

Trail County
Hillsboro, North Dakota

Audit Report

For the Year Ended
December 31, 2014



ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor

TRAILL COUNTY
Hillsboro, North Dakota

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TRAILL COUNTY
Hillsboro, North Dakota

COUNTY OFFICIALS

December 31, 2014

Leslie Amb

Chairperson

Thomas Eblen

Vice Chairperson

Kurt Elliott
Gail Mooney
Steven Larson

Commissioner
Commissioner
Commissioner

Rebecca Braaten
Connie Weber
Mike Crocker
Julie R Foss
Stuart A. Larson
Paulette Bowersox

Auditor
Treasurer
Sheriff
County Recorder
State's Attorney
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, 2014, 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 did not audit the financial statements of the Traill County Water Resource District and the Traill County Economic Development Commission, which represent 98 percent, 98 percent, and 89 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report also been furnished to us, and in our opinion insofar as it relates to the amounts included for the Traill County Water Resource District and the Traill County Economic Development Commission, is based solely on the report of the other auditors. 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.

TRAILL COUNTY

Independent Auditor's Report - Continued

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Traill County, Hillsboro, North Dakota, as of December 31, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 29-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 are not a required part of the basic financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 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
October 28, 2015

TRAILL COUNTY
Hillsboro, North Dakota
STATEMENT OF NET POSITION
December 31, 2014

	Primary	Component Units		
	Governmental Activities	Water Resource District	District Health Unit	Economic Development Commission
ASSETS				
Cash, and cash equivalents	\$ 4,837,822	\$ 2,827,114	\$ 195,316	\$ 76,263
Investment in certificates of deposit	-	-	-	73,223
Intergovernmental receivable	469,111	-	11,289	-
Accounts receivable	33,427	-	-	-
Due from county	-	-	576	-
Interest receivable	-	-	-	1,185
Road receivables	1,711	-	-	-
Taxes receivable	80,543	3,934	3,561	3,106
Special assessments - uncertified	-	3,674,822	-	-
Special assessments - certified	-	564,748	-	-
Special assessments - including liens	-	18,077	-	-
Economic development loans receivable	-	-	-	40,728
Other receivable	-	-	30	25,500
Prepaid rent	-	-	-	700
Capital Assets (not being depreciated):				
Land	15,822	1,035,678	-	-
Construction in progress	5,545,447	-	-	-
Capital Assets (being depreciated):				
Machinery and equipment	1,261,120	26,431	-	-
Office equipment	12,913	-	-	-
Technology	-	-	-	1,918
Vehicles	181,316	-	20,398	-
Buildings	1,407,753	-	-	-
Infrastructure	9,784,837	4,828,069	-	-
Total Capital Assets	\$ 18,209,208	\$ 5,890,178	\$ 20,398	\$ 1,918
Total Assets	\$ 23,631,822	\$ 12,978,873	\$ 231,170	\$ 222,623
LIABILITIES				
Accounts payable	\$ 382,825	\$ 175,006	\$ 5,801	\$ 17,088
Salaries payable	27,435	-	2,355	-
Unearned revenue	281,384	-	-	-
Retainages payable	232,454	-	-	-
Payroll liability	-	-	3,337	-
Payroll taxes payable	-	427	-	-
Long-Term Liabilities:				
Due Within One Year:				
Bank notes payable	-	37,875	-	-
Loans payable	36,000	-	-	-
Sinking fund bonds payable	-	423,429	-	-
Compensated absences payable	11,816	-	880	-
Due After One Year:				
Loans payable	164,000	-	-	-
Sinking fund bonds payable	-	3,924,986	-	-
Compensated absences payable	106,344	-	7,917	-
Total Liabilities	\$ 1,242,258	\$ 4,561,723	\$ 20,290	\$ 17,088
Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ 2,552
Deferred Other Revenue	\$ -	\$ -	\$ -	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 1,242,258	\$ 4,561,723	\$ 20,290	\$ 19,640
NET POSITION				
Invested in capital assets, net of related debt	\$ 18,209,208	\$ 1,503,888	\$ 20,398	\$ 1,918
Restricted for:				
Capital projects	705,335	-	-	-
Public safety	305,769	-	-	-
Highways and bridges	2,024,678	-	-	-
Health and welfare	151,677	-	190,482	-
Culture and recreation	22,906	-	-	-
Conservation of natural resources	76,534	-	-	-
Emergencies	246,363	-	-	-
Economic development	-	-	-	159,152
General government	234,884	-	-	-
Revolving loans	-	-	-	41,913
Maintenance and construction projects	-	7,012,708	-	-
Unrestricted	412,210	(99,446)	-	-
Total Net Position	\$ 22,389,564	\$ 8,417,150	\$ 210,880	\$ 202,983

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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units		
						Water Resource District	District Health Unit	Economic Development Commission
Primary Government:								
Governmental Activities:								
General government	\$ 1,939,974	\$ 44,700	\$ 35,410	\$ -	\$ (1,859,864)			
Public safety	960,525	547,725	18,782	-	(394,018)			
Highways and bridges	6,520,169	73,357	4,290,420	5,454,708	3,298,316			
Flood repair	147,401	-	210,621	-	63,220			
Emergencies	727,107	-	-	-	(727,107)			
Health and welfare	1,133,795	-	294,641	-	(839,154)			
Culture and recreation	14,419	-	-	-	(14,419)			
Conserv. of natural resources	131,212	12,050	-	-	(119,162)			
Interest on long-term debt	1,115	-	-	-	(1,115)			
Total Governmental Activities	\$ 11,575,717	\$ 677,832	\$ 4,849,874	\$ 5,454,708	\$ (593,303)			
Component Units:								
Water resource district	\$ 1,937,968	\$ 848,102	\$ -	\$ 1,422,072	\$ 332,206	\$ -	\$ -	
District health unit	320,992	27,859	99,924	-	-	(193,209)	-	
Economic develop. commission	215,561	1,000	59,482	-	-	-	-	(155,079)
Total Component Units	\$ 2,474,521	\$ 876,961	\$ 159,406	\$ 1,422,072	\$ 332,206	\$ (193,209)	\$ (155,079)	
General Revenues:								
Taxes:								
Property taxes; levied for general purposes					\$ 57,734	\$ 343,816	\$ 161,392	\$ -
Property taxes; levied for special purposes					3,686,389	-	-	123,015
Property taxes; levied for debt service					83,448	-	-	-
Non restricted grants and contributions					1,212,675	-	61,080	-
Other general revenues					-	78,541	-	-
Unrestricted investment earnings					12,963	4,985	184	2,017
Miscellaneous revenue					89,863	-	699	3,203
Total General Revenues					\$ 5,143,072	\$ 427,342	\$ 223,355	\$ 128,235
Change in Net Position					\$ 4,549,769	\$ 759,548	\$ 30,146	\$ (26,844)
Net Position - January 1					\$ 17,839,795	\$ 4,070,225	\$ 180,734	\$ 229,827
Prior Period Adjustments					-	3,587,377	-	-
Net Position - January 1, as restated					\$ 17,839,795	\$ 7,657,602	\$ 180,734	\$ 229,827
Net Position - December 31					\$ 22,389,564	\$ 8,417,150	\$ 210,880	\$ 202,983

