

# **OFFICE OF THE STATE AUDITOR**

## **AUDIT REPORT**

### **TRAIL COUNTY HILLSBORO, NORTH DAKOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2013**



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TRAILL COUNTY  
Hillsboro, North Dakota

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For the Year Ended December 31, 2013

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TRAILL COUNTY  
Hillsboro, North Dakota

**COUNTY OFFICIALS**

December 31, 2013

Steven J Larson

Chairperson

Leslie Amb

Vice Chairperson

Thomas Eblen

Commissioner

Kurt Elliott

Commissioner

Gail Mooney

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Summary of Opinions**

<b>Opinion Unit</b>	<b>Type of Opinion</b>
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, 2013, 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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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 30-36 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 14, 2014 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 14, 2014

TRAILL COUNTY  
Hillsboro, North Dakota  
STATEMENT OF NET POSITION  
December 31, 2013

	Primary	Component Units		
	Governmental Activities	Water Resource District	District Health Unit	Economic Development Commission
<b>ASSETS</b>				
Cash, Cash Equivalents and Investments	\$ 6,057,432	\$ 1,772,630	\$ 141,417	\$ 186,307
Intergovernmental Receivable	447,798	-	27,924	-
Accounts Receivable	10,931	-	-	-
Due from County	-	-	610	-
Road Receivables	1,992	-	-	-
Taxes Receivable	65,970	-	2,882	2,788
Economic Development Loans Receivable	-	-	-	38,586
Other Receivable	-	-	1,498	1,332
Prepaid Rent	-	-	-	550
Bond Issuance Costs, net of accumulated amortization	-	31,518	-	-
Capital Assets (not being depreciated):				
Land	15,822	878,761	-	-
Construction in Progress	692,896	-	-	-
Capital Assets (being depreciated):				
Buildings	693,547	-	-	-
Machinery and Equipment	1,191,175	32,696	-	-
Office Equipment	21,102	-	-	-
Technology	-	-	-	3,683
Vehicles	152,267	-	22,948	-
Infrastructure	9,516,507	4,935,326	-	-
Total Capital Assets	<u>\$ 12,283,316</u>	<u>\$ 5,846,783</u>	<u>\$ 22,948</u>	<u>\$ 3,683</u>
Total Assets	<u>\$ 18,867,439</u>	<u>\$ 7,650,931</u>	<u>\$ 197,279</u>	<u>\$ 233,246</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 259,515	\$ -	\$ 1,623	\$ 1,243
Salaries Payable	23,894	-	2,124	2,176
Unearned Revenue	492,005	-	-	-
Retainages Payable	45,778	-	-	-
Payroll Liability	-	-	4,932	-
Payroll Taxes Payable	-	579	-	-
Long-Term Liabilities:				
Due Within One Year:				
Short Term Note	-	72,000	-	-
Loans Payable	98,000	-	-	-
Sinking Fund Bonds Payable	-	328,000	-	-
Bank Notes Payable	-	121,517	-	-
Compensated Absences Payable	10,845	-	787	-
Due After One Year:				
Sinking Fund Bonds Payable	-	2,967,000	-	-
Compensated Absences Payable	97,607	91,610	7,079	-
Total Liabilities	<u>\$ 1,027,644</u>	<u>\$ 3,580,706</u>	<u>\$ 16,545</u>	<u>\$ 3,419</u>
<b>NET POSITION</b>				
Invested in Capital Assets, net of related debt	\$ 12,283,316	\$ 2,338,656	\$ 22,948	\$ 3,683
Restricted for:				
Capital Projects	1,108,299	-	-	-
Public Safety	283,664	-	-	-
Highways and Bridges	2,804,840	-	-	-
Health and Welfare	173,840	-	157,786	-
Culture and Recreation	30,468	-	-	-
Conservation of Natural Resources	77,693	-	-	-
Emergencies	368,508	-	-	-
Economic Development	-	-	-	186,226
General Government	233,152	-	-	-
Revolving Loans	-	-	-	39,918
Unrestricted	476,015	1,731,569	-	-
Total Net Position	<u>\$ 17,839,795</u>	<u>\$ 4,070,225</u>	<u>\$ 180,734</u>	<u>\$ 229,827</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, 2013

Functions/Programs	Expenses	Program Revenues			Primary Governmental Activities	Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Water Resource District	Component Units	
							District Health Unit	Economic Development Commission
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 1,545,762	\$ 141,925	\$ 195,092	\$ -	\$ (1,208,745)			
Public Safety	938,458	434,245	76,780	-	(427,433)			
Highways and Bridges	2,064,088	191,628	1,738,660	852,458	718,658			
Flood Repair	51,578	-	25,827	-	(25,751)			
Emergencies	178,644	-	-	-	(178,644)			
Health and Welfare	980,864	-	255,869	-	(724,995)			
Culture and Recreation	9,303	-	-	-	(9,303)			
Conserv. of Natural Resources	117,952	10,501	-	-	(107,451)			
Capital Outlay	317,832	-	-	-	(317,832)			
Interest on Long-Term Debt	3,551	-	-	-	(3,551)			
<b>Total Governmental Activities</b>	<b>\$ 6,208,032</b>	<b>\$ 778,299</b>	<b>\$ 2,292,228</b>	<b>\$ 852,458</b>	<b>\$ (2,285,047)</b>			
<b>Component Units:</b>								
Water Resource District	\$ 1,120,656	\$ -	\$ -	\$ -	\$ (1,120,656)	\$ -	\$ -	\$ -
District Health Unit	262,771	47,324	88,436	-	-	(127,011)	-	-
Economic Develop. Commission	127,969	854	-	-	-	-	-	(127,115)
<b>Total Component Units</b>	<b>\$ 1,511,396</b>	<b>\$ 48,178</b>	<b>\$ 88,436</b>	<b>\$ -</b>	<b>\$ (1,120,656)</b>	<b>\$ (127,011)</b>	<b>\$ (127,115)</b>	
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes; levied for general purposes				\$ 64,608	\$ 321,193	\$ 164,030	\$ -	\$ -
Property taxes; levied for special purposes				3,180,548	-	-	-	120,523
Property taxes; levied for debt service				83,041	-	-	-	-
Drain assessments				-	1,011,815	-	-	-
Non restricted grants and contributions				1,164,146	-	18,506	-	-
Other General Revenues				-	300,641	-	-	-
Insurance Recoveries				16,340	-	-	-	-
Forgiveness of Debt				65,000	-	-	-	-
Unrestricted Investment Earnings				7,864	8,080	157	-	2,317
Miscellaneous Revenue				56,128	-	7,190	-	100
<b>Total General Revenues</b>				<b>\$ 4,637,675</b>	<b>\$ 1,641,729</b>	<b>\$ 189,883</b>	<b>\$ 122,940</b>	
<b>Change in Net Position</b>				<b>\$ 2,352,628</b>	<b>\$ 521,073</b>	<b>\$ 62,872</b>	<b>\$ (4,175)</b>	
<b>Net Position - January 1</b>				<b>\$ 15,899,394</b>	<b>\$ 3,549,152</b>	<b>\$ 117,862</b>	<b>\$ 234,002</b>	
<b>Prior Period Adjustments</b>				<b>(412,227)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net Position - January 1, as restated</b>				<b>\$ 15,487,167</b>	<b>\$ 3,549,152</b>	<b>\$ 117,862</b>	<b>\$ 234,002</b>	
<b>Net Position - December 31</b>				<b>\$ 17,839,795</b>	<b>\$ 4,070,225</b>	<b>\$ 180,734</b>	<b>\$ 229,827</b>	

