

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**TRAIL COUNTY
HILLSBORO, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



TRAILL COUNTY
Hillsboro, North Dakota

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For the Year Ended December 31, 2012

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TRAILL COUNTY
Hillsboro, North Dakota

COUNTY OFFICIALS

December 31, 2012

Gail Mooney

Chairperson

Steven Larson

Vice Chairperson

Kurt Elliott

Commissioner

Arne Osland

Commissioner

Thomas Eblen

Commissioner

Rebecca Braaten

Auditor

Connie Weber

Treasurer

Mike Crocker

Sheriff

Julie R Foss

County Recorder

Stuart A. Larson

State's Attorney

Paulette Bowersox

Clerk of District Court

STATE AUDITOR

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



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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Traill County
Hillsboro, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Traill County, Hillsboro, 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 from material misstatement.

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

As discussed in Note 1 to the financial statements, management of the largest discretely presented component unit did not prepare financial statements using the same financial reporting framework as used by Traill County as a primary government. Accounting principles generally accepted in the United States of America require that a reporting entity consistently follow accounting principles, including applying the same financial reporting framework. The amount by which this departure would affect the assets, net position and expenses of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of Traill County as of December 31, 2012, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Traill County, Hillsboro, North Dakota, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 29-34 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.

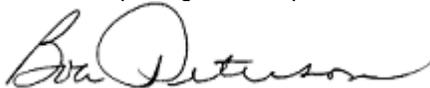
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Traill County's basic financial statements. The *schedule of fund activity arising from cash transactions* is presented for purposes of additional analysis and is not a required part of the financial statements.

The *schedule of fund activity arising from cash transactions* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2013 on our consideration of Traill 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 Traill County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
November 7, 2013

TRAILL COUNTY
Hillsboro, North Dakota
STATEMENT OF NET POSITION
December 31, 2012

	Primary	Component Units		
	Governmental Activities	Water Resource District	District Health Unit	Economic Development Commission
ASSETS				
Cash, Cash Equivalents and Investments	\$ 4,896,596	\$ 3,027,507	\$ 129,261	\$ 119,734
Intergovernmental Receivable	430,689	-	8,010	-
Accounts Receivable	11,081	-	-	-
Road Receivables	6,466	-	-	-
Taxes Receivable	102,147	-	3,851	3,870
Economic Development Loans Receivable	-	-	-	28,883
Other Receivable	-	-	-	987
Prepaid Rent	-	-	-	550
Investment in Certificates of Deposit	-	-	-	72,281
Bond Issuance Costs, Net of Accumulated Amortization	-	35,578	-	-
Capital Assets (not being depreciated):				
Land	15,822	870,514	-	-
Construction in Progress	140,552	15,012	-	-
Capital Assets (being depreciated):				
Buildings	636,852	-	-	-
Machinery and Equipment	1,148,815	32,850	-	-
Office Equipment	32,661	-	-	-
Technology	-	-	-	11,050
Vehicles	243,173	-	-	-
Infrastructure	8,554,257	4,691,611	-	-
Total Capital Assets	<u>\$ 10,772,132</u>	<u>\$ 5,609,987</u>	<u>\$ -</u>	<u>\$ 11,050</u>
Total Assets	<u>\$ 16,219,111</u>	<u>\$ 8,673,072</u>	<u>\$ 141,122</u>	<u>\$ 237,355</u>
LIABILITIES				
Accounts Payable	\$ 47,440	\$ -	\$ 6,599	\$ 1,177
Salaries Payable	21,617	-	1,668	2,176
Payroll Liability	-	-	7,089	-
Payroll Taxes Payable	-	2,895	-	-
Long-Term Liabilities:				
Due Within One Year:				
Short Term Note	-	305,000	-	-
Loans Payable	151,920	-	-	-
Sinking Fund Bonds Payable	-	935,000	-	-
Bank Notes Payable	-	281,025	-	-
Compensated Absences Payable	9,874	-	790	-
Due After One Year:				
Sinking Fund Bonds Payable	-	3,600,000	-	-
Compensated Absences Payable	88,866	-	7,114	-
Total Liabilities	<u>\$ 319,717</u>	<u>\$ 5,123,920</u>	<u>\$ 23,260</u>	<u>\$ 3,353</u>
NET POSITION				
Invested in Capital Assets, net of related debt	\$ 10,772,132	\$ 793,962	\$ -	\$ -
Restricted for:				
Capital Projects	1,135,637	-	-	-
Public Safety	239,900	-	-	-
Highways	2,078,208	-	-	-
Flood Repair	375,785	-	-	-
Health and Welfare	173,098	-	117,862	-
Culture and Recreation	24,370	-	-	-
Conservation of Natural Resources	62,596	-	-	-
Emergencies	195,225	-	-	-
Economic Development	-	-	-	205,119
Other Purposes	192,647	-	-	-
Revolving Loans	-	-	-	28,883
Unrestricted	649,796	2,755,190	-	-
Total Net Position	<u>\$ 15,899,394</u>	<u>\$ 3,549,152</u>	<u>\$ 117,862</u>	<u>\$ 234,002</u>

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

TRAILL COUNTY
Hillsboro, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position						
		Program Revenues			Primary Government	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	District Health Unit	Economic Development Commission
Governmental Activities:								
General Government	\$ 1,371,463	\$ 125,188	\$ 19,591	\$ -	\$ (1,226,684)			
Public Safety	829,819	400,371	11,942	-	(417,506)			
Highways and Bridges	2,306,719	129,575	1,351,424	190,995	(634,725)			
Flood Repair	104,859	-	56,290	-	(48,569)			
Emergency	107,252	-	-	-	(107,252)			
Health and Welfare	1,033,355	3,455	312,068	-	(717,832)			
Culture and Recreation	10,057	-	-	-	(10,057)			
Conserv. of Natural Resources	129,403	11,337	-	-	(118,066)			
Interest and Fiscal Charges	6,195	-	-	-	(6,195)			
Total Governmental Activities	\$ 5,899,122	\$ 669,926	\$ 1,751,315	\$ 190,995	\$ (3,286,886)			
Component Units:								
Water Resource District	\$ 814,959	\$ -	\$ -	\$ -	\$ (814,959)	\$ -	\$ -	
District Health Unit	315,743	18,807	105,296	-	-	(191,640)	-	
Economic Develop. Commission	134,783	2,817	15,295	-	-	-	(116,671)	
Total Component Units	\$ 1,265,485	\$ 21,624	\$ 120,591	\$ -	\$ (814,959)	\$ (191,640)	\$ (116,671)	
General Revenues:								
Taxes:								
Property taxes; levied for general purposes					\$ 414,255	\$ 301,847	\$ 137,515	
Property taxes; levied for special purposes					2,921,936	-	-	
Property taxes; levied for debt service					82,677	-	-	
Drain assessments					-	920,653	-	
Non Restricted Grants and Contributions					1,086,639	-	18,506	
Other General Revenues					-	809,596	-	
Unrestricted Investment Earnings					8,845	6,176	493	
Miscellaneous Revenue					70,344	-	6,637	
Total General Revenues					\$ 4,584,696	\$ 2,038,272	\$ 163,151	
Change in Net Position					\$ 1,297,810	\$ 1,223,313	\$ (28,489)	
Net Position - January 1					\$ 14,601,584	\$ 2,325,839	\$ 146,351	
Net Position - December 31					\$ 15,899,394	\$ 3,549,152	\$ 234,002	