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

TRAILL COUNTY
Hillsboro, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2014

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Human Services	FEMA Flood Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and investments	\$ 332,482	\$ 674,720	\$ 23,832	\$ 1,337,860	\$ 203,876	\$ 281,384	\$ 705,335	\$ 1,278,333	\$ 4,837,822
Intergovernmental receivable	336,966	-	-	118,904	11,576	-	-	1,665	469,111
Accounts receivable	-	-	-	-	-	-	-	33,427	33,427
Road receivables	-	-	1,711	-	-	-	-	-	1,711
Taxes receivable	1,210	12,084	10,668	-	16,068	-	-	40,513	80,543
Total Assets	\$ 670,658	\$ 686,804	\$ 36,211	\$ 1,456,764	\$ 231,520	\$ 281,384	\$ 705,335	\$ 1,353,938	\$ 5,422,614
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
<u>Liabilities:</u>									
Accounts payable	\$ 9,341	\$ 12,623	\$ 147,600	\$ 194,175	\$ 14,772	\$ -	\$ -	\$ 4,314	\$ 382,825
Salaries payable	585	-	14,981	-	4,669	-	-	7,200	27,435
Unearned revenue	-	-	-	-	-	281,384	-	-	281,384
Total Liabilities	\$ 9,926	\$ 12,623	\$ 162,581	\$ 194,175	\$ 19,441	\$ 281,384	\$ -	\$ 11,514	\$ 691,644
<u>Deferred Inflows of Resources:</u>									
Road receivable	\$ -	\$ -	\$ 1,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,711
Taxes receivable	1,210	12,084	10,668	-	16,068	-	-	40,513	80,543
Total Deferred Inflows of Resources	\$ 1,210	\$ 12,084	\$ 12,379	\$ -	\$ 16,068	\$ -	\$ -	\$ 40,513	\$ 82,254
Total Liabilities and Deferred Inflows of Resources	\$ 11,136	\$ 24,707	\$ 174,960	\$ 194,175	\$ 35,509	\$ 281,384	\$ -	\$ 52,027	\$ 773,898
<u>Fund Balances:</u>									
<u>Restricted for:</u>									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,810	\$ 87,810
Capital Projects	-	-	-	-	-	-	705,335	-	705,335
Public safety	-	-	-	-	-	-	-	320,699	320,699
Highways and bridges	-	662,097	-	1,262,589	-	-	-	328,367	2,253,053
Health and welfare	-	-	-	-	196,011	-	-	3,999	200,010
Culture and recreation	-	-	-	-	-	-	-	21,986	21,986
Conservation of natural resources	-	-	-	-	-	-	-	74,266	74,266
Emergencies	-	-	-	-	-	-	-	241,173	241,173
Other purposes & general government	-	-	-	-	-	-	-	223,611	223,611
<u>Unassigned</u>	659,522	-	(138,749)	-	-	-	-	-	520,773
Total Fund Balances	\$ 659,522	\$ 662,097	\$ (138,749)	\$ 1,262,589	\$ 196,011	\$ -	\$ 705,335	\$ 1,301,911	\$ 4,648,716
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 670,658	\$ 686,804	\$ 36,211	\$ 1,456,764	\$ 231,520	\$ 281,384	\$ 705,335	\$ 1,353,938	\$ 5,422,614

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

TRAILL COUNTY
Hillsboro, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2014

Total *Fund Balances* for Governmental Funds \$ 4,648,716

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	\$ 22,461,092	
Less Accumulated Depreciation	<u>(4,251,884)</u>	18,209,208

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	\$ 80,543	
Road Department Accounts Receivable	<u>1,711</u>	82,254

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, 2014 are:

Loans Payable	\$ (200,000)	
Compensated Absences Payable	(118,160)	
Retainage Payable	<u>(232,454)</u>	<u>(550,614)</u>

Total Net Position of Governmental Activities		<u><u>\$22,389,564</u></u>
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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, 2014