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

TRAILL COUNTY  
Hillsboro, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2013

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Human Services	OASIS Social Security	FEMA Flood Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>										
Cash and Investments	\$ 336,701	\$ 745,022	\$ 159,905	\$ 1,781,200	\$ 198,920	\$ 116,245	\$ 492,005	\$ 1,111,329	\$ 1,116,105	\$ 6,057,432
Intergovernmental Receivable	284,521	9,043	7,605	105,538	29,899	2,341	-	-	8,851	447,798
Accounts Receivable	-	-	-	-	-	-	-	-	10,931	10,931
Road Receivables	-	-	1,992	-	-	-	-	-	-	1,992
Taxes Receivable	4,644	9,986	6,095	-	13,555	12,148	-	-	19,542	65,970
<b>Total Assets</b>	<b>\$ 625,866</b>	<b>\$ 764,051</b>	<b>\$ 175,597</b>	<b>\$ 1,886,738</b>	<b>\$ 242,374</b>	<b>\$ 130,734</b>	<b>\$ 492,005</b>	<b>\$ 1,111,329</b>	<b>\$ 1,155,429</b>	<b>\$ 6,584,123</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>										
<u>Liabilities:</u>										
Accounts Payable	\$ 117,107	\$ 10,087	\$ -	\$ 42,766	\$ 16,934	\$ 759	\$ 5,747	\$ 3,030	\$ 63,085	\$ 259,515
Salaries Payable	398	-	13,428	-	4,448	-	-	-	5,620	23,894
Unearned Revenue	-	-	-	-	-	-	492,005	-	-	492,005
<b>Total Liabilities</b>	<b>\$ 117,505</b>	<b>\$ 10,087</b>	<b>\$ 13,428</b>	<b>\$ 42,766</b>	<b>\$ 21,382</b>	<b>\$ 759</b>	<b>\$ 497,752</b>	<b>\$ 3,030</b>	<b>\$ 68,705</b>	<b>\$ 775,414</b>
<u>Deferred Inflows of Resources:</u>										
Road Receivable	\$ -	\$ -	\$ 1,992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,992
Taxes Receivable	4,644	9,986	6,095	-	13,555	12,148	-	-	19,542	65,970
<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,644</b>	<b>\$ 9,986</b>	<b>\$ 8,087</b>	<b>\$ -</b>	<b>\$ 13,555</b>	<b>\$ 12,148</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,542</b>	<b>\$ 67,962</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 122,149</b>	<b>\$ 20,073</b>	<b>\$ 21,515</b>	<b>\$ 42,766</b>	<b>\$ 34,937</b>	<b>\$ 12,907</b>	<b>\$ 497,752</b>	<b>\$ 3,030</b>	<b>\$ 88,247</b>	<b>\$ 843,376</b>
<u>Fund Balances:</u>										
<u>Restricted for:</u>										
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,428	\$ 69,428
Capital Projects	-	-	-	-	-	-	-	1,108,299	-	1,108,299
Public Safety	-	-	-	-	-	-	-	-	301,616	301,616
Highways and Bridges	-	743,978	154,082	1,843,972	-	-	-	-	113,191	2,855,223
Health and Welfare	-	-	-	-	207,437	-	-	-	4,028	211,465
Culture and Recreation	-	-	-	-	-	-	-	-	29,500	29,500
Conservation of Natural Resources	-	-	-	-	-	-	-	-	77,568	77,568
Emergencies	-	-	-	-	-	-	-	-	366,652	366,652
Other Purposes & General Government	-	-	-	-	-	117,827	-	-	105,199	223,026
<u>Unassigned</u>	<u>503,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,747)</u>	<u>-</u>	<u>-</u>	<u>497,970</u>
<b>Total Fund Balances</b>	<b>\$ 503,717</b>	<b>\$ 743,978</b>	<b>\$ 154,082</b>	<b>\$ 1,843,972</b>	<b>\$ 207,437</b>	<b>\$ 117,827</b>	<b>\$ (5,747)</b>	<b>\$ 1,108,299</b>	<b>\$ 1,067,182</b>	<b>\$ 5,740,747</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 625,866</b>	<b>\$ 764,051</b>	<b>\$ 175,597</b>	<b>\$ 1,886,738</b>	<b>\$ 242,374</b>	<b>\$ 130,734</b>	<b>\$ 492,005</b>	<b>\$ 1,111,329</b>	<b>\$ 1,155,429</b>	<b>\$ 6,584,123</b>

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

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TRAILL COUNTY  
Hillsboro, North Dakota

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

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Total *Fund Balances* for Governmental Funds \$ 5,740,747

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	\$ 16,043,467	
Less Accumulated Depreciation	<u>(3,760,151)</u>	12,283,316

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	\$ 65,970	
Road Department Accounts Receivable	<u>1,992</u>	67,962

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, 2013 are

Loans Payable	\$ (98,000)	
Compensated Absences Payable	(108,452)	
Retainage Payable	<u>(45,778)</u>	<u>(252,230)</u>