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

TRAILL COUNTY
Hillsboro, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Human Services	OASIS Social Security	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and Investments	\$ 439,319	\$ 367,869	\$ 214,967	\$ 1,264,472	\$ 186,298	\$ 83,313	\$ 1,135,637	\$ 1,204,721	\$ 4,896,596
Intergovernmental Receivable	283,165	6,205	8,450	103,466	23,329	-	-	6,074	430,689
Accounts Receivable	-	-	-	-	-	-	-	11,081	11,081
Road Receivables	-	-	6,466	-	-	-	-	-	6,466
Taxes Receivable	12,731	14,345	12,137	-	19,539	16,632	-	26,763	102,147
Total Assets	\$ 735,215	\$ 388,419	\$ 242,020	\$ 1,367,938	\$ 229,166	\$ 99,945	\$ 1,135,637	\$ 1,248,639	\$ 5,446,979
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts Payable	\$ -	\$ -	\$ -	\$ 33,024	\$ 9,416	\$ -	\$ -	\$ 5,000	\$ 47,440
Salaries Payable	-	-	10,641	-	4,876	-	-	6,100	21,617
Total Liabilities	\$ -	\$ -	\$ 10,641	\$ 33,024	\$ 14,292	\$ -	\$ -	\$ 11,100	\$ 69,057
Deferred Inflows of Resources:									
Road Receivable	\$ -	\$ -	\$ 6,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,466
Taxes Receivable	12,731	14,345	12,137	-	19,539	16,632	-	26,763	102,147
Total Deferred Inflows of Resources	\$ 12,731	\$ 14,345	\$ 18,603	\$ -	\$ 19,539	\$ 16,632	\$ -	\$ 26,763	\$ 108,613
Total Liabilities and Deferred Inflows of Resources	\$ 12,731	\$ 14,345	\$ 29,244	\$ 33,024	\$ 33,831	\$ 16,632	\$ -	\$ 37,863	\$ 177,670
Fund Balances:									
Restricted for:									
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,917	\$ 64,917
Capital Projects	-	-	-	-	-	-	1,135,637	-	1,135,637
Public Safety	-	-	-	-	-	-	-	253,808	253,808
Highways & Public Improvement	-	374,074	212,776	1,334,914	-	-	-	126,015	2,047,779
Flood Repair	-	-	-	-	-	-	-	375,785	375,785
Health and Welfare	-	-	-	-	195,335	-	-	4,230	199,565
Culture and Recreation	-	-	-	-	-	-	-	23,053	23,053
Conservation of Natural Resources	-	-	-	-	-	-	-	61,369	61,369
Emergency	-	-	-	-	-	-	-	192,687	192,687
Other	-	-	-	-	-	83,313	-	109,265	192,578
Unassigned	722,484	-	-	-	-	-	-	(353)	722,131
Total Fund Balances	\$ 722,484	\$ 374,074	\$ 212,776	\$ 1,334,914	\$ 195,335	\$ 83,313	\$ 1,135,637	\$ 1,210,776	\$ 5,269,309
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 735,215	\$ 388,419	\$ 242,020	\$ 1,367,938	\$ 229,166	\$ 99,945	\$ 1,135,637	\$ 1,248,639	\$ 5,446,979

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

TRAILL COUNTY
Hillsboro, North Dakota

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

Total *Fund Balances* for Governmental Funds \$ 5,269,309

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

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

Cost of Capital Assets	\$ 14,425,690	
Less Accumulated Depreciation	<u>(3,653,558)</u>	10,772,132

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

Property Taxes Receivable	\$ 102,147	
Road Department Accounts Receivable	<u>6,466</u>	108,613

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 expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2012 are:

Loans Payable	\$ (151,920)	
Compensated Absences	<u>(98,740)</u>	<u>(250,660)</u>

Total Net Position of Governmental Activities \$ 15,899,394

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

TRAILL COUNTY
Hillsboro, 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	Highway Tax Distribution	Human Services	OASIS Social Security	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:									
Taxes	\$ 411,965	\$ 482,306	\$ 304,139	\$ -	\$ 665,682	\$ 577,485	\$ -	\$ 962,344	\$ 3,403,921
Intergovernmental	1,053,447	18,256	17,372	1,268,773	305,084	27,178	64,410	83,434	2,837,954
Licenses, Permits and Fees	20	-	-	-	-	-	-	-	20
Charges for Services	147,258	-	123,109	-	3,245	-	-	389,828	663,440
Interest Income	3,126	267	5,122	-	-	-	197	133	8,845
Miscellaneous	33,283	-	-	-	5,932	-	-	31,129	70,344
Total Revenues	\$ 1,649,099	\$ 500,829	\$ 449,742	\$ 1,268,773	\$ 979,943	\$ 604,663	\$ 64,607	\$ 1,466,868	\$ 6,984,524
Expenditures:									
Current:									
General Government	\$ 758,235	\$ -	\$ -	\$ -	\$ -	\$ 571,437	\$ -	\$ 346,259	\$ 1,675,931
Public Safety	299,591	-	-	-	-	-	-	602,138	901,729
Highways and Bridges	-	189,684	603,437	990,984	-	-	-	511,558	2,295,663
Flood Repairs and Maintenance	-	-	-	-	-	-	-	104,859	104,859
Emergency	-	-	-	-	-	-	-	107,252	107,252
Health and Welfare	-	-	-	-	1,033,329	-	-	686	1,034,015
Culture and Recreation	-	-	-	-	-	-	-	9,112	9,112
Conserv. of Natural Resources	5,000	-	-	-	-	-	-	123,362	128,362
Capital Outlay	-	-	-	-	-	-	88,539	-	88,539
Debt Service:									
Principal	-	-	-	-	-	-	-	146,000	146,000
Interest and Fees	-	-	-	-	-	-	-	6,195	6,195
Total Expenditures	\$ 1,062,826	\$ 189,684	\$ 603,437	\$ 990,984	\$ 1,033,329	\$ 571,437	\$ 88,539	\$ 1,957,421	\$ 6,497,657
Excess (Deficiency) of Revenues Over Expenditures	\$ 586,273	\$ 311,145	\$ (153,695)	\$ 277,789	\$ (53,386)	\$ 33,226	\$ (23,932)	\$ (490,553)	\$ 486,867
Other Financing Sources (Uses):									
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 875,000	\$ 75,000	\$ 950,000
Loan Proceeds	-	-	-	-	-	-	-	151,920	151,920
Transfers out	(875,000)	-	-	-	-	-	-	(75,000)	(950,000)
Total Other Financing Sources and Uses	\$ (875,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 875,000	\$ 151,920	\$ 151,920
Net Change in Fund Balances	\$ (288,727)	\$ 311,145	\$ (153,695)	\$ 277,789	\$ (53,386)	\$ 33,226	\$ 851,068	\$ (338,633)	\$ 638,787
Fund Balances - January 1	\$ 1,011,211	\$ 62,929	\$ 366,471	\$ 1,057,125	\$ 248,721	\$ 50,087	\$ 284,569	\$ 1,549,409	\$ 4,630,522
Fund Balances - December 31	\$ 722,484	\$ 374,074	\$ 212,776	\$ 1,334,914	\$ 195,335	\$ 83,313	\$ 1,135,637	\$ 1,210,776	\$ 5,269,309

