002

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 314,619	\$ 314,619	\$ 306,240	\$ (8,379)
Intergovernmental	48,296	48,296	84,807	36,511
Total Revenues	<u>\$ 362,915</u>	<u>\$ 362,915</u>	<u>\$ 391,047</u>	<u>\$ 28,132</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	\$ 50,400	\$ 50,400	\$ 41,891	\$ 8,509
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 312,515</u>	<u>\$ 312,515</u>	<u>\$ 349,156</u>	<u>\$ 36,641</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (250,000)	\$ (250,000)
Net Change in Fund Balances	<u>\$ 312,515</u>	<u>\$ 312,515</u>	<u>\$ 99,156</u>	<u>\$ (213,359)</u>
Fund Balances - January 1	<u>\$ 260,710</u>	<u>\$ 260,710</u>	<u>\$ 260,710</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 573,225</u>	<u>\$ 573,225</u>	<u>\$ 359,866</u>	<u>\$ (213,359)</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 161,590	\$ 161,590	\$ 157,441	\$ (4,149)
Intergovernmental	25,189	25,189	37,764	12,575
Charges for services	53,700	53,700	28,544	(25,156)
Miscellaneous	95	95	308	213
Total Revenues	\$ 240,574	\$ 240,574	\$ 224,057	\$ (16,517)
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 231,353	\$ 232,198	\$ 227,761	\$ 4,437
Excess (Deficiency) of Revenues Over Expenditures	\$ 9,221	\$ 8,376	\$ (3,704)	\$ (12,080)
Fund Balances - January 1	\$ 60,981	\$ 60,981	\$ 60,981	-
Fund Balances - December 31	\$ 70,202	\$ 69,357	\$ 57,277	\$ (12,080)

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 83	\$ 83
Intergovernmental	-	-	3	3
Charges for services	155,508	155,508	588,008	432,500
Miscellaneous	427,273	427,273	401,511	(25,762)
Total Revenues	<u>\$ 582,781</u>	<u>\$ 582,781</u>	<u>\$ 989,605</u>	<u>\$ 406,824</u>
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 611,615	\$ 1,013,953	\$ 1,013,954	\$ (1)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (28,834)</u>	<u>\$ (431,172)</u>	<u>\$ (24,349)</u>	<u>\$ 406,823</u>
Fund Balances - January 1	<u>\$ 69,055</u>	<u>\$ 69,055</u>	<u>\$ 69,055</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 40,221</u>	<u>\$ (362,117)</u>	<u>\$ 44,706</u>	<u>\$ 406,823</u>

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

PIERCE COUNTY
Rugby, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

PIERCE COUNTY
Rugby, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
Major Funds:						
General Fund	\$ 1,368,064.67	\$ 860,423.97	\$ -	\$ 15,000.00	\$ 966,508.35	\$ 1,246,980.29
Farm to Market	975,900.73	172,985.65	-	-	732,058.10	416,828.28
Road and Bridge	15,015.04	199,497.65	375,000.00	-	518,011.54	71,501.15
FEMA 2011	647,312.28	532,012.88	-	-	834,492.79	344,832.37
Highway Distribution	657,479.04	784,289.58	-	375,000.00	90,158.00	976,610.62
County Poor Relief	326,703.15	303,816.06	-	250,000.00	45,120.71	335,398.50
Law Enforcement Center	93,933.73	183,624.80	-	-	232,197.88	45,360.65
HACTC Facility	33,331.49	1,025,327.53	-	-	1,013,953.51	44,705.51
Total Major Funds	\$ 4,117,740.13	\$ 4,061,978.12	\$ 375,000.00	\$ 640,000.00	\$ 4,432,500.88	\$ 3,482,217.37
Nonmajor Funds:						
Special Revenue Funds:						
Road Districts	\$ 279,969.53	\$ 518,890.12	\$ -	\$ -	\$ 374,373.25	\$ 424,486.40
04 Fema-de-obligate	892.50	13,699.34	-	-	14,591.84	-
05-Fema-de-obligate	-	21,422.01	-	-	21,422.01	-
09 Disaster/FEMA	10,504.27	-	-	-	940.00	9,564.27
Social Services	74,787.86	141,718.13	250,000.00	-	407,809.44	58,696.55
Emergency Poor	26,241.89	-	-	-	-	26,241.89
Emergency Fund	122,674.92	61,632.41	-	-	13,729.24	170,578.09
Veterans Service Officer	6,348.14	4,981.34	-	-	5,308.80	6,020.68
Social Security	246,055.31	183,182.88	-	73,260.50	79,430.22	276,547.47
Health Insurance	19,681.00	108,206.75	73,260.50	-	190,890.64	10,257.61
County Agent	13,843.24	55,684.15	-	-	24,842.88	44,684.51
Weed Control	64,316.40	113,023.41	-	-	105,665.22	71,674.59
E911 Wireless	28,087.09	32,588.04	-	-	20,899.20	39,775.93
E 911 System	22,665.31	23,573.48	-	-	27,877.19	18,361.60
Community Service	15,161.63	41,782.00	-	-	43,360.89	13,582.74
County Park	16,240.43	7,089.28	-	-	7,960.47	15,369.24
Sheriff's Grant	-	2,335.14	-	-	2,509.30	(174.16)
Insurance Reserve	21,296.66	13,978.49	-	-	13,748.46	21,526.69
State Grant	-	6,400.80	-	-	6,400.80	-
Library Proj Elevator	-	87,729.38	15,000.00	-	102,731.38	(2.00)
Total Nonmajor Funds	\$ 968,766.18	\$ 1,437,917.15	\$ 338,260.50	\$ 73,260.50	\$ 1,464,491.23	\$ 1,207,192.10
Total Governmental Funds	\$ 5,086,506.31	\$ 5,499,895.27	\$ 713,260.50	\$ 713,260.50	\$ 5,896,992.11	\$ 4,689,409.47
Agency Funds:						
Payroll Deduction	\$ 2,969.89	\$ 10,933.14	\$ -	\$ -	\$ 10,889.73	\$ 3,013.30
Senior Citizens	8,704.98	30,431.92	-	-	39,092.95	43.95
Job Development	0.30	-	-	-	-	0.30
State Medical Tax	4,374.29	13,770.08	-	-	18,096.47	47.90
Mobile Homes	12,551.02	14,771.66	-	-	26,391.20	931.48
Advance Tax	24,642.62	75,863.51	-	-	63,539.19	36,966.94