Total Net Position of Governmental Activities \$ 17,839,795

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, 2013

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Human Services	OASIS Social Security	FEMA Flood Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>										
Taxes	\$ 72,695	\$ 548,197	\$ 339,503	\$ -	\$ 713,557	\$ 664,190	\$ -	\$ -	\$ 1,026,232	\$ 3,364,374
Intergovernmental	1,090,587	20,926	12,956	1,699,244	267,039	29,421	25,827	-	310,375	3,456,375
Charges for Services	165,589	-	196,102	-	-	-	-	-	421,031	782,722
Licenses, Permits and Fees	50	-	-	-	-	-	-	-	-	50
Interest Income	1,594	202	5,385	-	-	-	-	494	189	7,864
Miscellaneous	18,984	4,705	-	-	6,994	-	-	-	25,445	56,128
<b>Total Revenues</b>	<b>\$ 1,349,499</b>	<b>\$ 574,030</b>	<b>\$ 553,946</b>	<b>\$ 1,699,244</b>	<b>\$ 987,590</b>	<b>\$ 693,611</b>	<b>\$ 25,827</b>	<b>\$ 494</b>	<b>\$ 1,783,272</b>	<b>\$ 7,667,513</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General Government	\$ 912,914	\$ -	\$ -	\$ -	\$ -	\$ 659,097	\$ -	\$ -	\$ 378,268	\$ 1,950,279
Public Safety	335,348	-	-	-	-	-	-	-	593,362	928,710
Highways and Bridges	-	204,126	612,640	1,103,266	-	-	-	-	392,681	2,312,713
Flood Repairs and Maintenance	-	-	-	-	-	-	51,578	-	-	51,578
Emergencies	-	-	-	-	-	-	-	-	178,644	178,644
Health and Welfare	-	-	-	-	975,488	-	-	-	201	975,689
Culture and Recreation	-	-	-	-	-	-	-	-	8,358	8,358
Conservation of Natural Resources	5,000	-	-	-	-	-	-	-	112,794	117,794
Capital Outlay	-	-	-	-	-	-	-	317,832	-	317,832
Debt Service:										
Principal	-	-	-	151,920	-	-	-	-	102,000	253,920
Interest and Fees	-	-	-	-	-	-	-	-	3,551	3,551
<b>Total Expenditures</b>	<b>\$ 1,253,262</b>	<b>\$ 204,126</b>	<b>\$ 612,640</b>	<b>\$ 1,255,186</b>	<b>\$ 975,488</b>	<b>\$ 659,097</b>	<b>\$ 51,578</b>	<b>\$ 317,832</b>	<b>\$ 1,769,859</b>	<b>\$ 7,099,068</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 96,237	\$ 369,904	\$ (58,694)	\$ 444,058	\$ 12,102	\$ 34,514	\$ (25,751)	\$ (317,338)	\$ 13,413	\$ 568,445
<b>Other Financing Sources (Uses):</b>										
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,004	\$ 290,000	\$ 25,000	\$ 340,004
Loan Proceeds	-	-	-	-	-	-	-	-	200,000	200,000
Insurance Recovery	-	-	-	-	-	-	-	-	16,340	16,340
Loan Forgiveness	-	-	-	65,000	-	-	-	-	-	65,000
Transfers Out	(315,004)	-	-	-	-	-	-	-	(25,000)	(340,004)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (315,004)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 65,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,004</b>	<b>\$ 290,000</b>	<b>\$ 216,340</b>	<b>\$ 281,340</b>
<b>Net Change in Fund Balances</b>	<b>\$ (218,767)</b>	<b>\$ 369,904</b>	<b>\$ (58,694)</b>	<b>\$ 509,058</b>	<b>\$ 12,102</b>	<b>\$ 34,514</b>	<b>\$ (747)</b>	<b>\$ (27,338)</b>	<b>\$ 229,753</b>	<b>\$ 849,785</b>
Fund Balances - January 1	\$ 722,484	\$ 374,074	\$ 212,776	\$ 1,334,914	\$ 195,335	\$ 83,313	\$ 375,433	\$ 1,135,637	\$ 835,343	\$ 5,269,309
Prior Period Adjustments	-	-	-	-	-	-	(380,433)	-	2,086	(378,347)
Fund Balances - Jan. 1 as restated	\$ 722,484	\$ 374,074	\$ 212,776	\$ 1,334,914	\$ 195,335	\$ 83,313	\$ (5,000)	\$ 1,135,637	\$ 837,429	\$ 4,890,962
Fund Balances - December 31	\$ 503,717	\$ 743,978	\$ 154,082	\$ 1,843,972	\$ 207,437	\$ 117,827	\$ (5,747)	\$ 1,108,299	\$ 1,067,182	\$ 5,740,747

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

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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, 2013

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Net Change in *Fund Balances* - Total Governmental Funds \$ 849,785

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	\$ 1,316,711	
Capital Contributions to Infrastructure	852,458	
Current Year Depreciation Expense	<u>(498,666)</u>	1,670,503

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

Loss on Disposals of Capital Assets	(125,439)
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The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement 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	\$ (200,000)	
Repayment of Debt - Loans	188,920	
Debt Forgiveness	<u>65,000</u>	53,920

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	\$ (9,712)	
Net Change in Retainage Payables	<u>(45,778)</u>	(55,490)

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	\$ (36,177)	
Net Change in Road Department Receivables	<u>(4,474)</u>	<u>(40,651)</u>

Change in Net Position of Governmental Activities	<u>\$ 2,352,628</u>
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The notes to the financial statements are an integral part of this statement.

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TRAILL COUNTY  
Hillsboro, North Dakota

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2013

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	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 4,751,335</u>
<u>Liabilities:</u>	
Due to Other Governments/Entities	<u>\$ 4,751,335</u>

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

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TRAILL COUNTY  
Hillsboro, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

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**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

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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 1<sup>st</sup> 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

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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 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.

*FEMA Flood Fund.* This fund accounts for state and federal grants for flood disaster related repairs to roads and the related disbursements. The major primary source of revenue is restricted Federal and State grants/reimbursements.

*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.

**TRAILL COUNTY**

Notes to the Financial Statements – Continued

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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.

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:

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

**AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS:**

Trails County Health District:

Capital assets of the Trails County Health District, a discretely presented component unit of Trails 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:

<b>Assets</b>	<b>Years</b>
Vehicles	5 - 7
Office Equipment	3 - 5

**TRAILL COUNTY**

Notes to the Financial Statements – Continued

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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:

<b>Assets</b>	<b>Years</b>
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 31<sup>st</sup> 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:

<b>Years of Service</b>	<b>Hours per Month</b>
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

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 Trill 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, OASIS social security, and FEMA flood fund) are disclosed in more detail in Note 1B.

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

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

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

**TRAILL COUNTY**

Notes to the Financial Statements – Continued

Trails County only has restricted and unassigned fund balances at December 31, 2013.

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

Restricted fund balances are shown by primary function on the balance sheet for debt service, capital projects, public safety, highways and bridges, health and welfare, culture and recreation, conservation of natural resources, emergencies, and other purposes & general government. Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3<sup>rd</sup> parties (State & Federal governments for various grants & reimbursements).

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, health and welfare, culture and recreation, conservation of natural resources, emergencies, and other purposes & general government (health insurance, insurance reserve, veteran’s service officer, and social security).

