



ROBERT R. PETERSON  
STATE AUDITOR

# Towner County

Cando, North Dakota

## **Audit Report**

For the Years Ended  
December 31, 2014 and 2013

Office of the State Auditor

---

---

TOWNER COUNTY  
Cando, North Dakota

TABLE OF CONTENTS  
For the Years Ended December 31, 2014 and 2013

---

	<u>Page(s)</u>
County Officials	1
Independent Auditor's Report	2 - 3
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>2014</b>	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
<b>2013</b>	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet - Governmental Funds	12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Statement of Fiduciary Net Position - Agency Funds - 2014 and 2013	16
Notes to the Financial Statements	17 - 31

	<u>Page(s)</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedules	
<b><u>2014</u></b>	
General Fund	32
Farm to Market Road Fund	33
County Road and Bridge Fund	34
Highway Tax Distribution Fund	35
County Emergency Poor Fund	36
OASIS/FICA Fund	37
FEMA Fund	38
<b><u>2013</u></b>	
General Fund	39
Farm to Market Road Fund	40
County Road and Bridge Fund	41
Highway Tax Distribution Fund	42
County Emergency Poor Fund	43
OASIS/FICA Fund	44
FEMA Fund	45
Notes to the Required Supplementary Information	46 - 47
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Fund Activity - 2014 and 2013	48 - 49
Schedule of Expenditures of Federal Awards - 2014	50
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	51 - 52
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	53 - 54
Schedule of Findings and Questioned Costs	55 - 56
Management's Letter	57 - 59

TOWNER COUNTY  
Cando, North Dakota

**COUNTY OFFICIALS**

December 31, 2014

Mike Weisz  
Ken Teubner  
Scott Boe  
Doug Berg  
David Lagein

Chairman  
Vice-chairman  
Commissioner  
Commissioner  
Commissioner

Joni Morlock  
Joni Morlock  
Wayne Lingen  
Jolene Hoffert  
Jolene Hoffert  
Dana Pollman  
Robert Ackre

County Auditor  
County Treasurer  
Superintendent of Schools  
Register of Deeds  
Clerk of Court  
Sheriff  
State's Attorney

December 31, 2013

Mike Weisz  
Ken Teubner  
Scott Boe  
Doug Berg  
David Lagein

Chairman  
Vice-chairman  
Commissioner  
Commissioner  
Commissioner

Joni Morlock  
Joni Morlock  
Wayne Lingen  
Jolene Hoffert  
Jolene Hoffert  
Vaughn Klier  
Robert Ackre

County Auditor  
County Treasurer  
Superintendent of Schools  
Register of Deeds  
Clerk of Court  
Sheriff  
State's Attorney

**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  
Towner County  
Cando, 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 Towner County, Cando, North Dakota, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Towner County, Cando, North Dakota, as of December 31, 2014 and 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 32-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of Towner 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 Towner County's internal control over financial reporting and compliance.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
December 4, 2015