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Human Services	FEMA Flood Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:									
Taxes	\$ 61,168	\$ 590,750	\$ 604,493	\$ -	\$ 770,176	\$ -	\$ -	\$ 1,786,411	\$ 3,812,998
Intergovernmental	1,161,934	134,886	10,449	3,675,783	298,784	210,622	-	570,091	6,062,549
Charges for services	159,308	-	73,638	-	-	-	-	444,917	677,863
Licenses, permits and fees	250	-	-	-	-	-	-	-	250
Interest income	4,477	169	8,044	-	-	-	214	59	12,963
Miscellaneous	31,592	-	-	-	6,256	-	21,915	30,100	89,863
Total Revenues	\$1,418,729	\$ 725,805	\$ 696,624	\$ 3,675,783	\$ 1,075,216	\$ 210,622	\$ 22,129	\$ 2,831,578	\$ 10,656,486
Expenditures:									
Current:									
General government	\$ 816,683	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,091,607	\$ 1,908,290
Public safety	297,064	-	-	-	-	-	-	640,605	937,669
Highways and bridges	-	807,686	977,933	4,257,166	-	-	-	184,971	6,227,756
Flood repairs and maintenance	-	-	-	-	-	147,401	-	-	147,401
Emergencies	-	-	-	-	-	-	-	727,107	727,107
Health and welfare	-	-	-	-	1,086,642	-	-	33,933	1,120,575
Culture and recreation	-	-	-	-	-	-	-	22,274	22,274
Conserv. of natural resources	5,000	-	-	-	-	-	-	128,237	133,237
Capital outlay	-	-	-	-	-	-	625,093	-	625,093
Debt Service:									
Principal	-	-	-	-	-	-	-	98,000	98,000
Interest and fees	-	-	-	-	-	-	-	1,115	1,115
Total Expenditures	\$1,118,747	\$ 807,686	\$ 977,933	\$ 4,257,166	\$ 1,086,642	\$ 147,401	\$ 625,093	\$ 2,927,849	\$ 11,948,517
Excess (Deficiency) of Revenues Over Expenditures	\$ 299,982	\$ (81,881)	\$ (281,309)	\$ (581,383)	\$ (11,426)	\$ 63,221	\$ (602,964)	\$ (96,271)	\$ (1,292,031)
Other Financing Sources (Uses):									
Transfers in	\$ -	\$ -	\$ 88,478	\$ -	\$ -	\$ 44,177	\$ 200,000	\$ 88,173	\$ 420,828
Loan proceeds	-	-	-	-	-	-	-	200,000	200,000
Transfers out	(144,177)	-	(100,000)	-	-	(101,651)	-	(75,000)	(420,828)
Total Other Financing Sources and Uses	\$ (144,177)	\$ -	\$ (11,522)	\$ -	\$ -	\$ (57,474)	\$ 200,000	\$ 213,173	\$ 200,000
Net Change in Fund Balances	\$ 155,805	\$ (81,881)	\$ (292,831)	\$ (581,383)	\$ (11,426)	\$ 5,747	\$ (402,964)	\$ 116,902	\$ (1,092,031)
Fund Balances - January 1	\$ 503,717	\$ 743,978	\$ 154,082	\$ 1,843,972	\$ 207,437	\$ (5,747)	\$ 1,108,299	\$ 1,185,009	\$ 5,740,747
Fund Balances - December 31	\$ 659,522	\$ 662,097	\$ (138,749)	\$ 1,262,589	\$ 196,011	\$ -	\$ 705,335	\$ 1,301,911	\$ 4,648,716

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

TRAILL COUNTY
Hillsboro, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ (1,092,031)

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	\$ 1,015,916	
Capital Contributions to Infrastructure	5,454,708	
Current Year Depreciation Expense	<u>(544,732)</u>	5,925,892

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	<u>98,000</u>	(102,000)

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	\$ (9,708)	
Net Change in Retainage Payables	<u>(186,676)</u>	(196,384)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable and road receivables.

Net Change in Taxes Receivable	\$ 14,573	
Net Change in Road Department Receivables	<u>(281)</u>	<u>14,292</u>

Change in Net Position of Governmental Activities \$ 4,549,769

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

TRAILL COUNTY
Hillsboro, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2014

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 5,000,384</u>
<u>Liabilities:</u>	
Due to other governments/entities	<u>\$ 5,000,384</u>

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

TRAILL COUNTY
Hillsboro, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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 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 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.

TRAILL COUNTY

Notes to the Financial Statements – Continued

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 Brady Martz, Certified Public Accountants and Consultants, 401 Demers Avenue Suite 300 P.O. Box 14296, Grand Forks, North Dakota, 58208-4296.

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

Component Unit Financial Statements: The financial statements of the aggregately discretely presented component units are presented in the County's basic financial statements and are presented in accordance with 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, Trail 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.

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.

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

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.

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets

PRIMARY GOVERNMENT:

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

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

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

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

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

AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS:

Trail County Health District:

Capital assets of the Traill County Health District, a discretely presented component unit of Traill County, consist of a vehicle. Capital assets are reported at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The capitalization threshold used is \$5,000 per item for all capital assets. The Health District uses the County capitalization threshold and method, but uses the following estimated use lives for depreciation:

Assets	Years
Vehicles	5 - 7
Office Equipment	3 - 5

TRAILL COUNTY

Notes to the Financial Statements – Continued

Trail County Economic Development Commission:

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

Assets	Years
Technology	3
Office Equipment	7

Trail County Water Resource District:

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

F. Compensated Absences

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

Vacation leave is earned as follows:

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

G. Long-Term Obligations

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

H. Fund Balances / Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

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

Major Special Revenue Fund Purposes & Revenue Sources:

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

Fund Balance Reporting and Governmental Fund Type Definitions

Fund balance amounts are to be properly reported within one of the fund balance categories listed below.

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

Trail County only has restricted and unassigned fund balances at December 31, 2014.

Restricted Fund Balances – consist of the following items at December 31, 2014:

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 3rd parties (State & Federal governments for various grants & reimbursements).

Special Revenue Funds – Restricted & Committed Fund Balances:

(a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:

- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
- Restricted grants/reimbursements – primarily includes FEMA funds, other grant funds, and highway tax distribution.

Net Position:

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

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

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

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

Net position in the statement of net position is shown by primary function and is restricted for capital projects, public safety, highways and bridges, 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).

I. Special Assessments

Special assessments of the Traill County Water Resource District are certified to Traill County each year for collection in the following year.

Special assessments are levied to landowners who own property on that area that a project is taking place. Special assessments are recognized as revenue in the government wide financial statements in the year that the special assessment begins.