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

TRAILL COUNTY
Hillsboro, 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 \$ 638,787

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

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

Current Year Capital Outlay	\$ 960,509	
Loss on Capital Assets	(57,160)	
Capital Contributions to Infrastructure	190,995	
Current Year Depreciation Expense	<u>(498,352)</u>	595,992

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 on 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 proceeds exceeded repayment of debt.

Issuance of Loans	\$ (151,920)	
Repayment of Debt - Loans	<u>146,000</u>	(5,920)

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

Net Change in Compensated Absences	\$ 5,730	
Net Change in Retainage Payables	<u>41,808</u>	47,538

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 and road receivables.

Net Change in Taxes Receivable	\$ 14,947	
Net Change in Road Department Receivables	<u>6,466</u>	<u>21,413</u>

Change in Net Position of Governmental Activities \$ 1,297,810

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

TRAILL COUNTY
Hillsboro, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2012

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 5,173,826</u>
<u>Liabilities:</u>	
Due to Other Governments/Entities	<u>\$ 5,173,826</u>

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

TRAILL COUNTY
Hillsboro, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Traill County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The financial statements of the Traill County Water Resource District, the largest of the aggregate discretely presented component units of Traill County, are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Water Resource District recognizes revenue when received, rather than when earned, and recognize expenditures and expenses when paid rather than when the obligation is incurred. 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 Traill 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 Traill 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 Traill County.

Based on these criteria, there are four component units to be included within Traill County as a reporting entity.

COMPONENT UNITS

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

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

County Park - The Traill County Park is governed by substantively the same governing board as the county. The County Park does not have the right to sue in its own name without recourse to the county. Therefore the County Park is reported as if it were part of the county's operations.

Aggregate Discretely Presented Component Units: The component units' column in the basic financial statements includes the financial data of the county's three component units. These units are reported in separate columns to emphasize that they are legally separate from the county.

TRAILL COUNTY

Notes to the Financial Statements – Continued

Trail County District Health Unit - The County's governing board appoints a voting majority of the members of the Health District Board. The County has the authority to approve or modify the Health District operational and capital budgets. The County's governing board must approve the tax levy established by the Health District.

Trail County Water Resource District - The County's governing board appoints a voting majority of the members of the Trail County Water Resource District Board. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy established by the Water Resource District. The financial statements of the Water Resource District are audited by other auditors and a separate standalone audit report is issued. A complete audit report may be obtained from Drees, Risky and Vallager, LTD, Certified Public Accountants, 1405 Library Circle, Grand Forks, North Dakota, 58201-6399.

Trail County Economic Development Commission - The County's governing board appoints a voting majority of the members of the Economic Development Commission Board. The County has the authority to approve or modify the Economic Development Commission's operational and capital budgets. The County's governing board must approve the tax levy established by the Economic Development Commission. The financial statements of the Economic Development Commission are audited by other auditors and a separate standalone audit report is issued. A complete audit report may be obtained from Overmoe & Nelson, LTD, Certified Public Accountants, 200 1st Avenue North, Grand Forks, North Dakota, 58206.

Component Unit Financial Statements: The financial statements of the aggregately discretely presented component units are presented in the County's basic financial statements and are presented on the modified cash basis of accounting, which is another comprehensive basis of accounting than GAAP. Complete financial statements of the Health District component unit can be obtained from the Trail County Auditor at P.O. Box 429, Hillsboro, North Dakota, 58045 or as noted above for the Water Resource District and Economic Development Commission.

B. Basis of Presentation

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

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

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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 repair and improvement of highways and bridges that are legally restricted from taxes levied.

County Road and Bridge Fund. This fund accounts for repair and improvement of highways and bridges that are legally restricted from taxes levied

Highway Tax Distribution Fund. This fund accounts for repair and improvement of highways that are legally restricted from highway tax distribution from the state.

Human Services Fund. This fund accounts for financial resources related to health and welfare for needy residents of the county that are legally restricted from taxes levied and restricted intergovernmental grants/reimbursements

OASIS and Social Security Fund. This fund accounts for the taxes levied to provide social security and retirement benefits for county employees that are legally restricted from taxes levies.

Capital Improvements Fund. This fund accounts for capital projects incurred by the county.

Additionally, the county reports the following fund type:

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

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

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

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

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets

PRIMARY GOVERNMENT:

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Land	Indefinite
Buildings	25 - 100
Machinery and Equipment	5 - 20
Infrastructure	40
Vehicles	3 - 20
Office Equipment	3 - 15

AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS:

Trail County Health District:

Capital assets of the Traill County Health District, a discretely presented component unit of Traill County, consist of a vehicle. Capital assets are reported at historical cost, or estimated historical cost for assets where actual historical cost is not available. 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. The capitalization threshold used is \$5,000 per item for all capital assets. The Health District uses the County capitalization threshold and method, but uses the following estimated use lives for depreciation:

Assets	Years
Vehicles	5 - 7
Office Equipment	3 - 5

TRAILL COUNTY

Notes to the Financial Statements – Continued

Trail County Economic Development Commission:

Capital assets of the Traill County Economic Development Commission, a discretely presented component unit of Traill County, are reported at historical cost, or estimated historical cost if historical cost is not available. Capital assets are updated for additions and retirements during the year. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. All reported capital assets are depreciated except for construction in progress, and deposits on undelivered equipment. The commission maintains a \$700 capitalization threshold for office equipment and technology. Depreciation is computed using the straight-line method over the following useful lives:

Assets	Years
Technology	3
Office Equipment	7

Trail County Water Resource District:

Capital assets of the Traill County Water Resource District, a discretely presented component unit of Traill County, are reported at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are reported as capital assets at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded in the government wide financial statements in a discretely presented component unit column. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 7 years for equipment and vehicles. Useful lives of land improvements are 50 years. Capital assets not being depreciated include land.