TOWNER COUNTY  
Cando, North Dakota

STATEMENT OF NET POSITION  
December 31, 2014

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Health District
<b>ASSETS</b>			
Cash and investments	\$ 3,511,042	\$ 438,349	\$ 112,190
Accounts receivable	32,169	-	1,027
Intergovernmental receivable	1,988,972	-	-
Road receivables	16,697	-	-
Loan receivable	2,903	-	-
Taxes receivable	32,676	1,287	821
Capital Assets Not Being Depreciated:			
Land	12,250	-	-
Construction in progress	66,850	-	-
Capital Assets (net of accumulated depreciation):			
Buildings	32,998	-	-
Equipment and vehicles	1,548,452	-	-
Small equipment	16,652	-	-
Infrastructure	2,509,958	-	-
Total Capital Assets	<u>\$ 4,187,160</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u>\$ 9,771,619</u>	<u>\$ 439,636</u>	<u>\$ 114,038</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 156,222	\$ -	\$ -
Salaries payable	34,258	-	-
Payroll liability	-	-	2,236
Grants received in advance	93,846	-	-
Interest payable	3,999	-	-
Long-Term Liabilities:			
Due Within One Year:			
Capital leases payable	116,144	-	-
Compensated absences payable	3,376	-	256
Due After One Year:			
Capital leases payable	230,528	-	-
Compensated absences payable	30,385	-	2,308
Total Liabilities	<u>\$ 668,758</u>	<u>\$ -</u>	<u>\$ 4,800</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Received in Advance	\$ 559,942	\$ -	\$ -
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,228,700</u>	<u>\$ -</u>	<u>\$ 4,800</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 3,840,488	\$ -	\$ -
Restricted for:			
General Government	319,621	-	-
Public safety	4,739	-	-
Highways	3,106,713	-	-
Health and welfare	48,162	-	109,238
Culture and recreation	26,288	-	-
Conservation of natural resources	111,668	439,636	-
Emergencies	270,773	-	-
Unrestricted	814,467	-	-
Total Net Position	<u>\$ 8,542,919</u>	<u>\$ 439,636</u>	<u>\$ 109,238</u>

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

TOWNER COUNTY  
Cando, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Governmental Activities	Component Units Water Resource District	Health District
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General government	\$ 1,053,318	\$ 54,982	\$ 37,372	\$ -	\$ (960,964)		
Public safety	306,152	25,885	77,850	23,665	(178,752)		
Highways and bridges	1,716,153	247,379	1,825,255	463,051	819,532		
Flood repair	639,573	-	659,148	-	19,575		
Health and welfare	237,604	2,829	-	-	(234,775)		
Culture and recreation	36,787	-	-	-	(36,787)		
Conserv. of natural resources	53,452	-	-	-	(53,452)		
Economic development	8,000	-	-	-	(8,000)		
Interest & fiscal charges on long-term debt	9,070	-	-	-	(9,070)		
<b>Total Governmental Activities</b>	<b>\$ 4,060,109</b>	<b>\$ 331,075</b>	<b>\$ 2,599,625</b>	<b>\$ 486,716</b>	<b>\$ (642,693)</b>		
<u>Component Units:</u>							
Water resource district	\$ 37,926	\$ -	\$ -	\$ -	\$ -	\$ (37,926)	\$ -
Health district	157,007	12,783	119,854	-	-	-	(24,370)
<b>Total Component Units</b>	<b>\$ 194,933</b>	<b>\$ 12,783</b>	<b>\$ 119,854</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (37,926)</b>	<b>\$ (24,370)</b>
<u>General Revenues:</u>							
<u>Taxes:</u>							
Property taxes; levied for general purposes					\$ 336,451	\$ 75,063	\$ 49,053
Property taxes; levied for special purposes					1,551,232	-	-
State Grants/Aid - Unrestricted					527,290	-	-
Other Unrestricted Grant Income					20,250	-	-
Sale of capital assets					125,000	-	-
Unrestricted investment earnings					8,261	-	108
Miscellaneous revenue					61,158	632	-
<b>Total General Revenues</b>					<b>\$ 2,629,642</b>	<b>\$ 75,695</b>	<b>\$ 49,161</b>
<b>Change in Net Position</b>					<b>\$ 1,986,949</b>	<b>\$ 37,769</b>	<b>\$ 24,791</b>
<b>Net Position - January 1</b>					<b>\$ 6,555,970</b>	<b>401,867</b>	<b>\$ 84,447</b>
<b>Net Position - December 31</b>					<b>\$ 8,542,919</b>	<b>\$ 439,636</b>	<b>\$ 109,238</b>