**NOTE 2: LEGAL COMPLIANCE - BUDGETS**

**BUDGET AMENDMENTS**

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

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Special Revenue Funds:</u>			
Highway Distribution	\$900,000	\$280,445	\$1,180,445
Emergency	100,000	78,664	178,664
Homemaker Expense	-	201	201
Document Preservation	-	1,861	1,861
Victim Witness	-	10,694	10,694
Hatton/Portland Policing	-	89,222	89,222
Mayville City Policing	-	190,154	190,154
2004 Disaster	-	4,647	4,647
2006 Disaster	-	6,216	6,216

CONTINUED ON NEXT PAGE.....

**TRAILL COUNTY**

## Notes to the Financial Statements – Continued

CONTINUED...

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Special Revenue Funds:</u>			
2011 Disaster	\$ -	\$ 1,586	\$ 1,586
2013 Disaster	-	38,381	38,381
24/7 Jail Fund	-	2,909	2,909
911 Wireless	-	39,693	39,693
Traffic Safety Grant	-	2,526	2,526
Cemetery	-	585	585
<u>Capital Project Fund:</u>			
Capital Projects	-	314,802	314,802

**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.

At year ended December 31, 2013, the county's carrying amount of deposits was \$10,749,041 and the bank balances totaled \$10,815,795. Deposits totaling \$5,621,675 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 \$124,017 were backed by treasurer bonds, which are backed by the full faith and credit of the federal government. Of the county bank balances, \$1,639,154 was covered by Federal Depository Insurance. The remaining bank balances totaling \$3,430,949 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2013, the District Health Unit's carrying amount of deposits and bank balances totaled \$141,416, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2013, the Economic Development Commission's carrying amount of deposits was \$186,307 and the bank balances totaled \$189,136, all of which were covered by Federal Depository Insurance.

**TRAILL COUNTY**

Notes to the Financial Statements – Continued

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Credit Risk:

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

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

As of December 31, 2013, the county had certificates of deposit totaling \$98,667 and Treasury Bills totaling \$124,017. The District Health Unit had certificates of deposit totaling \$93,784.

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: 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 5: ACCOUNTS RECEIVABLE**

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

**NOTE 6: ROAD ACCOUNTS RECEIVABLE**

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

**NOTE 7 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.

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.

**TRAILL COUNTY**

Notes to the Financial Statements – Continued

**NOTE 8: LOANS RECEIVABLE**

The Trill County Economic Development Commission (a component unit of Trill County) had the following activity in Economic Development loans receivable during fiscal year 2013. Detailed information on EDC individual loan balances may be obtained from their separate audit report.

	<b>Beginning Balance</b>	<b>Loans Issued</b>	<b>Loan Repayments</b>	<b>Ending Balance</b>
Clifford Dinner Theater	\$ 1,434	\$ -	\$ 500	\$ 934
Paddlewheel Café	511	-	-	511
Karrell Enterprises	1,805	-	-	1,805
Paddlewheel (L. Morris)	2,435	-	100	2,335
Hepper-Olson	6,250	-	1,000	5,250
Buxton Daycare	3,080	-	770	2,310
RS Electric, LLC	839	-	839	-
Boeddeker Septic Pump	1,556	-	1,362	194
Hillsboro Heat/Cool (2%)	3,786	-	2,516	1,270
Hatton Granite (2%)	11,938	-	8,310	3,628
Chad's Excavating (3.75%)	-	25,000	-	25,000
Main Discovery (3.75%)	-	10,156	10,156	-
Allowance for Doubtful Accounts	(4,751)	-	(100)	(4,651)
<b>Totals</b>	<b>\$28,883</b>	<b>\$35,156</b>	<b>\$25,453</b>	<b>\$38,586</b>

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 Trill 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.

**NOTE 9: CAPITAL ASSETS**

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

<b>Primary Government:</b>	<b>Balance 1-1-13</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-13</b>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,822	\$ -	\$ -	\$ 15,822
Construction Progress	140,552	552,344	-	692,896
<b>Total Capital Assets, not being depreciated</b>	<b>\$ 156,374</b>	<b>\$ 552,344</b>	<b>\$ -</b>	<b>\$ 708,718</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 1,090,295	\$ 78,596	\$ 5,000	\$ 1,163,891
Machinery and Equipment	2,501,218	280,273	365,243	2,416,248
Office Equipment	286,633	-	17,468	269,165
Vehicles	876,782	28,161	121,332	783,611
Infrastructure	9,472,038	1,229,796	-	10,701,834
<b>Total Capital Assets, Being Depreciated</b>	<b>\$14,226,966</b>	<b>\$1,616,826</b>	<b>\$509,043</b>	<b>\$15,334,749</b>

TABLE CONTINUED ON NEXT PAGE.....

**TRAILL COUNTY**

Notes to the Financial Statements – Continued

CONTINUED...

<b>Primary Government:</b>	<b>Balance 1-1-13</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-13</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 453,442	\$ 21,902	\$ 5,000	\$ 470,344
Machinery and Equipment	1,352,403	136,566	263,896	1,225,073
Office Equipment	253,973	11,558	17,468	248,063
Vehicles	667,488	61,095	97,239	631,344
Infrastructure	917,781	267,546	-	1,185,327
<b>Total Accumulated Depreciation</b>	<b>\$ 3,645,087</b>	<b>\$ 498,667</b>	<b>\$383,603</b>	<b>\$ 3,760,151</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$10,581,879</b>	<b>\$1,118,159</b>	<b>\$125,440</b>	<b>\$11,574,598</b>
<i>Governmental Activities- Capital Assets, Net</i>	<b>\$10,738,253</b>	<b>\$1,670,503</b>	<b>\$125,440</b>	<b>\$12,283,316</b>

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

<b>Governmental Activities:</b>	<b>Amounts</b>
General Government	\$ 14,122
Public Safety	36,989
Highways and Bridges	446,611
Culture and Recreation	945
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$498,667</b>

Trail County Water Resource District:

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

<b>Traill County Water Resource District</b>	<b>Balance 1-1-13</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12-31-13</b>
<b>Governmental Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 870,514	\$ 8,247	\$ -	\$ -	\$ 878,761
Construction in Progress	15,012	-	-	(15,012)	-
<b>Total Capital Assets, not being depreciated</b>	<b>\$ 885,526</b>	<b>\$ 8,247</b>	<b>\$ -</b>	<b>\$(15,012)</b>	<b>\$ 878,761</b>
<i>Capital assets being depreciated:</i>					
Equipment	\$ 77,265	\$ 8,036	\$4,363	\$ -	\$ 80,938
Infrastructure	5,018,035	329,765	-	15,012	5,362,812
<b>Total Capital Assets, Being Depreciated</b>	<b>\$5,095,300</b>	<b>\$337,801</b>	<b>\$4,363</b>	<b>\$ 15,012</b>	<b>\$5,443,750</b>
<i>Less Accumulated Depreciation for:</i>					
Equipment	\$ 44,414	\$ 8,191	\$4,363	\$ -	\$ 48,242
Infrastructure	326,422	101,064	-	-	427,486
<b>Total Accumulated Depreciation</b>	<b>\$ 370,836</b>	<b>\$109,255</b>	<b>\$4,363</b>	<b>\$ -</b>	<b>\$ 475,728</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$4,724,464</b>	<b>\$228,546</b>	<b>\$ -</b>	<b>\$ 15,012</b>	<b>\$4,968,022</b>
<i>Governmental Activities- Capital Assets, Net</i>	<b>\$5,609,990</b>	<b>\$236,793</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$5,846,783</b>