F. Compensated Absences

Vacation leave is earned at the rate of one to two days per month depending on years of service. For non-social service employees up to 80 hours of vacation leave may be carried over at December 31 of each year. Sick leave benefits are earned at the rate of one day per month regardless of the years of service. Up to 800 hours of sick leave hours may be carried over and employees are paid for one-tenth of their accumulated sick leave at retirement to a limit of 800 hours. On December 31st of each year if an employee has accumulated 880 hours of sick leave or more, the employee may trade 80 hours of sick leave for 8 hours of vacation. For social services employees up to 240 hours of vacation leave may be carried over at year-end. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

Vacation leave is earned as follows:

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

G. Long-Term Obligations

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

H. Fund Balances / Net Position

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

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (farm to market road, county road and bridge, highway tax distribution, human services, and OASIS fund) are disclosed in more detail in Note 1B.

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, 2012. 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.
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.

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TRAILL COUNTY

Notes to the Financial Statements – Continued

CLASSIFICATION	DEFINITION	EXAMPLES
Unassigned	<p>Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification.</p> <p>(a) The General Fund is the only fund that can report a positive unassigned fund balance</p> <p>(b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.</p>	Available for any remaining general fund expenditure.

Trail County only has restricted and unassigned fund balances at December 31, 2012.

Restricted 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 natural resources, emergencies, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

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.

Net Position:

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

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

Net investment in capital assets is reported for capital assets less accumulated depreciation. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

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

Net position in the statement of net position is shown by primary function and is restricted for capital projects, public safety, highways and bridges, flood repair, health & welfare, culture & recreation, conservation of natural resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

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

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Special Revenue Funds:</u>			
County Bridge	\$159,500	\$ 68,768	\$ 228,268
Highway Distribution	900,000	251,546	1,151,546
County Loan	98,000	54,195	152,195
Homemaker Expense	-	659	659
Document Preservation	-	2,088	2,088
Sheriff Designation	-	1,205	1,205
Capital Improvements	-	88,539	88,539
Victim Witness	-	10,694	10,694
Hatton/Portland Policing	-	147,325	147,325
Hazard Mitigation	-	33,931	33,931
2001 Disaster	-	18,165	18,165
2002 Disaster	-	11,062	11,062
2004 Disaster	-	16,953	16,953
2005 Disaster	-	7,283	7,283
2006 Disaster	-	1,221	1,221
2009 Disaster	-	30,739	30,739
2010 Disaster	-	20,551	20,551
2011 Disaster	-	34,987	34,987
911 Wireless	-	92,616	92,616
Cemetery	-	540	540
Homeland Security	-	550	550
911	-	8,535	8,535

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2012, the county's carrying amount of deposits was \$9,475,071 and the bank balances totaled \$9,507,256. Deposits totaling \$4,628,987 were held at the Bank of North Dakota that are backed by the full faith and credit of the state of North Dakota and do not require pledges. Deposits totaling \$435,687 were backed by treasurer bonds, which are backed by the full faith and credit of the federal government. Of the county bank balances, \$1,639,007 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,803,575 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2012, the District Health Unit's carrying amount of deposits was \$129,236 and the bank balances totaled \$130,836, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2012, the Economic Development Commission's carrying amount of deposits was \$119,734 and the bank balances totaled \$194,847, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2012, the Water Resource District's carrying amount of deposits of \$3,027,507 was fully covered by Federal Depository Insurance or pledges of securities.

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 had certificates of deposit totaling \$98,520 and Treasury Bills totaling \$438,687. The District Health Unit had certificates of deposit totaling \$112,084.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4: TAXES RECEIVABLE

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

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

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

NOTE 5: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 6: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due for fees and services provided.

NOTE 7: ROAD ACCOUNTS RECEIVABLE

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

NOTE 8: LOANS RECEIVABLE

The Traill County Economic Development Commission (a component unit of Traill County) had the following activity in Economic Development loans receivable during fiscal year 2012. Detailed information on EDC individual loan balances may be obtained from their separate audit report.

	Beginning Balance	Loans Issued	Loan Repayments	Ending Balance
Clifford Dinner Theater	\$ 1,434	\$ -	\$ -	\$ 1,434
Paddlewheel Café	511	-	-	511
Karrell Enterprises	1,805	-	-	1,805
Paddlewheel (L. Morris)	2,435	-	-	2,435
Hepper-Olson	7,000	-	750	6,250
Buxton Daycare	3,920	-	840	3,080
RS Electric, LLC	1,839	-	1,000	839
Boeddeker Septic Pump	2,722	-	1,166	1,556
Hillsboro Heat/Cool (2%)	6,271	-	2,485	3,786
Hatton Granite (2%)	20,249	-	8,311	11,938
Allowance for Doubtful Accounts	(2,316)	-	2,435	(4,751)
Totals	\$45,870	\$ -	\$16,987	\$28,883

Concentration of Credit Risk:

The Commission participates in numerous unsecured economic development loans. These loans are generally to small local start-up business located within Traill County. The risk of non-payment is significant due to the economic climate in the small rural communities that are located in the county. The Commission attempts to limit its risk by limiting the loan amounts per business to a relatively small amount, although there is no formal policy limiting the amount of exposure to any one client.

TRAILL COUNTY

Notes to the Financial Statements – Continued

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2012 for the primary government:

Primary Government:	Balance 1-1-12	Increases	Decreases	Transfers	Balance 12-31-12
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 15,822	\$ -	\$ -	\$ -	\$ 15,822
Construction Progress	2,306,693	210,742	-	(2,376,883)	140,552
Total Capital Assets, not being depreciated	\$ 2,322,515	\$210,742	\$ -	\$(2,376,883)	\$ 156,374
<i>Capital assets being depreciated:</i>					
Buildings	\$ 721,265	\$369,030	\$ -	\$ -	\$ 1,090,295
Machinery and Equipment	2,392,198	251,920	142,900	-	2,501,218
Office Equipment	306,633	-	20,000	-	286,633
Vehicles	807,267	111,865	-	-	919,132
Infrastructure	6,887,208	207,947	-	2,376,883	9,472,038
Total Capital Assets, Being Depreciated	\$11,114,571	\$940,762	\$162,900	\$ 2,376,883	\$14,269,316
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 433,505	\$ 19,937	\$ -	\$ -	\$ 453,442
Machinery and Equipment	1,293,606	144,537	85,740	-	1,352,403
Office Equipment	252,901	21,072	20,000	-	253,973
Vehicles	599,955	76,004	-	-	675,959
Infrastructure	680,980	236,801	-	-	917,781
Total Accumulated Depreciation	\$ 3,260,947	\$498,351	\$105,740	\$ -	\$ 3,653,558
Total Capital Assets Being Depreciated, Net	\$ 7,853,624	\$442,411	\$ 57,160	\$ 2,376,883	\$10,615,758
Governmental Activities- Capital Assets, Net	\$10,176,139	\$653,153	\$ 57,160	\$ -	\$10,772,132