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



TOWNER COUNTY  
Cando, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2014

	General	Farm to Market	County Road & Bridge	Highway Tax Distribution	County Emergency Poor	OASIS/ FICA	FEMA	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND DEFERRED</b>									
<b>OUTFLOWS OF RESOURCES</b>									
<u>Assets:</u>									
Cash and investments	\$ 657,316	\$ 488,000	\$ 789,824	\$ 506,194	\$ 116,370	\$ 174,846	\$ -	\$ 778,492	\$ 3,511,042
Accounts receivable	-	-	32,169	-	-	-	-	-	32,169
Intergovernmental receivable	181,455	1,444,640	-	45,588	-	-	281,034	36,255	1,988,972
Road receivables	-	-	16,697	-	-	-	-	-	16,697
Loan receivable	2,903	-	-	-	-	-	-	-	2,903
Taxes receivable	5,737	3,657	5,056	-	4,250	4,728	-	9,248	32,676
Due from other funds	118,335	-	-	-	-	-	-	-	118,335
<b>Total Assets</b>	<b>\$ 965,746</b>	<b>\$ 1,936,297</b>	<b>\$ 843,746</b>	<b>\$ 551,782</b>	<b>\$ 120,620</b>	<b>\$ 179,574</b>	<b>\$ 281,034</b>	<b>\$ 823,995</b>	<b>\$ 5,702,794</b>
<u>LIABILITIES, DEFERRED INFLOWS OF</u>									
<u>RESOURCES AND FUND BALANCES</u>									
<u>Liabilities:</u>									
Accounts payable	\$ -	\$ 1,166	\$ 9,015	\$ 4,811	\$ -	\$ -	\$ 141,230	\$ -	\$ 156,222
Salaries payable	18,789	-	15,469	-	-	-	-	-	34,258
Grants received in advance	-	-	-	-	-	-	93,846	-	93,846
Due to other funds	-	-	-	-	-	-	69,945	48,390	118,335
<b>Total Liabilities</b>	<b>\$ 18,789</b>	<b>\$ 1,166</b>	<b>\$ 24,484</b>	<b>\$ 4,811</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 305,021</b>	<b>\$ 48,390</b>	<b>\$ 402,661</b>
<u>Deferred Inflows of Resources:</u>									
Taxes receivable	\$ 5,737	\$ 3,657	\$ 5,056	\$ -	\$ 4,250	\$ 4,728	\$ -	\$ 9,248	\$ 32,676
Road receivables	-	-	16,697	-	-	-	-	-	16,697
Taxes received in advance	96,367	85,742	88,126	-	76,125	79,487	-	134,095	559,942
<b>Total Deferred Inflows of Resources</b>	<b>\$ 102,104</b>	<b>\$ 89,399</b>	<b>\$ 109,879</b>	<b>\$ -</b>	<b>\$ 80,375</b>	<b>\$ 84,215</b>	<b>\$ -</b>	<b>\$ 143,343</b>	<b>\$ 609,315</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 120,893</b>	<b>\$ 90,565</b>	<b>\$ 134,363</b>	<b>\$ 4,811</b>	<b>\$ 80,375</b>	<b>\$ 84,215</b>	<b>\$ 305,021</b>	<b>\$ 191,733</b>	<b>\$ 1,011,976</b>
<u>Fund Balances:</u>									
<u>Non-Spendable:</u>									
Loan receivable	\$ 2,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,903
<u>Restricted:</u>									
General Government	-	-	-	-	-	95,359	-	220,832	316,191
Public safety	-	-	-	-	-	-	-	15,639	15,639
Highways and bridges	-	1,845,732	709,383	546,971	-	-	-	113	3,102,199
Health and welfare	-	-	-	-	40,245	-	-	3,346	43,591
Culture and recreation	-	-	-	-	-	-	-	25,622	25,622
Conservation of natural resources	-	-	-	-	-	-	-	109,611	109,611
Emergency	-	-	-	-	-	-	-	269,234	269,234
Unassigned	841,950	-	-	-	-	-	(23,987)	(12,135)	805,828
<b>Total Fund Balances</b>	<b>\$ 844,853</b>	<b>\$ 1,845,732</b>	<b>\$ 709,383</b>	<b>\$ 546,971</b>	<b>\$ 40,245</b>	<b>\$ 95,359</b>	<b>\$ (23,987)</b>	<b>\$ 632,262</b>	<b>\$ 4,690,818</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 965,746</b>	<b>\$ 1,936,297</b>	<b>\$ 843,746</b>	<b>\$ 551,782</b>	<b>\$ 120,620</b>	<b>\$ 179,574</b>	<b>\$ 281,034</b>	<b>\$ 823,995</b>	<b>\$ 5,702,794</b>