Traill County Health District:

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

<b>Traill County District Health Unit</b>	<b>Balance 1-1-13</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-13</b>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Vehicles	\$18,950	\$25,498	\$18,950	\$25,498
<i>Less Accumulated Depreciation for:</i>				
Vehicles	\$18,950	\$ 2,550	\$18,950	\$ 2,550
<b>Total Accumulated Depreciation</b>	<b>\$18,950</b>	<b>\$ 2,550</b>	<b>\$18,950</b>	<b>\$ 2,550</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ -</b>	<b>\$22,948</b>	<b>\$ -</b>	<b>\$22,948</b>

**TRAILL COUNTY**

## Notes to the Financial Statements – Continued

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, 2013.

<b>Trail County Economic Development Commission</b>	<b>Balance 1-1-13</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-13</b>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Vehicles	\$22,100	\$ -	\$ -	\$22,100
<i>Less Accumulated Depreciation for:</i>				
Vehicles	\$11,050	\$ 7,367	\$ -	\$18,417
Total Accumulated Depreciation	\$11,050	\$ 7,367	\$ -	\$18,417
Total Capital Assets Being Depreciated, Net	\$11,050	\$(7,367)	\$ -	\$ 3,683

**NOTE 10: ACCOUNTS PAYABLE**

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2013 and chargeable to the appropriations for the 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**

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: RETAINAGES PAYABLE**

Retainages payable consists of amounts withheld on construction projects in progress at year-end that will not be paid until the end of the construction projects.

**NOTE 14: UNEARNED REVENUE**

Unearned revenue consist of funds received in the FEMA fund where the eligibility requirements have not all been met at December 31, 2013. Asset recognition criteria have been met, but revenue recognition criteria have not been met.

**TRAILL COUNTY**

Notes to the Financial Statements – Continued

**NOTE 15: LONG-TERM DEBT**Primary Government:

**Changes in Long-Term Liabilities** - During the year ended December 31, 2013; the following changes occurred in governmental activities long-term liabilities for Trill County:

<b>Governmental Activities</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Loans Payable	\$151,920	\$200,000	\$253,920	\$ 98,000	\$ 98,000
Compensated Absences *	98,740	9,712	-	108,452	10,845
<b>Total Governmental Activities</b>	<b>\$250,660</b>	<b>\$209,712</b>	<b>\$253,920</b>	<b>\$206,452</b>	<b>\$108,845</b>

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

Outstanding debt (excluding compensated absences and leases payable) at December 31, 2013 for the primary government governmental activities consists of the following issue:

**Loan Payable:**

\$200,000 Bank Loan for bridge repairs due in 2014; interest at 2.50%. \$98,000

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

**Changes in Long-Term Liabilities** - During the year ended December 31, 2013, the following changes occurred in governmental long-term liabilities of the District:

<b>Governmental Activities</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Bonds Payable	\$4,535,000	\$ -	\$1,240,000	\$3,295,000	\$328,000
Bank Notes Payable	281,025	-	67,898	213,127	121,517
<b>Total Governmental Activities</b>	<b>\$4,816,025</b>	<b>\$ -</b>	<b>\$1,307,898</b>	<b>\$3,508,127</b>	<b>\$449,517</b>

Outstanding debt (excluding compensated absences and leases payable) at December 31, 2013 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 installment of \$50,000 through May 1, 2014, interest payable semi-annually at 3.75% to 4.8%. \$ 50,000

\$1,325,000 Refunding Improvement Bonds for County Drains #9-#18, #29, #13, #58, & #6, Series 2013 due in annual installments of \$125,000 to \$160,000 through May 1, 2018; interest payable semi-annually at 1.75% to 3.3%. 740,000

\$2,850,000 Refunding Improvement Bonds of 2013 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% 1,680,000

\$680,000 GO Refunding Bonds of 2012 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%. 170,000

**TRAILL COUNTY**

Notes to the Financial Statements – Continued

**Sinking Fund Bonds: (Continued)**

\$1,900,000 Improvement Bonds of 2013 for Steenerson-Leriness #34-20 drainage system; due in annual installments of \$55,000 to \$80,000 through May 1, 2023, interest payable semi-annually at 2.5% to 5.0%. \$ 655,000

Total Water Resource District – Sinking Fund Bonds \$3,295,000

**Bank Notes Payable:**

\$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%. \$ 90,797

\$200,000 Bank Loan for Drain #17, due in eleven annual installments of \$23,226 through May 1, 2018; with interest at 5.0%. 100,415

\$120,000 Bank Loan for Drain #19, due in six annual installments of \$22,932 through October 31, 2014; with interest at \$4.25%. 21,965

Total Water Resource District Bank Loans/Lines of Credit \$213,177

The district has a short-term note in the amount of \$72,000 for the Preston Floodway #19, #55, #32, and #45. The note payable is due 4/15/2014 with an interest rate of 3.30%.

Debt service requirements on long-term debt for the water resource district governmental activities for loans payable at December 31, 2013 are as follows:

<b>WRD - GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>Loans, Leases &amp; Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2014	\$ 449,517	\$117,019
2015	384,029	104,162
2016	461,530	92,155
2017	401,070	75,423
2018	371,981	62,155
2019 - 2023	1,115,000	168,955
2024	325,000	11,626
<b>Totals</b>	<b>\$3,508,127</b>	<b>\$631,495</b>

**DISCRETELY PRESENTED COMPONENT UNIT:**

Health District:

**Changes in Long-Term Liabilities** – During the year ended December 31, 2013; the following changes occurred in governmental activities long-term liabilities for the Traill County Health District:

<b>Governmental Activities</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$7,904	\$ -	\$ 38	\$7,866	\$ 787

\* 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.

**TRAILL COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 16: TRANSFERS**

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2013:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ -	\$315,004
Capital Improvements	290,000	-
<u>Special Revenue Funds:</u>		
Emergency 911	25,000	-
E911 Wireless	-	25,000
FEMA 2009 Disaster	25,004	-
<b>Total Transfers</b>	<b>\$340,004</b>	<b>\$340,004</b>

**NOTE 17: 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.

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:

Plan members are required to contribute 7% of their annual salary and the county is required to contribute 8.26% of the employee's salary, which consists of 7.12% for employee retirement and 1.14% for retiree health benefits fund. Of the 15.26% of total contributions, the county contributes 12.26%, while employees contribute 3% of the member assessments. The contributions requirements of the plan members and the county are established and may be amended by the State legislature. The county's required and actual contributions to NDPERS for the fiscal years ended December 31, 2013, 2012, and 2011 were \$259,010, \$227,390, and \$203,176, respectively.