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

Governmental Activities:	Amounts
General Government	\$ 19,151
Public Safety	38,946
Highways and Bridges	433,639
Health and Welfare	4,669
Culture and Recreation	945
Conservation of Natural Resources	1,001
Total Depreciation Expense - Governmental Activities	\$498,351

Trail County Water Resource District:

The following is a summary of changes in capital assets for the Trail County WRD, a discretely presented component unit of Trail County, for the year ended December 31, 2012:

Trail County Water Resource District	Balance 1-1-12	Increases	Decreases	Transfers	Balance 12-31-12
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 791,368	\$ 79,146	\$ -	\$ -	\$ 870,514
Construction in Progress	1,612,297	15,012	-	(1,612,297)	15,012
Total Capital Assets, not being depreciated	\$2,403,665	\$ 94,158	\$ -	\$(1,612,297)	\$ 885,526
<i>Capital assets being depreciated:</i>					
Equipment	\$ 61,552	\$ 15,712	\$ -	\$ -	\$ 77,264
Infrastructure	3,134,578	271,160	-	1,612,297	5,018,035
Total Capital Assets, Being Depreciated	\$3,196,130	\$286,872	\$ -	\$ 1,612,297	\$5,095,299
<i>Less Accumulated Depreciation for:</i>					
Equipment	\$ 33,779	\$ 10,635	\$ -	\$ -	\$ 44,414
Infrastructure	254,364	72,060	-	-	326,424
Total Accumulated Depreciation	\$ 288,143	\$ 82,695	\$ -	\$ -	\$ 370,838
Total Capital Assets Being Depreciated, Net	\$2,907,987	\$204,177	\$ -	\$ 1,612,297	\$4,724,461
Governmental Activities- Capital Assets, Net	\$5,311,652	\$298,335	\$ -	\$ -	\$5,609,987

TRAILL COUNTY

Notes to the Financial Statements – Continued

Trail County Health District:

The following is a summary of changes in capital assets for the Trail County Health District, a discretely presented component unit of Trail County, for the year ended December 31, 2012:

Trail County District Health Unit	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Vehicles	\$18,950	\$ -	\$ -	\$18,950
Total Capital Assets Being Depreciated	\$18,950	\$ -	\$ -	\$18,950
<i>Less Accumulated Depreciation for:</i>				
Vehicles	\$18,950	\$ -	\$ -	\$18,950
Total Accumulated Depreciation	\$18,950	\$ -	\$ -	\$18,950
Total Capital Assets Being Depreciated, Net	\$ -	\$ -	\$ -	\$ -

Trail County Economic Development Commission:

The following is a summary of changes in capital assets for the Trail County Economic Development Commission, a discretely presented component unit of Trail County, for the year ended December 31, 2012.

Trail County Economic Development Commission	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Vehicles	\$22,100	\$ -	\$ -	\$22,100
Total Capital Assets Being Depreciated	\$22,100	\$ -	\$ -	\$22,100
<i>Less Accumulated Depreciation for:</i>				
Vehicles	\$ 3,683	\$ 7,367	\$ -	\$11,050
Total Accumulated Depreciation	\$ 3,683	\$ 7,367	\$ -	\$11,050
Total Capital Assets Being Depreciated, Net	\$18,417	\$(7,367)	\$ -	\$11,050

NOTE 10: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2012 and chargeable to the appropriations for the years then ended, but paid for subsequent to that date.

NOTE 11: SALARIES PAYABLE

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

NOTE 12: DEFERRED INFLOWS OF RESOURCES

Trail County early implemented provisions of GASB 65 "Items Previously Reported as Assets and Liabilities" during the year ended December 31, 2012. Prior to GASB 65, the offset to taxes receivable and road receivables were reported as a liability in the balance sheet, but is now reported as a deferred inflow of resources under the provisions of GASB 65.

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

NOTE 13: LONG-TERM DEBTPrimary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2012; the following changes occurred in governmental activities long-term liabilities for Trill County:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	\$146,000	\$151,920	\$146,000	\$151,920	\$151,920
Compensated Absences *	104,470	-	5,730	98,740	9,874
Total Governmental Activities	\$250,470	\$151,920	\$151,730	\$250,660	\$161,794

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

Outstanding debt (excluding compensated absences and leases payable) at December 31, 2012 for the primary government governmental activities consists of the following issue:

Loan Payable:

\$151,920 Bank Loan for a John Deere 772G Motor Grader due in 2013;
no interest.

\$151,920

DISCRETELY PRESENTED COMPONENT UNIT:Trill 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 District:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bonds Payable	\$4,935,000	\$ -	\$400,000	\$4,535,000	\$ 935,000
Bank Notes Payable	595,766	-	314,741	281,025	372,990
Total Governmental Activities	\$5,530,766	\$ -	\$714,741	\$4,816,025	\$1,307,990

Outstanding debt (excluding compensated absences and leases payable) at December 31, 2012 for the Water Resource District governmental activities consists of the following individual issues.

Sinking Fund Bonds:

\$780,000 Improvement Bonds for Greenfield Bohnsack Drain #57, Series 1999 due in annual installments of \$50,000 to \$90,000 through May 1, 2014, interest payable semi-annually at 3.75% to 4.8%.

\$ 100,000

\$1,325,000 Refunding Improvement Bonds for County Drains #9-#18, #29, #13, #58, & #6, Series 2012 due in annual installments of \$145,000 to \$160,000 through May 1, 2018; interest payable semi-annually at 1.75% to 3.3%.

885,000

TRAILL COUNTY

Notes to the Financial Statements – Continued

Sinking Fund Bonds - CONTINUED:

\$2,850,000 Refunding Improvement Bonds of 2012 for Moen Drain Reconstruction due in annual installments of \$80,000 to \$970,000 through May 1, 2025 interest payable semi-annually at 1.00% to 3.55%	\$2,650,000
\$680,000 GO Refunding Bonds of 2011 for Norway #38; due in annual installments of \$25,000 to \$45,000 through May 1, 2019; interest payable semi-annually at 2.0% to 4.75%.	195,000
\$1,900,000 Improvement Bonds of 2012 for Steenerson-Leriness #34-20 drainage system; due in annual installments of \$45,000 to \$1,000,000 through May 1, 2023, interest payable semi-annually at 2.5% to 5.0%.	<u>705,000</u>
Total Water Resource District – Sinking Fund Bonds	<u>\$4,535,000</u>

Bank Notes Payable:

\$110,000 Bank Loan Payable for Drains #9, #18, & #29 due in six annual installments of \$21,667 through June 1, 2013; interest at 5.25%.	\$ 20,544
\$148,000 Bank Loan Payable for Drain 23-40 Lateral A due in nine annual installments of \$14,187 and a final balloon payment of \$75,185 in 2016; with interest at 5.25%.	99,707
\$200,000 Bank Loan for Drain #17, due in eleven annual installments of \$23,226 through May 1, 2018; with interest at 5.0%.	117,753
\$120,000 Bank Loan for Drain #19, due in six annual installments of \$22,932 through October 31, 2014; with interest at \$4.25%.	<u>43,021</u>
Total Water Resource District Bank Loans/Lines of Credit	<u>\$ 281,025</u>
Total Water Resource District Long-Term Debt	<u>\$4,816,025</u>

Debt service requirements on long-term debt for the discretely presented component unit governmental activities for loans payable at December 31, 2012 are as follows:

WRD - GOVERNMENTAL ACTIVITIES			
Year Ending December 31	Loans, Leases & Bonds Payable		
	Principal	Interest	Total
2013	\$1,307,990	\$139,586	\$1,447,576
2014	449,517	117,019	566,536
2015	384,029	104,162	488,191
2016	461,453	92,155	553,608
2017	401,070	75,423	476,493
2018 - 2022	1,251,966	214,806	1,466,772
2023 - 2026	560,000	27,915	587,915
Totals	\$4,816,025	\$771,066	\$5,587,091

The District has a short-term note in the amount of \$305,000 for the Brokke lateral, Preston Extension, #55, #32, #45, #6, #19, #62 and #95. The note payable is due in one installment due 4/15/2013 with an interest rate of 2.90%.

TRAILL COUNTY

Notes to the Financial Statements – Continued

DISCRETELY PRESENTED COMPONENT UNIT:

Health District:

Changes in Long-Term Liabilities – During the year ended December 31, 2012; the following changes occurred in governmental activities long-term liabilities for the Traill County Health District:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences *	\$7,671	\$233	\$ -	\$7,904	\$790

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

NOTE 14: 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
<u>Major Funds:</u>		
General Fund	\$ -	\$875,000
Capital Improvements	875,000	-
<u>Special Revenue Funds:</u>		
Emergency 911	75,000	-
E911 Wireless	-	75,000
Total Transfers	\$950,000	\$950,000

NOTE 15: PENSION PLAN

The county and the county's component units participate in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of the county and the county's component units. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

TRAILL COUNTY

Notes to the Financial Statements – Continued

Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Funding Policy:

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 6% of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The county and the county's component units have implemented a salary reduction agreement and are currently contributing the employees share. The county and the county's component units are required to contribute 4.26% of each participant's salary as the employer's share. In addition to the 4.26% employer contribution, the employer is required to contribute 1% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. The county's required and actual contributions to NDPERS for the fiscal years ended December 31, 2012, 2011, and 2010 were \$227,390, \$203,176, and \$194,908, respectively. The water resource district's required and actual contributions to NDPERS for the years ended December 31, 2012, 2011, and 2010 were \$8,527, \$8,775, and \$6,929, respectively. The economic development commissions required and actual contributions to NDPERS for the years ended December 31, 2012, 2011, and 2010 were \$4,482, \$3,531, and \$3,658, respectively. The health unit's required and actual contributions to NDPERS for the years ended December 31, 2012, 2011, and 2010 were \$18,769, \$13,405, and \$13,941, respectively.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 16: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Traill County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$2,796,223 for mobile equipment and portable property (public assets). The coverage for the Water Resource District and the Economic Development Commission by NDRIF is limited to losses of one million dollars for general liability and automobile.

Traill County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Traill 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 Traill County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees, while the Water Resource District carries \$890,000 coverage. The State Bonding Fund does not currently charge any premium for this coverage.

TRAILL COUNTY

Notes to the Financial Statements – Continued

Trail County and the water resource district have workers compensation with the Workforce, Safety and Insurance. The water resource district purchases commercial insurance for employee health and accident insurance.

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

NOTE 17: JOINT VENTURE

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2012.

	Red River Joint Water Resource Board
Total Assets	\$6,082,576
Total Liabilities	37,515
Total Net Position	\$6,045,061
Revenues	\$2,105,063
Expenses	585,461
Change in Net Position	\$1,519,601

NOTE 18: CONDUIT DEBT

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

As of December 31, 2012 there are Industrial Revenue Bonds to the Hillsboro Medical Center with an amount outstanding totaling \$12,775,000.

TRAILL COUNTY

Notes to the Financial Statements – Continued

NOTE 19: COMMITMENTSCommitments:

At December 31, 2012, Trill County had commitments for remaining project costs related to bridge 263. As of December 31, 2012, the remaining construction commitments are as follows:

Project	Original Contract	Total Completed	Retainage	Remaining Balance	Percent Completed
Bridge 263	\$279,260	\$140,552	\$ -	\$138,708	50.33%

Contingencies:

The County, Health District, and Economic Development Commission participated in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the County, Health District, and Economic Development Commission have not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2012 may be impaired. In the opinion of the County, Health District, and Economic Development Commission, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 20: OPERATING LEASE - WRD

The Water Resource District is obligated under a lease accounted for as an operating lease. The following is a schedule by years of future minimum rental payments required under the operating lease that has initial or remaining non-cancellable lease terms in excess of one year as of December 31, 2012:

Fiscal Year	Amounts
2013	\$ 8,400
2014	7,700
Total	\$24,500

NOTE 21: OPERATING LEASE - EDC

On May 1, 2011, the Commission entered into a three year non-cancellable lease of its office space with LEP Management. Monthly rental fees of \$550 are due until the lease expires on April 31, 2014. Future annual lease payments are as follows:

Fiscal Year	Amounts
2013	\$6,600
2014	2,200
Total	\$8,800

NOTE 22: SUBSEQUENT EVENT

In March of 2013, the County Commission approved the issuance of the \$200,000 in Certificate of Indebtedness and was used to finance highway operations.