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

---

---

TOWNER COUNTY  
Cando, North Dakota

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

---

Total *Fund Balances* for Governmental Funds \$ 4,690,818

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

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

Cost of Capital Assets	\$ 5,977,359	
Less Accumulated Depreciation	<u>(1,790,199)</u>	
Net Capital Assets		4,187,160

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	\$ 32,676	
Road Department Accounts Receivable	<u>16,697</u>	49,373

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2014 are:

Capital Leases	\$ (346,672)	
Interest Payable	(3,999)	
Compensated Absences	<u>(33,761)</u>	
Total Long-Term Liabilities		<u>(384,432)</u>

Total Net Position of Governmental Activities \$ 8,542,919

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

TOWNER COUNTY  
Cando, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2014

	General	Farm to Market	County Road & Bridge	Highway Tax Distribution	County Emergency Poor	OASIS/ FICA	FEMA	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>									
Taxes	\$ 337,736	\$ 209,915	\$ 289,442	\$ -	\$ 248,390	\$ 271,384	\$ -	\$ 536,756	\$ 1,893,623
Intergovernmental	506,680	1,444,640	76,878	380,615	-	-	659,148	79,204	3,147,165
Licenses, permits and fees	2,240	-	-	-	-	-	-	-	2,240
Charges for services	79,833	-	275,290	-	-	-	-	-	355,123
Fines and forfeitures	1,624	-	-	-	-	-	-	-	1,624
Interest income	7,556	705	-	-	-	-	-	-	8,261
Miscellaneous	42,427	-	12,985	-	-	-	-	5,746	61,158
<b>Total Revenues</b>	<b>\$ 978,096</b>	<b>\$ 1,655,260</b>	<b>\$ 654,595</b>	<b>\$ 380,615</b>	<b>\$ 248,390</b>	<b>\$ 271,384</b>	<b>\$ 659,148</b>	<b>\$ 621,706</b>	<b>\$ 5,469,194</b>
<b>Expenditures:</b>									
<b>Current:</b>									
General government	\$ 615,605	\$ -	\$ -	\$ -	\$ -	\$ 264,364	\$ -	\$ 169,923	\$ 1,049,892
Public safety	187,287	-	-	-	-	-	-	107,145	294,432
Highways and bridges	-	319,677	801,606	674,487	-	-	-	42,792	1,838,562
Flood repair	-	-	-	-	-	-	639,573	-	639,573
Health and welfare	9,356	-	-	-	228,248	-	-	-	237,604
Culture and recreation	-	-	-	-	-	-	-	36,787	36,787
Conserv. of natural resources	-	-	-	-	-	-	-	53,452	53,452
Economic development	8,000	-	-	-	-	-	-	-	8,000
<b>Debt Service:</b>									
Principal	-	-	50,082	41,887	-	-	-	-	91,969
Interest and fees	-	-	4,173	5,239	-	-	-	-	9,412
<b>Total Expenditures</b>	<b>\$ 820,248</b>	<b>\$ 319,677</b>	<b>\$ 855,861</b>	<b>\$ 721,613</b>	<b>\$ 228,248</b>	<b>\$ 264,364</b>	<b>\$ 639,573</b>	<b>\$ 410,099</b>	<b>\$ 4,259,683</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 157,848</b>	<b>\$ 1,335,583</b>	<b>\$ (201,266)</b>	<b>\$ (340,998)</b>	<b>\$ 20,142</b>	<b>\$ 7,020</b>	<b>\$ 19,575</b>	<b>\$ 211,607</b>	<b>\$ 1,209,511</b>
<b>Other Financing Sources (Uses):</b>									
Transfers in	\$ 19,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,186
Lease proceeds	-	-	-	112,991	-	-	-	-	112,991
Sale of assets	-	-	-	125,000	-	-	-	-	125,000
Transfers out	-	-	-	-	-	-	-	(19,186)	(19,186)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 19,186</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 237,991</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (19,186)</b>	<b>\$ 237,991</b>
<b>Net Change in Fund Balances</b>	<b>\$ 177,034</b>	<b>\$ 1,335,583</b>	<b>\$ (201,266)</b>	<b>\$ (103,007)</b>	<b>\$ 20,142</b>	<b>\$ 7,020</b>	<b>\$ 19,575</b>	<b>\$ 192,421</b>	<b>\$ 1,447,502</b>
<b>Fund Balances - January 1</b>	<b>\$ 667,819</b>	<b>\$ 510,149</b>	<b>\$ 910,649</b>	<b>\$ 649,978</b>	<b>\$ 20,103</b>	<b>\$ 88,339</b>	<b>\$ (43,562)</b>	<b>\$ 439,841</b>	<b>\$ 3,243,316</b>
<b>Fund Balances - December 31</b>	<b>\$ 844,853</b>	<b>\$ 1,845,732</b>	<b>\$ 709,383</b>	<b>\$ 546,971</b>	<b>\$ 40,245</b>	<b>\$ 95,359</b>	<b>\$ (23,987)</b>	<b>\$ 632,262</b>	<b>\$ 4,690,818</b>