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

The board of county commissioners amended the county budget for 2014 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Capital Project Funds</u>			
Capital Improvements	\$ -	\$ 628,123	\$ 628,123
<u>Special Revenue Funds:</u>			
Highway Tax	1,271,500	3,116,071	4,387,571
County Bridge	59,000	2,990	61,990
Homemaker Expense	-	29	29
Emergency	100,000	627,107	727,107
Hatton/Portland Policing	-	107,147	107,147
Mayville City Policing	-	181,846	181,846
Abandoned Cemetery	4,015	2,443	6,458
Document Preservation	-	5,679	5,679
Sheriff Designated	-	1,449	1,449
County Park	20,000	2,137	22,137
911 Wireless	-	12,143	12,143
Hazardous Chemicals	-	3,960	3,960
Traffic Safety Grant	-	6,044	6,044
24/7 Jail Fund	-	19,605	19,605
Victim Witness	-	8,645	8,645

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2014, the county's carrying amount of deposits was \$9,791,886 and the bank balances totaled \$9,909,115. Of the bank balances, deposits totaling \$5,501,504 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 \$123,943 were backed by treasurer bonds, which are backed by the full faith and credit of the federal government; \$2,644,365 was covered by Federal Depository Insurance, and the remaining bank balances totaling \$1,639,303 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2014, the District Health Unit's carrying amount of deposits was \$195,317 and bank balances totaled \$200,199, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2014, the Economic Development Commission's carrying amount of deposits was \$149,486, and the bank balances totaled \$189,136, all of which were covered by Federal Depository Insurance.

Credit Risk:

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

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

As of December 31, 2014, the county had certificates of deposit totaling \$98,815 and Treasury Bills totaling \$124,057. The District Health Unit had certificates of deposit totaling \$93,956. The Economic Development Commission had certificates of deposit totaling \$73,223.

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.

TRAILL COUNTY

Notes to the Financial Statements – Continued

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.

NOTE 8: LOANS RECEIVABLE

The Traill County Economic Development Commission (a component unit of Traill County) had the following activity in Economic Development loans receivable during fiscal year 2014. Detailed information on EDC individual loan balances may be obtained from their separate audit report.

	Beginning Balance	Loans Issued	Loan Repayments	Ending Balance
Clifford Dinner Theater	\$ 934	\$ -	\$ -	\$ 934
Paddlewheel Café	511	-	-	511
Karrell Enterprises	1,805	-	-	1,805
Paddlewheel (L. Morris)	2,335	-	200	2,135
Hepper-Olson	5,250	-	1,000	4,250
Buxton Daycare	2,310	-	910	1,400
Boeddeker Septic Pump	194	-	194	-
Hillsboro Heat/Cool (2%)	1,270	-	1,270	-
Hatton Granite (2%)	3,628	-	3,628	-
Chad's Excavating (3.75%)	25,000	-	5,856	19,144
Hillsboro Body Shop (3.75%)	-	15,000	-	15,000
Allowance for Doubtful Accounts	\$ (4,651)	\$ -	\$ (200)	\$ (4,451)
Totals	\$38,856	\$15,000	\$12,858	\$40,728

Concentration of Credit Risk:

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2014 for the primary government:

Primary Government:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 15,822	\$ -	\$ -	\$ -	\$ 15,822
Construction Progress	692,896	5,970,273	-	(1,117,722)	5,545,447
Total Capital Assets, not being depreciated	\$ 708,718	\$5,970,273	\$ -	\$(1,117,722)	\$ 5,561,269
<i>Capital assets being depreciated:</i>					
Machinery and Equipment	\$ 2,416,248	\$ 212,705	\$ 6,350	\$ -	\$ 2,622,603
Office Equipment	269,165	-	-	-	269,165
Vehicles	783,611	100,770	46,649	-	837,732
Buildings	1,163,891	-	-	754,982	1,918,873
Infrastructure	10,701,834	186,876	-	362,740	11,251,450
Total Capital Assets, Being Depreciated	\$15,334,749	\$ 500,351	\$52,999	\$ 1,117,722	\$16,899,823
<i>Less Accumulated Depreciation for:</i>					
Machinery and Equipment	\$ 1,225,074	\$ 142,759	\$ 6,350	\$ -	\$ 1,361,483
Office Equipment	248,063	8,189	-	-	256,252
Vehicles	631,344	71,721	46,649	-	656,416
Buildings	470,344	40,776	-	-	511,120
Infrastructure	1,185,326	281,287	-	-	1,466,613
Total Accumulated Depreciation	\$ 3,760,151	\$ 544,732	\$52,999	\$ -	\$ 4,251,884
Total Capital Assets Being Depreciated, Net	\$11,574,598	\$ (44,381)	\$ -	\$ 1,117,722	\$12,647,939
Governmental Activities- Capital Assets, Net	\$12,283,316	\$5,925,892	\$ -	\$ -	\$18,209,208

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

Governmental Activities:	Amounts
General Government	\$ 29,276
Public Safety	31,195
Highways and Bridges	481,116
Culture and Recreation	3,145
Total Depreciation Expense-Governmental Activities	\$544,732

Trail County Water Resource District:

The following is a summary of changes in capital assets for the Trail County WRD, a discretely presented component unit of Trail County, for the year ended December 31, 2014:

Trail County Water Resource District	Balance 1-1-14	Increases	Decreases	Balance 12-31-14
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 878,761	\$ 156,916	\$ -	\$1,035,678
<i>Capital assets being depreciated:</i>				
Equipment	\$ 80,937	\$ 2,399	\$ -	\$ 83,336
Infrastructure	5,362,812	-	-	5,362,812
Total Capital Assets, Being Depreciated	\$5,443,749	\$ 2,399	\$ -	\$5,446,148
<i>Less Accumulated Depreciation for:</i>				
Equipment	\$ 48,242	\$ 8,663	\$ -	\$ 56,905
Infrastructure	427,488	107,255	-	534,743
Total Accumulated Depreciation	\$ 475,730	\$ 115,918	\$ -	\$ 591,648
Total Capital Assets Being Depreciated, Net	\$4,968,019	\$(113,519)	\$ -	\$4,854,500
Governmental Activities- Capital Assets, Net	\$5,846,781	\$ 43,397	\$ -	\$5,890,178

TRAILL COUNTY

Notes to the Financial Statements – Continued

Trail County Health District:

The following is a summary of changes in capital assets for the Trail County Health District, a discretely presented component unit of Trail County, for the year ended December 31, 2014:

Trail County District Health Unit	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Vehicles	\$25,498	\$ -	\$ -	\$25,498
<i>Less Accumulated Depreciation for:</i>				
Vehicles	2,550	2,550	-	5,100
Total Capital Assets Being Depreciated, Net	\$22,948	\$(2,550)	\$ -	\$20,398

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, 2014.