## TRAILL COUNTY

### Notes to the Financial Statements – Continued

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The water resource district's required and actual contributions to NDPERS for the years ended December 31, 2013, 2012, and 2011 were \$10,605, \$8,527, and \$8,775, respectively. The health unit's required and actual contributions to NDPERS for the years ended December 31, 2013, 2012, and 2011 were \$19,185, \$18,769, and \$13,405, respectively. The economic development commissions required and actual contributions to NDPERS for the years ended December 31, 2013, 2012, and 2011 were \$5,630, \$4,482, and \$3,531, 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 18: RISK MANAGEMENT

Trails 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. Trails 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 \$2,861,187 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.

Trails County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Trails 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 Trails 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.

Trails 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 19: JOINT VENTURE

Under authorization of state statutes, the Trails 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.

**TRAILL COUNTY**

## Notes to the Financial Statements – Continued

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

	<b>Red River Joint Water Resource Board</b>
Total Assets	\$6,918,927
Total Liabilities	177,049
Total Net Position	\$6,799,097
Revenues	\$2,042,748
Expenses	1,288,712
Change in Net Position	\$ 754,036

**NOTE 20: 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, 2013, there are Industrial Revenue Bonds to the Hillsboro Medical Center with an amount outstanding totaling \$12,775,000.

**NOTE 21: COMMITMENTS**Commitments:

At December 31, 2013, Traill County had commitments for remaining project costs related to Bridge 263 and the courthouse elevator project. As of December 31, 2013, the remaining construction commitments are as follows:

<b>Project</b>	<b>Original Contract</b>	<b>Change Orders</b>	<b>Total Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>	<b>Percent Completed</b>
Bridge 263	\$ 279,260	\$35,265	\$ 314,525	\$290,972	\$ 5,585	\$ 29,138	92.51%
Courthouse Elevator	876,336	-	876,336	401,924	40,193	514,605	45.86%
<b>Total</b>	<b>\$1,155,596</b>	<b>\$35,265</b>	<b>\$1,190,861</b>	<b>\$692,896</b>	<b>\$45,778</b>	<b>\$543,743</b>	<b>58.18%</b>

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, 2013 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.

**TRAILL COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 22: OPERATING LEASES**Water Resource District:

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, 2013:

<b>Fiscal Year</b>	<b>Amounts</b>
2014	\$7,700

Job Development Authority:

On May 1, 2012, 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:

<b>Fiscal Year</b>	<b>Amounts</b>
2014	\$2,200

**NOTE 23: BUDGET TO ACTUAL RECONCILIATION**

During FY2013, there was loan forgiveness in the Highway Distribution Fund due to trading in a motor grader, which is not included in the budgetary comparison schedules but are included in the combined statement of revenues, expenditures and changes in fund balances for each year under audit. The reconciliation for the general fund is provided below:

	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual Statement</b>
<u>Highway Distribution:</u> Expenditures	\$1,255,186	\$(65,000)	\$1,190,186

**NOTE 24: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments to beginning net position and fund balance to account for prior unearned revenue related to DES payments in the reported government funds, and to reclassify two agency funds to special revenue funds.

<b>Governmental Activities (County):</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$15,899,394
<b>Adjustments to restate the January 1, 2013 net position:</b>	
Fund balance adjustment - unearned revenue	(380,433)
Fund balance adjustment - agency fund reclassifications	2,086
Capital asset adjustment - cost	(42,350)
Capital asset adjustment - depreciation	8,470
Net Position January 1, as restated	\$15,487,167

**TRAILL COUNTY**

## Notes to the Financial Statements – Continued

A beginning fund balance adjustment was necessary to the FEMA Flood fund to account for prior unearned revenue related to DES payments.

	<b>FEMA Flood Fund</b>
<b>Governmental Funds (County):</b>	
Beginning Fund Balance, as previously reported	\$ 375,433
<b>Adjustments to restate the January 1, 2013 fund balance:</b>	
Fund Balance net adjustment to remove unearned revenue	(380,433)
Fund Balance January 1, as restated	\$ (5,000)

Also, two funds classified as agency funds in the prior year were reclassified to special revenue funds (24/7 sobriety fund, and traffic safety grant fund).

	<b>Other Govt. Funds</b>
<b>Governmental Funds (County):</b>	
Beginning Fund Balance, as previously reported	\$835,343
<b>Adjustments to restate the January 1, 2013 fund balance:</b>	
Fund Balance net adjustment to reclassify	2,086
Fund Balance January 1, as restated	\$837,429

**NOTE 25: SUBSEQUENT EVENT**

In September of 2014, 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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 67,295	\$ 67,295	\$ 72,695	\$ 5,400
Intergovernmental	917,831	917,831	1,090,587	172,756
Licenses, Permits and Fees	60	60	50	(10)
Charges for Services	133,244	133,244	165,589	32,345
Interest Income	2,000	2,000	1,594	(406)
Miscellaneous	18,939	18,939	18,984	45
<b>Total Revenues</b>	<b>\$ 1,139,369</b>	<b>\$ 1,139,369</b>	<b>\$ 1,349,499</b>	<b>\$ 210,130</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 995,707	\$ 995,707	\$ 912,914	\$ 82,793
Public Safety	321,137	321,137	335,348	(14,211)
Conservation of Natural Resources	-	-	5,000	(5,000)
<b>Total Expenditures</b>	<b>\$ 1,316,844</b>	<b>\$ 1,316,844</b>	<b>\$ 1,253,262</b>	<b>\$ 63,582</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ (177,475)</b>	<b>\$ (177,475)</b>	<b>\$ 96,237</b>	<b>\$ 273,712</b>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (315,004)	\$ (315,004)
<b>Net Change in Fund Balances</b>	<b>\$ (177,475)</b>	<b>\$ (177,475)</b>	<b>\$ (218,767)</b>	<b>\$ (41,292)</b>
Fund Balances - January 1	\$ 722,484	\$ 722,484	\$ 722,484	\$ -
<b>Fund Balances - December 31</b>	<b>\$ 545,009</b>	<b>\$ 545,009</b>	<b>\$ 503,717</b>	<b>\$ (41,292)</b>

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

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TRAILL COUNTY  
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE  
FARM TO MARKET ROAD FUND  
For the Year Ended December 31, 2013