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

---

---

TOWNER COUNTY  
Cando, 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 \$ 1,447,502

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 expense in the current year.

Current Year Capital Outlay	\$ 509,052	
Capital Contribution	486,716	
Current Year Depreciation Expense	<u>(287,353)</u>	708,415

The net effect of miscellaneous transactions involving capital assets is to decrease net capital assets. (107,866)

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

Repayment of Debt - Lease	\$ 91,969	
Lease Issuance	<u>(112,991)</u>	(21,022)

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	\$ (6,570)	
Net Change in Interest Payable	<u>342</u>	(6,228)

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 increase in taxes receivable and road receivables.

Net Change in Taxes Receivable	\$ (5,940)	
Net Change in Road Department Receivables	<u>(27,912)</u>	<u>(33,852)</u>

Change in Net Position of Governmental Activities \$ 1,986,949

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

TOWNER COUNTY  
Cando, North Dakota

STATEMENT OF NET POSITION  
December 31, 2013

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Health District
<b>ASSETS</b>			
Cash and investments	\$ 4,047,154	\$ 402,838	\$ 86,008
Intergovernmental receivable	200,300	-	-
Accounts receivable	24,229	-	1,514
Road receivables	44,609	-	-
Loan receivables	6,926	-	-
Taxes receivable	38,616	1,548	1,001
Capital Assets Not Being Depreciated:			
Land	12,250	-	-
Capital Assets (net of accumulated depreciation):			
Buildings	34,225	-	-
Equipment and vehicles	1,508,530	-	-
Small equipment	21,420	-	-
Infrastructure	2,010,186	-	-
Total Capital Assets	<u>\$ 3,586,611</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u>\$ 7,948,445</u>	<u>\$ 404,386</u>	<u>\$ 88,523</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 39,486	\$ 2,519	\$ -
Salaries payable	30,857	-	2,374
Grants received in advance	393,043	-	-
Interest payable	4,341	-	-
Long-Term Liabilities:			
Due Within One Year:			
Capital leases payable	91,970	-	-
Compensated absences payable	2,719	-	170
Due After One Year:			
Capital leases payable	233,680	-	-
Compensated absences payable	24,472	-	1,532
Total Liabilities	<u>\$ 820,568</u>	<u>\$ 2,519</u>	<u>\$ 4,076</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Received in Advance	<u>\$ 571,907</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,392,475</u>	<u>\$ 2,519</u>	<u>\$ 4,076</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 3,260,961	\$ -	\$ -
Restricted for:			
General Government	282,403	-	-
Public safety	15,345	-	-
Highways	2,105,503	-	-
Health and welfare	28,480	-	84,447
Culture and recreation	13,449	-	-
Conservation of natural resources	45,636	401,867	-
Emergencies	200,705	-	-
Unrestricted	603,488	-	-
Total Net Position	<u>\$ 6,555,970</u>	<u>\$ 401,867</u>	<u>\$ 84,447</u>