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PIERCE COUNTY
Rugby, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
<u>Agency Funds (Continued):</u>						
Abused Persons	\$ 35.00	\$ 770.00	\$ -	\$ -	\$ 735.00	\$ 70.00
Game & Fish	16,749.00	25,555.00	-	-	28,785.00	13,519.00
NDSU Extension Activity	1,169.85	506.00	-	-	594.03	1,081.82
NDSU Pesticide	4,313.71	3,000.00	-	-	870.67	6,443.04
Preservation Fund	5,059.79	7,082.55	-	-	5,096.89	7,045.45
Ambulance	8,748.75	34,371.82	-	-	43,032.64	87.93
County/City Library	17,517.78	75,296.98	-	-	92,638.84	175.92
Garrison Diversion	4,374.29	17,028.32	-	-	21,354.71	47.90
Health District Fund	23,641.05	59,951.08	-	-	83,439.22	152.91
Historical Society	1,709.32	6,661.47	-	-	8,353.64	17.15
Soil Conservation	4,382.62	16,156.36	-	-	20,491.08	47.90
Total Cities	184,808.79	572,314.03	-	-	756,440.41	682.41
Total City Park Districts	20,509.43	71,543.54	-	-	91,963.76	89.21
Total School Districts	633,235.21	2,027,160.19	-	-	2,653,460.62	6,934.78
Total Townships	32,160.66	1,171,659.14	-	-	1,203,175.61	644.19
Total Water District	15,467.54	44,306.20	-	-	59,663.46	110.28
Total Fire Districts	15,741.88	52,317.13	-	-	67,848.34	210.67
Total Agency Funds	<u>\$ 1,042,867.77</u>	<u>\$ 4,331,450.12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,295,953.46</u>	<u>\$ 78,364.43</u>
Total Primary Government	<u>\$ 6,129,374.08</u>	<u>\$ 9,831,345.39</u>	<u>\$ 713,260.50</u>	<u>\$ 713,260.50</u>	<u>\$ 11,192,945.57</u>	<u>\$ 4,767,773.90</u>

PIERCE COUNTY
Rugby, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed Through State Department of Human Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 379
Temporary Assistance for Needy Families	93.558	9,309
Child Support Enforcement	93.563	1,583
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,943
Foster Care-Title IV-E	93.658	18,342
Adoption Assistance	93.659	323
Children's Health Insurance Program	93.767	943
Maternal and Child Health Services Block Grant to the States	93.994	555
Total U.S. Department of Health and Human Services		<u>\$ 33,377</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed Through State Department of Emergency Services:</u>		
Emergency Management Performance Grants	97.042	\$ 5,079
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	*** 736,315
Homeland Security Grant Program	97.067	6,401
Total U.S. Department of Homeland Security		<u>\$ 747,795</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through State Highway Department:</u>		
State and Community Highway Safety	20.600	\$ 676
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	1,659
Total U.S. Department of Transportation		<u>\$ 2,335</u>
Total Expenditures of Federal Awards		<u>\$ 783,507</u>

*** - Major Program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pierce County under programs of the federal government for the year ended December 31, 2012. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Pierce County, it is not intended to and does not present the financial position or changes in net assets of Pierce County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

STATE AUDITOR

ROBERT R. PETERSON
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

**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
Pierce County
Rugby, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Pierce County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Pierce County's basic financial statements, and have issued our report thereon dated March 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pierce County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pierce County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pierce County's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2012-01].

Compliance and Other Matters

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

PIERCE COUNTY

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

We did note certain matters that we reported to management of Pierce County in a separate letter dated March 25, 2013.

Pierce County's Response to Findings

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

March 25, 2013

STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Pierce County
Rugby, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Pierce County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Pierce County's major federal program for the year ended December 31, 2012. Pierce County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Pierce County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

PIERCE COUNTY

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Pierce County as of and for the year ended December 31, 2012, and have issued our report thereon dated March 25, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

March 25, 2013

PIERCE COUNTY
Rugby, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ <u>X</u> Yes	_____ No
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal control over major programs:

Material weakness identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> No
Type of auditor's report issued on compliance for major programs?	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	_____ <u>X</u> No

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee? X Yes _____ No

PIERCE COUNTY

Schedule of Findings and Questioned Costs – Continued

Section II - Financial Statement Findings

2012-01 – LACK OF SEGREGATION OF DUTIES – COUNTY

Condition:

A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

Effect:

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

Cause:

Due to the client's size, complexity, organizational structure and the economic realities the County faces, it is presently not economically feasible to have additional staff for the offices at Pierce County.

Criteria:

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

Recommendation:

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

Views of Responsible Officials / Planned Corrective Actions:

While we agree with the recommendation, due to the size and nature of the county, it is not feasible for us to obtain proper segregation of duties.

Section III - Federal Award Findings and Questioned Costs

No matters reported.