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 569,419	\$ 569,419	\$ 548,197	\$ (21,222)
Intergovernmental	10,022	10,022	20,926	10,904
Interest Income	-	-	202	202
Miscellaneous	-	-	4,705	4,705
Total Revenues	<u>\$ 579,441</u>	<u>\$ 579,441</u>	<u>\$ 574,030</u>	<u>\$ (5,411)</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 790,691</u>	<u>\$ 790,691</u>	<u>\$ 204,126</u>	<u>\$ 586,565</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (211,250)</u>	<u>\$ (211,250)</u>	<u>\$ 369,904</u>	<u>\$ 581,154</u>
Fund Balances - January 1	<u>\$ 374,074</u>	<u>\$ 374,074</u>	<u>\$ 374,074</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 162,824</u>	<u>\$ 162,824</u>	<u>\$ 743,978</u>	<u>\$ 581,154</u>

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

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TRAILL COUNTY  
Hillsboro, North Dakota

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

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 355,100	\$ 355,100	\$ 339,503	\$ (15,597)
Intergovernmental	7,846	7,846	12,956	5,110
Charges for Services	70,000	70,000	196,102	126,102
Interest Income	3,000	3,000	5,385	2,385
Total Revenues	<u>\$ 435,946</u>	<u>\$ 435,946</u>	<u>\$ 553,946</u>	<u>\$ 118,000</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 1,171,276</u>	<u>\$ 1,171,276</u>	<u>\$ 612,640</u>	<u>\$ 558,636</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (735,330)</u>	<u>\$ (735,330)</u>	<u>\$ (58,694)</u>	<u>\$ 676,636</u>
Fund Balances - January 1	<u>\$ 212,776</u>	<u>\$ 212,776</u>	<u>\$ 212,776</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ (522,554)</u>	<u>\$ (522,554)</u>	<u>\$ 154,082</u>	<u>\$ 676,636</u>

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

TRAILL COUNTY  
Hillsboro, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 900,000	\$ 900,000	\$ 1,699,244	\$ 799,244
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 900,000	\$ 1,180,445	\$ 1,103,266	\$ 77,179
Debt Service:				
Principal	-	-	86,920	(86,920)
Total Expenditures	\$ 900,000	\$ 1,180,445	\$ 1,190,186	\$ (9,741)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (280,445)	\$ 509,058	\$ 789,503
Fund Balances - January 1	\$ 1,334,914	\$ 1,334,914	\$ 1,334,914	\$ -
Fund Balances - December 31	\$ 1,334,914	\$ 1,054,469	\$ 1,843,972	\$ 789,503

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

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TRAILL COUNTY  
Hillsboro, North Dakota

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

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 757,128	\$ 757,128	\$ 713,557	\$ (43,571)
Intergovernmental	8,612	8,612	267,039	258,427
Miscellaneous	258,871	258,871	6,994	(251,877)
Total Revenues	<u>\$ 1,024,611</u>	<u>\$ 1,024,611</u>	<u>\$ 987,590</u>	<u>\$ (37,021)</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	<u>\$ 1,048,050</u>	<u>\$ 1,048,050</u>	<u>\$ 975,488</u>	<u>\$ 72,562</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (23,439)</u>	<u>\$ (23,439)</u>	<u>\$ 12,102</u>	<u>\$ 35,541</u>
Fund Balances - January 1	<u>\$ 195,335</u>	<u>\$ 195,335</u>	<u>\$ 195,335</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 171,896</u>	<u>\$ 171,896</u>	<u>\$ 207,437</u>	<u>\$ 35,541</u>

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

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TRAILL COUNTY  
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE  
OASIS SOCIAL SECURITY FUND  
For the Year Ended December 31, 2013

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 695,180	\$ 695,180	\$ 664,190	\$ (30,990)
Intergovernmental	20,491	20,491	29,421	8,930
Total Revenues	<u>\$ 715,671</u>	<u>\$ 715,671</u>	<u>\$ 693,611</u>	<u>\$ (22,060)</u>
<u>Expenditures:</u>				
Current:				
General Government	<u>\$ 723,437</u>	<u>\$ 723,437</u>	<u>\$ 659,097</u>	<u>\$ 64,340</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,766)</u>	<u>\$ (7,766)</u>	<u>\$ 34,514</u>	<u>\$ 42,280</u>
Fund Balances - January 1	<u>\$ 83,313</u>	<u>\$ 83,313</u>	<u>\$ 83,313</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 75,547</u>	<u>\$ 75,547</u>	<u>\$ 117,827</u>	<u>\$ 42,280</u>

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

TRAILL COUNTY  
Hillsboro, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 25,827	\$ 25,827
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ 50,831	\$ 50,831	\$ 51,578	\$ (747)
Excess (Deficiency) of Revenues Over Expenditures	\$ (50,831)	\$ (50,831)	\$ (25,751)	\$ 25,080
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 25,004	\$ 25,004
Net Change in Fund Balances	\$ (50,831)	\$ (50,831)	\$ (747)	\$ 50,084
Fund Balances - January 1	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ -
Fund Balances - December 31	\$ (55,831)	\$ (55,831)	\$ (5,747)	\$ 50,084

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

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TRAILL COUNTY  
Hillsboro, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2013

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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.