Trail County Economic Development Commission	Balance 1-1-14	Increases	Decreases	Balance 12-31-14
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Vehicles	\$22,100	\$ 2,302	\$ -	\$24,402
<i>Less Accumulated Depreciation for:</i>				
Vehicles	\$18,417	\$ 4,067	\$ -	\$22,484
Total Accumulated Depreciation	\$18,417	\$(1,765)	\$ -	\$22,484
Total Capital Assets Being Depreciated, Net	\$ 3,683	\$(1,765)	\$ -	\$ 1,918

NOTE 10: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2014 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.

TRAILL COUNTY

Notes to the Financial Statements – Continued

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, 2014. Asset recognition criteria have been met, but revenue recognition criteria have not been met.

NOTE 15: LONG-TERM DEBT

Primary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2014; the following changes occurred in governmental activities long-term liabilities for Traill County:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	\$ 98,000	\$200,000	\$98,000	\$200,000	\$36,000
Compensated Absences *	108,452	9,708	-	118,160	11,816
Total Governmental Activities	\$206,452	\$209,708	\$98,000	\$318,160	\$47,816

* 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, 2014 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%. \$200,000

DISCRETELY PRESENTED COMPONENT UNIT:

Traill County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2014, the following changes occurred in governmental long-term liabilities of the District:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bonds Payable	\$3,295,000	\$1,520,000	\$445,000	\$4,370,000	\$425,000
Bond Discounts	-	(22,800)	1,215	(21,585)	(1,571)
Bank Notes Payable	213,127	37,875	213,127	37,875	37,875
Total Governmental Activities	\$3,508,127	\$1,535,075	\$659,342	\$4,386,290	\$461,304

Outstanding debt (excluding compensated absences and leases payable) at December 31, 2014 for the Water Resource District governmental activities consists of the following individual issues.

Sinking Fund Bonds:

\$960,000 Improvement Bonds for Traill County Drains #6, #17a, #23-40, #24, #30 lateral #62, Series 2014 due in annual installment of \$45,000 to \$70,000 through May 1, 2023, interest payable semi-annually at .65% to 3.25%. \$ 915,000

\$1,325,000 Refunding Improvement Bonds for County Drains #9-#18, #29, #13, #58, & #6, Series 2014 due in annual installments of \$125,000 to \$160,000 through May 1, 2018; interest payable semi-annually at 1.75% to 3.3%. 590,000

TRAILL COUNTY

Notes to the Financial Statements – Continued

Sinking Fund Bonds: (Continued)

\$2,850,000 Refunding Improvement Bonds of 2010 for Moen Drain Reconstruction due in annual installments of \$120,000 to \$165,000 through May 1, 2025 interest payable semi-annually at 1.00% to 3.55%	\$1,560,000
\$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%.	145,000
\$560,000 Refunding Improvement Bond of 2014 for Traill County Drain #5; due in annual installments of \$40,000 through May 1, 2029; interest payable semi-annually at 1.65% to 3.15%.	560,000
\$1,900,000 Improvement Bonds of 2008 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%.	<u>600,000</u>
Total Water Resource District – Sinking Fund Bonds	<u>\$4,370,000</u>

Bank Notes Payable:

\$37,875 Bank Note Payable in one installment of \$37,875 due April 1, 2015 with an interest rate of 3.5%.	<u>\$ 37,875</u>
Total Bonds and Bank Notes Payable	<u>\$4,407,875</u>

Debt service requirements on long-term debt for the water resource district governmental activities for loans and bonds payable at December 31, 2014 are as follows:

WRD - GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Loans, Leases & Bonds Payable	
	Principal	Interest
2015	\$ 462,875	\$121,766
2016	480,000	119,085
2017	490,000	106,293
2018	460,000	92,300
2019	335,000	78,285
2020 – 2024	1,570,000	135,279
2025 – 2029	610,000	36,495
Totals	\$4,407,875	\$689,503

DISCRETELY PRESENTED COMPONENT UNIT:

Health District:

Changes in Long-Term Liabilities – During the year ended December 31, 2014; the following changes occurred in governmental activities long-term liabilities for the Traill County Health District:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences *	\$7,866	\$931	\$ -	\$8,797	\$880

* 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, 2014:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ -	\$144,177
County Road and Bridge	88,478	100,000
FEMA Flood Fund	44,177	101,651
Capital Improvements	200,000	-
<u>Special Revenue Funds:</u>		
County Bridge	1,137	-
Emergency Fund	12,036	-
Emergency 911	75,000	-
E911 Wireless	-	75,000
Total Transfers	\$420,828	\$420,828

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, 2014, 2013, and 2012 were \$314,724, \$259,010, and \$227,390, respectively.

TRAILL COUNTY

Notes to the Financial Statements – Continued

The water resource district's required and actual contributions to NDPERS for the years ended December 31, 2014, 2013, and 2012 were \$12,028, \$10,605, and \$8,527, respectively. The health unit's required and actual contributions to NDPERS for the years ended December 31, 2014, 2013, and 2012 were \$23,013, \$19,185, and \$18,769, respectively. The economic development commissions required and actual contributions to NDPERS for the years ended December 31, 2014, 2013, and 2012 were \$9,478, \$5,630, and \$4,482, 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 \$3,045,187 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, 2014.

	Red River Joint Water Resource Board
Total Assets	\$8,091,476
Total Liabilities	265,559
Total Net Position	\$7,825,917
Revenues	\$2,395,150
Expenses	1,368,330
Change in Net Position	\$1,026,820

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, 2014, there are Industrial Revenue Bonds to the Hillsboro Medical Center with an amount outstanding totaling \$12,775,000.