TRAILL COUNTY
Hillsboro, 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	\$ 428,200	\$ 428,200	\$ 411,965	\$ (16,235)
Intergovernmental	518,031	518,031	1,053,447	535,416
Licenses, Permits and Fees	260	260	20	(240)
Charges for Services	127,808	127,808	147,258	19,450
Interest Income	6,000	6,000	3,126	(2,874)
Miscellaneous	17,216	17,216	33,283	16,067
Total Revenues	\$ 1,097,515	\$ 1,097,515	\$ 1,649,099	\$ 551,584
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,045,029	\$ 1,045,029	\$ 758,235	\$ 286,794
Public Safety	309,524	309,524	299,591	9,933
Conservation of Natural Resources	-	-	5,000	(5,000)
Total Expenditures	\$ 1,354,553	\$ 1,354,553	\$ 1,062,826	\$ 291,727
Excess (Deficiency) of Revenues Over Expenditures	\$ (257,038)	\$ (257,038)	\$ 586,273	\$ 843,311
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (875,000)	\$ (875,000)
Net Change in Fund Balances	\$ (257,038)	\$ (257,038)	\$ (288,727)	\$ (31,689)
Fund Balances - January 1	\$ 1,011,211	\$ 1,011,211	\$ 1,011,211	\$ -
Fund Balances - December 31	\$ 754,173	\$ 754,173	\$ 722,484	\$ (31,689)

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

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 506,166	\$ 506,166	\$ 482,306	\$ (23,860)
Intergovernmental	10,022	10,022	18,256	8,234
Interest Income	-	-	267	267
Total Revenues	<u>\$ 516,188</u>	<u>\$ 516,188</u>	<u>\$ 500,829</u>	<u>\$ (15,359)</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 575,000</u>	<u>\$ 575,000</u>	<u>\$ 189,684</u>	<u>\$ 385,316</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (58,812)</u>	<u>\$ (58,812)</u>	<u>\$ 311,145</u>	<u>\$ 369,957</u>
Fund Balances - January 1	<u>\$ 62,929</u>	<u>\$ 62,929</u>	<u>\$ 62,929</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 4,117</u>	<u>\$ 4,117</u>	<u>\$ 374,074</u>	<u>\$ 369,957</u>

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

TRAILL COUNTY
Hillsboro, 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	\$ 321,358	\$ 321,358	\$ 304,139	\$ (17,219)
Intergovernmental	9,746	9,746	17,372	7,626
Charges for Services	60,000	60,000	123,109	63,109
Interest Income	6,000	6,000	5,122	(878)
Total Revenues	\$ 397,104	\$ 397,104	\$ 449,742	\$ 52,638
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 999,050	\$ 999,050	\$ 603,437	\$ 395,613
Excess (Deficiency) of Revenues Over Expenditures	\$ (601,946)	\$ (601,946)	\$ (153,695)	\$ 448,251
Fund Balances - January 1	\$ 366,471	\$ 366,471	\$ 366,471	\$ -
Fund Balances - December 31	\$ (235,475)	\$ (235,475)	\$ 212,776	\$ 448,251

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

TRAILL COUNTY
Hillsboro, North Dakota

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$ 900,000	\$ 900,000	\$ 1,268,773	\$ 368,773
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 900,000	\$ 1,154,546	\$ 990,984	\$ 163,562
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (254,546)	\$ 277,789	\$ 532,335
Fund Balances - January 1	\$ 1,057,125	\$ 1,057,125	\$ 1,057,125	\$ -
Fund Balances - December 31	\$ 1,057,125	\$ 802,579	\$ 1,334,914	\$ 532,335

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

TRAILL COUNTY
Hillsboro, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 701,151	\$ 701,151	\$ 665,682	\$ (35,469)
Intergovernmental	263,734	263,734	305,084	41,350
Charges for Services	-	-	3,245	3,245
Total Revenues	<u>\$ 964,885</u>	<u>\$ 964,885</u>	<u>\$ 979,943</u>	<u>\$ 15,058</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	<u>\$ 1,064,400</u>	<u>\$ 1,064,400</u>	<u>\$ 1,033,329</u>	<u>\$ 31,071</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (99,515)</u>	<u>\$ (99,515)</u>	<u>\$ (53,386)</u>	<u>\$ 46,129</u>
Fund Balances - January 1	<u>\$ 248,721</u>	<u>\$ 248,721</u>	<u>\$ 248,721</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 149,206</u>	<u>\$ 149,206</u>	<u>\$ 195,335</u>	<u>\$ 46,129</u>

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

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
OASIS SOCIAL SECURITY FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 605,754	\$ 605,754	\$ 577,485	\$ (28,269)
Intergovernmental	5,491	5,491	27,178	21,687
Total Revenues	<u>\$ 611,245</u>	<u>\$ 611,245</u>	<u>\$ 604,663</u>	<u>\$ (6,582)</u>
<u>Expenditures:</u>				
Current:				
General Government	<u>\$ 640,094</u>	<u>\$ 640,094</u>	<u>\$ 571,437</u>	<u>\$ 68,657</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (28,849)</u>	<u>\$ (28,849)</u>	<u>\$ 33,226</u>	<u>\$ 62,075</u>
Fund Balances - January 1	<u>\$ 50,087</u>	<u>\$ 50,087</u>	<u>\$ 50,087</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 21,238</u>	<u>\$ 21,238</u>	<u>\$ 83,313</u>	<u>\$ 62,075</u>

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

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2012, Traill County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
Special Revenue Funds:			
Emergency 911	\$92,617	\$106,760	\$(14,143)
E911 Wireless	8,535	17,617	(9,082)