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

TOWNER COUNTY  
Cando, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary	Component Units	
					Governmental Activities	Water Resource District	Health District
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General government	\$ 1,147,666	\$ 47,672	\$ -	\$ -	\$(1,099,994)		
Public safety	389,505	24,943	-	-	(364,562)		
Highways and bridges	1,153,184	320,435	538,945	181,395	(112,409)		
Flood repair	184,549	-	151,390	-	(33,159)		
Health and welfare	214,618	3,318	-	-	(211,300)		
Culture and recreation	12,091	-	-	-	(12,091)		
Conserv. of natural resources	84,569	-	108,610	-	24,041		
Interest & fiscal charges on long-term debt	9,013	-	-	-	(9,013)		
<b>Total Governmental Activities</b>	<b>\$ 3,195,195</b>	<b>\$ 396,368</b>	<b>\$ 798,945</b>	<b>\$ 181,395</b>	<b>\$(1,818,487)</b>		
<b>Component Units:</b>							
Water resource district	\$ 37,382	\$ -	\$ -	\$ -	\$ -	\$(37,382)	\$ -
Health district	126,039	15,778	76,578	-	-	-	(33,683)
<b>Total Component Units</b>	<b>\$ 163,421</b>	<b>\$ 15,778</b>	<b>\$ 76,578</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$(37,382)</b>	<b>\$(33,683)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes; levied for general purposes					\$ 331,946	\$ 74,320	\$ 41,988
Property taxes; levied for special purposes					1,493,925	-	-
Sale of Land					-	251,500	-
State Grants/Aid - Unrestricted					508,251	-	-
Unrestricted investment earnings					5,794	-	134
Miscellaneous revenue					245,942	-	-
<b>Total General Revenues</b>					<b>\$ 2,585,858</b>	<b>\$ 325,820</b>	<b>\$ 42,122</b>
<b>Change in Net Position</b>					<b>\$ 767,371</b>	<b>\$ 288,438</b>	<b>\$ 8,439</b>
<b>Net Position - January 1</b>					<b>\$ 5,788,599</b>	<b>\$ 103,429</b>	<b>\$ 76,008</b>
<b>Prior Period Adjustment</b>					<b>-</b>	<b>10,000</b>	<b>-</b>
<b>net position - January 1, as restated</b>					<b>\$ 5,788,599</b>	<b>\$ 113,429</b>	<b>\$ 76,008</b>
<b>Net Position - December 31</b>					<b>\$ 6,555,970</b>	<b>\$ 401,867</b>	<b>\$ 84,447</b>