NOTE 21: COMMITMENTSCommitments:

At December 31, 2014, Traill County had commitments for remaining project costs related to Bridge 263 and the courthouse elevator project. As of December 31, 2014, the remaining construction commitments are as follows:

Project	Original Contract	Change Orders	Total Contract	Total Completed	Retainage	Remaining Balance	Percent Completed
Bridge 300	\$1,106,934	\$ 970	\$1,107,904	\$1,106,394	\$ 46,484	\$ 47,994	99.86%
County Rd 5 & 9	1,767,237	-	1,767,237	1,468,683	28,303	326,857	83.11%
County Rd 21	3,400,082	56,320	3,456,402	2,970,370	157,667	643,699	85.94%
Total	\$6,274,253	\$57,290	\$6,331,543	\$5,545,447	\$232,454	\$1,018,550	87.58%

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, 2014 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 LEASESEconomic Development Commission:

On June 1, 2014, the Commission entered into a three year non-cancellable lease of its office space with LEP Management. Monthly rental fees of \$700 are due until the lease expires on May 31, 2017. Future annual lease payments are as follows:

Fiscal Year	Amounts
2015	\$ 8,400
2016	8,400
2017	3,500
Total	\$20,300

NOTE 23: PRIOR PERIOD ADJUSTMENTSTrails County Water Resource District:

During the current year, the Trails County Water Resource District implemented accounting principles generally accepted in the United States of America. In previous years, the District followed the modified cash basis of accounting, which is an other comprehensive basis of accounting. In addition to this, it was noted that in the previous year, bond issue costs were being amortized instead of expensed on the government wide statements.

Due to the above noted items, beginning net position has been restated by a total of \$3,587,377 as follows:

Governmental Activities (WRD):	Amounts
Beginning Net Position, as previously reported	\$4,070,225
Adjustments to restate the January 1, 2014 Net Position:	
Expensing of bond issue costs previously capitalized	(31,520)
Recognizing special assessments as revenue	3,710,094
Recording of prior year accounts payable	(91,197)
Net Position January 1, as restated	\$7,657,602

NOTE 24: SUBSEQUENT EVENTSTrails County Water Resource District:

Subsequent to December 31, 2014, and before the report was issued for the Trails County Water Resource District, the District issued \$480,000 of improvement bonds to provide funds for Palace Drain Improvement District No. 80. These bonds have maturity dates ranging from 2019 to 20129, with an interest rate ranging from 1.3 percent to 3.0 percent. Payments on these bonds will begin in 2016.

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 58,858	\$ 58,858	\$ 61,168	\$ 2,310
Intergovernmental	997,131	997,131	1,161,934	164,803
Licenses, permits and fees	135,630	135,630	250	(135,380)
Charges for services	50	50	159,308	159,258
Interest income	2,000	2,000	4,477	2,477
Miscellaneous	2,000	2,000	31,592	29,592
Total Revenues	\$ 1,195,669	\$ 1,195,669	\$ 1,418,729	\$ 223,060
<u>Expenditures:</u>				
Current:				
General government	\$ 1,104,994	\$ 1,104,994	\$ 816,683	\$ 288,311
Public safety	318,153	318,153	297,064	21,089
Conservation of natural resources	-	-	5,000	(5,000)
Total Expenditures	\$ 1,423,147	\$ 1,423,147	\$ 1,118,747	\$ 304,400
Excess (Deficiency) of Revenues Over Expenditures	\$ (227,478)	\$ (227,478)	\$ 299,982	\$ 527,460
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (144,177)	\$ (144,177)
Net Change in Fund Balances	\$ (227,478)	\$ (227,478)	\$ 155,805	\$ 383,283
Fund Balances - January 1	\$ 503,717	\$ 503,717	\$ 503,717	\$ -
Fund Balances - December 31	\$ 276,239	\$ 276,239	\$ 659,522	\$ 383,283

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

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 563,419	\$ 563,419	\$ 590,750	\$ 27,331
Intergovernmental	9,922	9,922	134,886	124,964
Interest income	-	-	169	169
Total Revenues	\$ 573,341	\$ 573,341	\$ 725,805	\$ 152,464
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 790,691	\$ 945,492	\$ 807,686	\$ 137,806
Excess (Deficiency) of Revenues Over Expenditures	\$ (217,350)	\$ (372,151)	\$ (81,881)	\$ 290,270
Fund Balances - January 1	\$ 743,978	\$ 743,978	\$ 743,978	\$ -
Fund Balances - December 31	\$ 526,628	\$ 371,827	\$ 662,097	\$ 290,270

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

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 648,196	\$ 648,196	\$ 604,493	\$ (43,703)
Intergovernmental	7,846	7,846	10,449	2,603
Charges for services	70,000	70,000	73,638	3,638
Interest income	-	-	8,044	8,044
Total Revenues	<u>\$ 726,042</u>	<u>\$ 726,042</u>	<u>\$ 696,624</u>	<u>\$ (29,418)</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	<u>\$ 945,300</u>	<u>\$ 945,300</u>	<u>\$ 977,933</u>	<u>\$ (32,633)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (219,258)</u>	<u>\$ (219,258)</u>	<u>\$ (281,309)</u>	<u>\$ (62,051)</u>
Fund Balances - January 1	<u>\$ 154,082</u>	<u>\$ 154,082</u>	<u>\$ 154,082</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ (65,176)</u>	<u>\$ (65,176)</u>	<u>\$ (138,749)</u>	<u>\$ (73,573)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$ 999,000	\$ 999,000	\$ 3,675,783	\$ 2,676,783
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 1,271,500	\$ 4,387,571	\$ 4,257,166	\$ 130,405
Excess (Deficiency) of Revenues Over Expenditures	\$ (272,500)	\$(3,388,571)	\$ (581,383)	\$ 2,807,188
Fund Balances - January 1	\$ 1,843,972	\$ 1,843,972	\$ 1,843,972	\$ -
Fund Balances - December 31	\$ 1,571,472	\$(1,544,599)	\$ 1,262,589	\$ 2,807,188