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

TRAILL COUNTY
Hillsboro, North Dakota

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

	Balance 1-1-12	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-12
Major Govt. Funds:							
General Fund	\$ 783,178.92	\$ 1,593,965.84	\$ -	\$ -	\$ 875,000.00	\$ 1,062,826.27	\$ 439,318.49
Farm to Market Road	\$ 62,929.02	\$ 494,623.00	\$ -	\$ -	\$ -	\$ 189,683.65	\$ 367,868.37
County Road & Bridge	366,471.15	441,291.97	-	-	-	592,796.26	214,966.86
Highway Distribution	1,150,107.31	1,265,910.50	-	-	-	1,151,545.80	1,264,472.01
County Human Services	248,720.89	956,614.30	-	-	-	1,019,036.98	186,298.21
Oasis and Social Security	50,086.62	604,663.35	-	-	-	571,437.23	83,312.74
Capital Improvements	284,568.84	64,606.89	875,000.00	-	-	88,538.76	1,135,636.97
Total Major Funds	\$2,946,062.75	\$ 5,421,675.85	\$ 875,000.00	\$ -	\$ 875,000.00	\$ 4,675,864.95	\$ 3,691,873.65
Nonmajor Govt. Funds:							
Special Revenue Funds:							
County Road	\$ 138,536.08	\$ 152,617.37	\$ -	\$ -	\$ -	\$ 188,767.00	\$ 102,386.45
County Bridge	236,117.41	15,143.96	-	-	-	228,267.67	22,993.70
Homemaker Exp - Estate	4,460.91	210.00	-	-	-	685.58	3,985.33
Emergency Fund	203,542.44	96,038.52	-	-	-	107,251.78	192,329.18
Health Insurance	1,714.89	204,060.25	-	-	-	201,303.48	4,471.66
Veteran's Service Officer	6,022.39	32,012.44	-	-	-	31,001.25	7,033.58
Hatton/Portland Policing	19,759.82	83,871.66	-	-	-	99,910.90	3,720.58
Mayville Policing	28,398.95	157,035.90	-	-	-	147,325.35	38,109.50
Abandoned Cemetery	10,611.57	3,123.72	-	-	-	540.00	13,195.29
Document Preservation	9,045.63	11,336.83	-	-	-	2,087.52	18,294.94
County Share Special Assessments	49,126.19	31.49	-	-	-	-	49,157.68
County Agent	4,840.33	75,987.86	-	-	-	70,368.31	10,459.88
Sheriff Designated	677.08	1,500.00	-	-	-	1,205.10	971.98
Homeland Security	185.70	548.89	-	-	-	549.89	184.70
Sheriff Designated - Drug Dog	149.22	-	-	-	-	-	149.22
Weed Control	38,568.75	43,462.50	-	-	-	50,366.58	31,664.67
Jail	21,548.95	190,510.19	-	-	-	178,045.82	34,013.32
County Park	1,039.22	23,904.94	-	-	-	9,112.38	15,831.78
Insurance Reserve	82,526.25	102,510.79	-	-	-	113,954.08	71,082.96
Seat Belt Safety	244.24	-	-	-	-	-	244.24
Emergency 911	27,594.83	41,919.80	75,000.00	-	-	106,759.66	37,754.97
DES Hazardous Chemicals	3,956.04	1,366.55	-	-	-	-	5,322.59
Hazard Mitigation	10,562.50	23,368.00	-	-	-	33,930.50	-
FEMA 2001 Disaster	18,164.87	-	-	-	-	18,164.87	-
E911 Wireless	147,797.33	72,113.20	-	-	75,000.00	17,616.60	127,293.93
FEMA 2002 Disaster	11,061.86	-	-	-	-	11,061.86	-
FEMA 2004 Disaster	21,600.74	-	-	-	-	16,953.27	4,647.47
FEMA 2005 Disaster	7,283.01	-	-	-	-	7,283.01	-
FEMA 2006 Disaster	7,437.44	-	-	-	-	1,221.48	6,215.96
FEMA 2009 Disaster	103,413.37	-	-	-	-	30,738.70	72,674.67
FEMA 2010 Disaster	227,378.16	-	-	-	-	(20,551.07)	247,929.23
FEMA 2011 Disaster	21,204.03	62,747.80	-	-	-	34,986.52	48,965.31
Victim & Witness Advocacy	13,046.50	16,371.18	-	-	-	10,694.05	18,723.63
Total Nonmajor Special Rev. Funds	\$1,477,616.70	\$ 1,411,793.84	\$ 75,000.00	\$ -	\$ 75,000.00	\$ 1,699,602.14	\$ 1,189,808.40
Debt Service Fund (Nonmajor):							
County Loan	\$ 72,738.60	\$ 94,369.75	\$ -	\$ -	\$ -	\$ 152,195.40	\$ 14,912.95
Total Nonmajor Govt. Funds	\$1,550,355.30	\$ 1,506,163.59	\$ 75,000.00	\$ -	\$ 75,000.00	\$ 1,851,797.54	\$ 1,204,721.35
Total Governmental Funds	\$4,496,418.05	\$ 6,927,839.44	\$ 950,000.00	\$ -	\$ 950,000.00	\$ 6,527,662.49	\$ 4,896,595.00

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TRAILL COUNTY
Hillsboro, North Dakota

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

CONTINUED...	Balance 1-1-12	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-12
<u>Agency Funds:</u>							
Airport	\$ 59.21	\$ 9,507.26	\$ -	\$ -	\$ -	\$ 9,535.38	\$ 31.09
Ambulance	2,406.86	315,146.87	-	-	-	316,407.85	1,145.88
Job/Economic Development	828.40	121,002.00	-	-	-	121,402.29	428.11
County Historical Society	115.96	20,316.11	-	-	-	20,377.04	55.03
Water Resource District (County)	966.52	127,308.22	-	-	-	127,816.10	458.64
Senior Citizens	241.63	56,029.98	-	-	-	56,156.99	114.62
Health District (County)	968.19	136,256.26	-	-	-	136,743.55	480.90
State Taxes	241.63	31,260.79	-	-	-	31,387.80	114.62
Part Payment	2,683.59	14,766.24	-	-	-	16,611.10	838.73
Wetlands	-	1,027.00	-	-	-	1,027.00	-
Prepaid Taxes	4,339,367.88	5,046,402.32	-	-	-	4,339,367.88	5,046,402.32
Paid Under Protest	3,229.86	10,529.61	-	-	-	9,154.32	4,605.15
Game and Fish Licenses	11,856.26	17,025.00	-	-	-	20,069.00	8,812.26
Mobile Homes	1,618.93	7,400.04	-	-	-	-	9,018.97
Garrison Diversion	263.76	35,946.08	-	-	-	36,082.09	127.75
Domestic Violence	60.00	1,105.00	-	-	-	955.00	210.00
UCC Funds	408.80	-	-	-	-	-	408.80
County Agent Special	3,319.94	5,322.00	-	-	-	2,931.06	5,710.88
Unclaimed Property	487.78	154.39	-	-	-	487.78	154.39
Clerk of Court Checking	41,814.81	212,531.32	-	-	-	202,022.12	52,324.01
Red River Joint Water Resources	241.63	62,636.99	-	-	-	62,673.42	205.20
Traffic Safety Grant	472.47	2,380.64	-	-	-	2,836.46	16.65
Soil Conservation District	241.63	32,948.90	-	-	-	33,075.91	114.62
JAG Grant (ARRA 2009)	(470.50)	470.50	-	-	-	-	-
24/7 Fund	2,410.00	3,660.00	-	-	-	4,001.00	2,069.00
Total Cities	26,096.07	2,006,648.42	-	-	-	2,016,998.92	15,745.57
Total Park Districts	3,114.17	174,105.45	-	-	-	176,303.45	916.17
Total School Districts	36,835.24	4,324,070.10	-	-	-	4,343,300.99	17,604.35
Total Townships	3,059.69	1,353,870.76	-	-	-	1,355,163.81	1,766.64
Drains (County)	8,540.80	1,099,814.55	-	-	-	1,104,533.36	3,821.99
Total Rural Fire Protection Districts	674.55	75,987.13	-	-	-	76,537.56	124.12
Speed Enforcement	-	1,124.82	-	-	-	1,124.82	-
Total Agency Funds	\$ 4,492,155.76	\$ 15,306,754.75	\$ -	\$ -	\$ -	\$ 14,625,084.05	\$ 5,173,826.46
Total Primary Government	\$ 8,988,573.81	\$ 22,234,594.19	\$ 950,000.00	\$ -	\$ 950,000.00	\$ 21,152,746.54	\$ 10,070,421.46

STATE AUDITOR

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

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

Board of County Commissioners
Traill County
Hillsboro, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Traill County, Traill, North Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Traill County's basic financial statements, and have issued our report thereon dated November 7, 2013. As described in our report, we issued an adverse opinion on the aggregate discretely presented component units based on a different financial reporting framework being followed by one of the component units.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

TRAILL 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

Compliance and Other Matters

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
November 7, 2013