TRAILL COUNTY  
Hillsboro, North Dakota

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

	Balance 1-1-13	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-13
<b>Major Govt. Funds:</b>							
General Fund	\$ 439,318.49	\$ 1,348,143.90	\$ -	\$ -	\$ 315,004.00	\$ 1,135,756.22	\$ 336,702.17
Farm to Market Road	\$ 367,868.37	\$ 571,192.84	\$ -	\$ -	\$ -	\$ 194,039.70	\$ 745,021.51
County Road & Bridge	214,966.86	554,791.39	-	-	-	609,853.56	159,904.69
Highway Distribution	1,264,472.01	1,697,172.58	-	-	-	1,180,444.61	1,781,199.98
County Human Services	186,298.21	981,019.77	-	-	-	968,397.13	198,920.85
Oasis and Social Security	83,312.74	691,270.10	-	-	-	658,337.62	116,245.22
FEMA Flood Fund	380,432.64	137,398.82	25,004.00	-	-	50,830.65	492,004.81
Capital Improvements	1,135,636.97	494.44	290,000.00	-	-	314,802.01	1,111,329.40
Total Major Funds	\$ 4,072,306.29	\$ 5,981,483.84	\$ 315,004.00	\$ -	\$ 315,004.00	\$ 5,112,461.50	\$ 4,941,328.63
<b>Nonmajor Govt. Funds:</b>							
<u>Special Revenue Funds:</u>							
County Road	\$ 102,386.45	\$ 175,785.16	\$ -	\$ -	\$ -	\$ 171,572.95	\$ 106,598.66
County Bridge	22,993.70	3,781.76	-	200,000.00	-	159,089.36	67,686.10
Homemaker Exp - Estate	3,985.33	-	-	-	-	201.09	3,784.24
Emergency Fund	192,329.18	352,445.32	-	-	-	178,644.45	366,130.05
Health Insurance	4,471.66	240,130.29	-	-	-	229,965.89	14,636.06
Veteran's Service Officer	7,033.58	31,441.75	-	-	-	31,845.73	6,629.60
Hatton/Portland Policing	3,720.58	100,731.15	-	-	-	89,221.64	15,230.09
Mayville Policing	38,109.50	170,679.74	-	-	-	190,154.15	18,635.09
Abandoned Cemetery	13,195.29	3,627.56	-	-	-	585.00	16,237.85
Document Preservation	18,294.94	10,500.55	-	-	-	1,860.97	26,934.52
County Share Special Assessments	49,157.68	4.42	-	-	-	-	49,162.10
County Agent	10,459.88	81,070.20	-	-	-	68,291.56	23,238.52
Sheriff Designated	971.98	7,310.83	-	-	-	6,441.42	1,841.39
Homeland Security	184.70	-	-	-	-	-	184.70
Sheriff Designated - Drug Dog	149.22	-	-	-	-	-	149.22
Weed Control	31,664.67	36,402.08	-	-	-	42,056.20	26,010.55
Jail	34,013.32	226,144.94	-	-	-	183,514.68	76,643.58
County Park	15,831.78	15,123.89	-	-	-	8,271.91	22,683.76
Insurance Reserve	71,082.96	78,261.83	-	16,340.31	-	115,890.10	49,795.00
Seat Belt Safety	244.24	-	-	-	-	-	244.24
Emergency 911	37,754.97	35,539.85	25,000.00	-	-	93,073.83	5,220.99
DES Hazardous Chemicals	5,322.59	1,387.50	-	-	-	-	6,710.09
E911 Wireless	127,293.93	73,657.90	-	-	25,000.00	14,693.41	161,258.42
Traffic Safety Grant	16.65	10,409.93	-	-	-	2,725.70	7,700.88
24/7 Fund	2,069.00	2,647.00	-	-	-	2,908.60	1,807.40
Victim & Witness Advocacy	18,723.63	13,890.03	-	-	-	10,694.69	21,918.97
Total Nonmajor Special Rev. Funds	\$ 811,461.41	\$ 1,670,973.68	\$ 25,000.00	\$ 216,340.31	\$ 25,000.00	\$ 1,601,703.33	\$ 1,097,072.07
<u>Debt Service Fund (Nonmajor):</u>							
County Loan	\$ 14,912.95	\$ 109,671.13	\$ -	\$ 34,321.05	\$ -	\$ 105,550.94	\$ 19,033.14
Total Nonmajor Govt. Funds	\$ 826,374.36	\$ 1,780,644.81	\$ 25,000.00	\$ 250,661.36	\$ 25,000.00	\$ 1,707,254.27	\$ 1,116,105.21
Total Governmental Funds	\$ 4,898,680.65	\$ 7,762,128.65	\$ 340,004.00	\$ 250,661.36	\$ 340,004.00	\$ 6,819,715.77	\$ 6,057,433.84

Continued on next page....

TRAILL COUNTY  
Hillsboro, North Dakota  
SCHEDULE OF FUND ACTIVITY  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

CONTINUED...	Balance 1-1-13	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-13
<u>Agency Funds:</u>							
Airport	\$ 31.09	\$ 10,597.73	\$ -	\$ -	\$ -	\$ 10,596.11	\$ 32.71
Ambulance	1,145.88	365,819.95	-	-	-	365,582.83	1,383.00
Job/Economic Development	428.11	121,649.00	-	-	-	121,604.73	472.38
County Historical Society	55.03	22,764.52	-	-	-	22,753.17	66.38
Water Resource District (County)	458.64	147,653.09	-	-	-	147,558.55	553.18
Senior Citizens	114.62	61,338.66	-	-	-	61,314.98	138.30
Speed Enforcement	-	331.80	-	-	-	-	331.80
Health District (County)	480.90	165,817.04	-	-	-	165,687.53	610.41
State Taxes	114.62	36,366.91	-	-	-	36,343.23	138.30
Part Payment	838.73	35,946.94	-	-	-	33,707.96	3,077.71
Wetlands	-	1,027.00	-	-	-	1,027.00	-
Prepaid Taxes	5,046,402.32	4,636,966.30	-	-	-	5,046,402.32	4,636,966.30
Paid Under Protest	4,605.15	-	-	-	-	4,605.15	-
Game and Fish Licenses	8,812.26	16,022.00	-	-	-	19,707.00	5,127.26
Mobile Homes	9,018.97	5,829.88	-	-	-	13,029.92	1,818.93
Garrison Diversion	127.75	41,327.80	-	-	-	41,305.63	149.92
Domestic Violence	210.00	1,680.00	-	-	-	1,890.00	-
UCC Funds	408.80	-	-	-	-	-	408.80
County Agent Special	5,710.88	1,182.18	-	-	-	1,794.55	5,098.51
Unclaimed Property	154.39	300.02	-	-	-	154.39	300.02
Clerk of Court Checking	52,324.01	202,509.14	-	-	-	204,750.02	50,083.13
Red River Joint Water Resources	205.20	72,977.91	-	-	-	72,913.25	269.86
Soil Conservation District	114.62	38,029.74	-	-	-	38,006.06	138.30
Total Cities	15,745.57	2,019,638.73	-	-	-	2,016,184.29	19,200.01
Total Park Districts	916.17	166,662.97	-	-	-	166,056.01	1,523.13
Total School Districts	17,604.35	4,831,508.67	-	-	-	4,829,428.19	19,684.83
Total Townships	1,766.64	1,797,247.72	-	-	-	1,797,459.24	1,555.12
Drains (County)	3,821.99	1,161,030.26	-	-	-	1,162,883.28	1,968.97
Total Rural Fire Protection Districts	124.12	85,737.64	-	-	-	85,624.26	237.50
Total Agency Funds	<u>\$ 5,171,740.81</u>	<u>\$ 16,047,963.60</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,468,369.65</u>	<u>\$ 4,751,334.76</u>
Total Primary Government	<u>\$ 10,070,421.46</u>	<u>\$ 23,810,092.25</u>	<u>\$ 340,004.00</u>	<u>\$ 250,661.36</u>	<u>\$ 340,004.00</u>	<u>\$ 23,288,085.42</u>	<u>\$ 10,808,768.60</u>

STATE AUDITOR

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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
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BISMARCK, NORTH DAKOTA 58505

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

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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, 2013, 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 14, 2014. 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

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### 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 14, 2014