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

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 809,294	\$ 809,294	\$ 770,176	\$ (39,118)
Intergovernmental	210,112	210,112	298,784	88,672
Miscellaneous	27,559	27,559	6,256	(21,303)
Total Revenues	<u>\$ 1,046,965</u>	<u>\$ 1,046,965</u>	<u>\$ 1,075,216</u>	<u>\$ 28,251</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>\$ 1,107,136</u>	<u>\$ 1,107,136</u>	<u>\$ 1,086,642</u>	<u>\$ 20,494</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (60,171)</u>	<u>\$ (60,171)</u>	<u>\$ (11,426)</u>	<u>\$ 48,745</u>
Fund Balances - January 1	<u>\$ 207,437</u>	<u>\$ 207,437</u>	<u>\$ 207,437</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 147,266</u>	<u>\$ 147,266</u>	<u>\$ 196,011</u>	<u>\$ 48,745</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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 210,622	\$ 210,622
<u>Expenditures:</u>				
Current:				
Flood repair	\$ -	\$ 153,147	\$ 147,401	\$ 5,746
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (153,147)	\$ 63,221	\$ 216,368
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 44,177	\$ 44,177
Transfers out	-	(101,651)	(101,651)	-
Total Other Financing Sources (Uses)	\$ -	\$ (101,651)	\$ (57,474)	\$ 44,177
Net Change in Fund Balances	\$ -	\$ (254,798)	\$ 5,747	\$ 260,545
Fund Balances - January 1	\$ (5,747)	\$ (5,747)	\$ (5,747)	\$ -
Fund Balances - December 31	\$ (5,747)	\$ (260,545)	\$ -	\$ 260,545

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

TRAILL COUNTY
Hillsboro, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

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, 2014

	Balance 1-1-14	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-14
Major Govt. Funds:							
General Fund	\$ 336,702.17	\$ 1,366,285.70	\$ -	\$ -	\$ 144,176.99	\$ 1,226,328.41	\$ 332,482.47
Farm to Market Road	\$ 745,021.51	\$ 734,847.47	\$ -	\$ -	\$ -	\$ 805,149.67	\$ 674,719.31
County Road & Bridge	159,904.69	704,228.22	88,477.83	-	100,000.00	828,779.23	23,831.51
Highway Distribution	1,781,199.98	3,662,417.51	-	-	-	4,105,756.92	1,337,860.57
County Human Services	198,920.85	1,093,538.45	-	-	-	1,088,584.05	203,875.25
FEMA Flood Fund	492,004.81	-	44,176.99	-	101,650.50	153,147.67	281,383.63
Capital Improvements	1,111,329.40	22,129.10	200,000.00	-	-	628,123.34	705,335.16
Total Major Funds	\$ 4,825,083.41	\$ 7,583,446.45	\$ 332,654.82	\$ -	\$ 345,827.49	\$ 8,835,869.29	\$ 3,559,487.90
Nonmajor Govt. Funds:							
Special Revenue Funds:							
County Road	\$ 106,598.66	\$ 190,188.66	\$ -	\$ -	\$ -	\$ 185,000.00	\$ 111,787.32
County Bridge	67,686.10	9,744.77	1,137.40	200,000.00	-	61,989.74	216,578.53
Homemaker Exp - Estate	3,784.24	-	-	-	-	29.49	3,754.75
Emergency Fund	366,130.05	590,115.17	12,035.27	-	-	727,107.15	241,173.34
Health Insurance	14,636.06	253,165.39	-	-	-	248,577.28	19,224.17
Veteran's Service Officer	6,629.60	33,710.91	-	-	-	33,853.14	6,487.37
Hatton/Portland Policing	15,230.09	98,094.53	-	-	-	107,146.92	6,177.70
Mayville Policing	18,635.09	173,844.00	-	-	-	181,845.70	10,633.39
Oasis and Social Security	116,245.22	747,793.58	-	-	-	740,946.49	123,092.31
Abandoned Cemetery	16,237.85	3,916.41	-	-	-	6,447.94	13,706.32
Document Preservation	26,934.52	12,049.50	-	-	-	5,678.92	33,305.10
County Share Special Assessments	49,162.10	5.26	-	-	-	-	49,167.36
County Agent	23,238.52	70,370.51	-	-	-	70,060.50	23,548.53
Sheriff Designated	1,841.39	1,500.00	-	-	-	1,449.46	1,891.93
Homeland Security	184.70	-	-	-	-	-	184.70
Sheriff Designated - Drug Dog	149.22	-	-	-	-	-	149.22
Weed Control	26,010.55	37,450.80	-	-	-	45,694.49	17,766.86
Jail	76,643.58	220,321.17	-	-	-	190,907.32	106,057.43
County Park	22,683.76	15,226.02	-	-	-	22,137.10	15,772.68
Insurance Reserve	49,795.00	94,068.64	-	-	-	103,000.40	40,863.24
Seat Belt Safety	244.24	-	-	-	-	-	244.24
Emergency 911	5,220.99	33,311.80	75,000.00	-	-	104,415.29	9,117.50
DES Hazardous Chemicals	6,710.09	1,450.00	-	-	-	3,960.00	4,200.09
E911 Wireless	161,258.42	70,888.94	-	-	75,000.00	12,143.16	145,004.20
Traffic Safety Grant	7,700.88	6,079.91	-	-	-	6,044.30	7,736.49
24/7 Fund	1,807.40	24,430.00	-	-	-	19,605.20	6,632.20
Community Service Program	-	250.00	-	-	-	-	250.00
Victim & Witness Advocacy	21,918.97	11,909.34	-	-	-	8,644.84	25,183.47
Total Nonmajor Special Rev. Funds	\$ 1,213,317.29	\$ 2,699,885.31	\$ 88,172.67	\$ 200,000.00	\$ 75,000.00	\$ 2,886,684.83	\$ 1,239,690.44
Debt Service Fund (Nonmajor):							
County Loan	\$ 19,033.14	\$ 118,724.68	\$ -	\$ -	\$ -	\$ 99,115.03	\$ 38,642.79
Total Nonmajor Govt. Funds	\$ 1,232,350.43	\$ 2,818,609.99	\$ 88,172.67	\$ 200,000.00	\$ 75,000.00	\$ 2,985,799.86	\$ 1,278,333.23
Total Governmental Funds	\$ 6,057,433.84	\$ 10,402,056.44	\$ 420,827.49	\$ 200,000.00	\$ 420,827.49	\$ 11,821,669.15	\$ 4,837,821.13

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TRAILL COUNTY
Hillsboro, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-14
CONTINUED....							
<u>Agency Funds:</u>							
Airport	\$ 32.71	\$ 10,563.77	\$ -	\$ -	\$ -	\$ 10,566.53	\$ 29.95
Ambulance	1,383.00	395,254.20	-	-	-	395,244.93	1,392.27
Job/Economic Development	472.38	122,664.28	-	-	-	122,697.57	439.09
County Historical Society	66.38	24,212.22	-	-	-	24,211.78	66.82
Water Resource District (County)	553.18	159,595.93	-	-	-	159,592.22	556.89
Senior Citizens	138.30	71,937.17	-	-	-	71,936.25	139.22
Speed Enforcement	331.80	-	-	-	-	-	331.80
Health District (County)	610.41	160,712.19	-	-	-	160,746.76	575.84
State Taxes	138.30	39,342.91	-	-	-	39,341.99	139.22
Part Payment	3,077.71	19,272.14	-	-	-	22,349.85	-
Wetlands	-	1,038.00	-	-	-	1,038.00	-
Prepaid Taxes	4,636,966.30	4,921,773.27	-	-	-	4,636,966.30	4,921,773.27
Game and Fish Licenses	5,127.26	12,039.00	-	-	-	12,163.00	5,003.26
Mobile Homes	1,818.93	3,557.91	-	-	-	-	5,376.84
Garrison Diversion	149.92	44,610.63	-	-	-	44,604.13	156.42
Domestic Violence	-	1,610.00	-	-	-	1,575.00	35.00
UCC Funds	408.80	-	-	-	-	-	408.80
County Agent Special	5,098.51	3,095.23	-	-	-	3,744.36	4,449.38
Unclaimed Property	300.02	106.74	-	-	-	300.02	106.74
Clerk of Court Checking	50,083.13	194,886.48	-	-	-	227,047.05	17,922.56
Red River Joint Water Resources	269.86	79,152.34	-	-	-	79,146.14	276.06
Soil Conservation District	138.30	41,004.21	-	-	-	41,003.29	139.22
Total Cities	19,200.01	2,039,974.89	-	-	-	2,038,298.47	20,876.43
Total Park Districts	1,523.13	173,006.10	-	-	-	172,652.03	1,877.20
Total School Districts	19,684.83	3,800,287.04	-	-	-	3,804,063.60	15,908.27
Total Townships	1,555.12	1,037,304.97	-	-	-	1,036,999.40	1,860.69
Drains (County)	1,968.97	1,567,934.79	-	-	-	1,569,639.79	263.97
Total Rural Fire Protection Districts	237.50	104,132.25	-	-	-	104,091.17	278.58
Total Agency Funds	\$ 4,751,334.76	\$ 15,029,068.66	\$ -	\$ -	\$ -	\$ 14,780,019.63	\$ 5,000,383.79
Total Primary Government	\$ 10,808,768.60	\$ 25,431,125.10	\$ 420,827.49	\$ 200,000.00	\$ 420,827.49	\$ 26,601,688.78	\$ 9,838,204.92

STATE AUDITOR

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BISMARCK, NORTH DAKOTA 58505

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

Board of County Commissioners
Traill County
Hillsboro, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Traill County, Hillsboro, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Traill County’s basic financial statements, and have issued our report thereon dated October 28, 2015. Our report includes reference to other auditors who audited the financial statements of the Traill County Water Resource District and the Traill County Economic Development Commission, as described in our report on Traill County’s financial statements. This report does not include results of the other auditors’ testing of internal control over financial reporting or on compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

TRAILL COUNTY

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

Compliance and Other Matters

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 28, 2015

STATE AUDITOR

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Board of County Commissioners
Traill County
Hillsboro, North Dakota

We have audited 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, Hillsboro, North Dakota, for the year ended December 31, 2014, and have issued our report thereon dated October 28, 2015. We did not audit the financial statements of the Traill County Water Resource District and the Traill County Economic Development Commission, which are part of the aggregate discretely presented component units' opinion unit. Our report includes reference to other auditors who audited the financial statements of the Traill County Water Resource District and the Traill County Economic Development Commission, as described in our report on Traill County's financial statements. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated July 27, 2015, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Traill County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting.

As part of obtaining reasonable assurance about whether Traill County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Traill County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated October 28, 2015.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the county's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The following presents our informal recommendations:

CREDIT CARD EXPENDITURES – HEALTH DISTRICT UNIT

During our test of expenditures for the Traill County Public Health District, we selected 32 expenditures to review with applicable laws, rules, and policies (total of 291 expenditures were subjected to selection). During these expenditure tests, we noted that 2 credit card statements reviewed were missing adequate supporting documentation for charges incurred by employees.

Effective internal controls over credit card expenditures require that expenses include adequate supporting documentation that includes an audit trail with supporting documentation kept with the paid vouchers.

We recommend that the Traill County Public Health District maintain adequate supporting documentation for credit card expenditures.

LACK OF SEGREGATION OF DUTIES – HEALTH DISTRICT UNIT

The Traill County Public Health Unit has two staff members responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, write checks, sign checks, issue checks, record receipts disbursement in journals, maintain the general ledger, and perform bank reconciliations. Internal control guidance provided by the Committee of Sponsoring Organizations (COSO) and Generally Accepted Accounting Principles (GAAP) indicate that the following functions should be separated: custody of assets, posting, reconciliation, and authorization.

Due to the size, complexity, and the economic realities of the Traill County Public Health District, it is presently not feasible to obtain proper separation of duties. We recommend the health district segregated duties to the extent possible to reduce the potential risk of loss.

This information is intended solely for the use of the Board of County Commissioners and management of Traill County, is not intended to be, and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Traill County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Traill County.


Robert R. Peterson
State Auditor

Fargo, North Dakota
October 28, 2015

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