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

TOWNER COUNTY  
Cando, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2013

	General	Farm to Market	County Road & Bridge	Highway Tax Distibution	County Emergency Poor	OASIS/ FICA	FEMA	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND DEFERRED</b>									
<b>OUTFLOWS OF RESOURCES</b>									
<u>Assets:</u>									
Cash and investments	\$ 608,032	\$ 573,507	\$ 989,352	\$ 632,865	\$ 95,233	\$ 170,243	\$ 349,481	\$ 628,441	\$ 4,047,154
Accounts receivable	-	-	24,229	-	-	-	-	-	24,229
Intergovernmental receivable	159,711	-	-	40,589	-	-	-	-	200,300
Road receivables	-	-	44,609	-	-	-	-	-	44,609
Loan receivable	6,926	-	-	-	-	-	-	-	6,926
Taxes receivable	7,022	4,420	6,128	-	4,619	5,738	-	10,689	38,616
Due from other funds	26,438	-	-	-	-	-	-	-	26,438
<b>Total Assets</b>	<b>\$ 808,129</b>	<b>\$ 577,927</b>	<b>\$ 1,064,318</b>	<b>\$ 673,454</b>	<b>\$ 99,852</b>	<b>\$ 175,981</b>	<b>\$ 349,481</b>	<b>\$ 639,130</b>	<b>\$ 4,388,272</b>
<u>LIABILITIES, DEFERRED INFLOWS OF</u>									
<u>RESOURCES AND FUND BALANCES</u>									
<u>Liabilities:</u>									
Accounts payable	\$ 16,010	\$ -	\$ -	\$ 23,476	\$ -	\$ -	\$ -	\$ -	\$ 39,486
Salaries payable	17,905	-	12,952	-	-	-	-	-	30,857
Grants received in advance	-	-	-	-	-	-	393,043	-	393,043
Due to other funds	-	-	-	-	-	-	-	26,438	26,438
<b>Total Liabilities</b>	<b>\$ 33,915</b>	<b>\$ -</b>	<b>\$ 12,952</b>	<b>\$ 23,476</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 393,043</b>	<b>\$ 26,438</b>	<b>\$ 489,824</b>
<u>Deferred Inflows of Resources:</u>									
Taxes receivable	\$ 7,022	\$ 4,420	\$ 6,128	\$ -	\$ 4,619	\$ 5,738	\$ -	\$ 10,689	\$ 38,616
Road receivables	-	-	44,609	-	-	-	-	-	44,609
Taxes received in advance	99,373	63,358	89,980	-	75,130	81,904	-	162,162	571,907
<b>Total Deferred Inflows of Resources</b>	<b>\$ 106,395</b>	<b>\$ 67,778</b>	<b>\$ 140,717</b>	<b>\$ -</b>	<b>\$ 79,749</b>	<b>\$ 87,642</b>	<b>\$ -</b>	<b>\$ 172,851</b>	<b>\$ 655,132</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 140,310</b>	<b>\$ 67,778</b>	<b>\$ 153,669</b>	<b>\$ 23,476</b>	<b>\$ 79,749</b>	<b>\$ 87,642</b>	<b>\$ 393,043</b>	<b>\$ 199,289</b>	<b>\$ 1,144,956</b>
<u>Fund Balances:</u>									
<u>Non-Spendable:</u>									
Loan receivable	\$ 6,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,926
<u>Restricted:</u>									
General Government	-	-	-	-	-	88,339	-	189,907	278,246
Public safety	-	-	-	-	-	-	-	19,426	19,426
Highways and bridges	-	510,149	910,649	649,978	-	-	-	-	2,070,776
Health and welfare	-	-	-	-	20,103	-	-	3,428	23,531
Culture and recreation	-	-	-	-	-	-	-	12,887	12,887
Conservation of natural resources	-	-	-	-	-	-	-	43,140	43,140
Emergency	-	-	-	-	-	-	-	198,837	198,837
Unassigned	660,893	-	-	-	-	-	(43,562)	(27,784)	589,547
<b>Total Fund Balances</b>	<b>\$ 667,819</b>	<b>\$ 510,149</b>	<b>\$ 910,649</b>	<b>\$ 649,978</b>	<b>\$ 20,103</b>	<b>\$ 88,339</b>	<b>\$ (43,562)</b>	<b>\$ 439,841</b>	<b>\$ 3,243,316</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 808,129</b>	<b>\$ 577,927</b>	<b>\$ 1,064,318</b>	<b>\$ 673,454</b>	<b>\$ 99,852</b>	<b>\$ 175,981</b>	<b>\$ 349,481</b>	<b>\$ 639,130</b>	<b>\$ 4,388,272</b>

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

---

---

TOWNER COUNTY  
Cando, North Dakota

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

---

Total *Fund Balances* for Governmental Funds \$ 3,243,316

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

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

Cost of Capital Assets	\$ 5,161,367	
Less Accumulated Depreciation	<u>(1,574,756)</u>	
Net Capital Assets		3,586,611

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	\$ 38,616	
Road Department Accounts Receivable	<u>44,609</u>	83,225

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2013 are:

Capital Leases	\$ (325,650)	
Interest Payable	(4,341)	
Compensated Absences	<u>(27,191)</u>	
Total Long-Term Liabilities		<u>(357,182)</u>

Total Net Position of Governmental Activities \$ 6,555,970

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



TOWNER COUNTY  
Cando, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2013

	General	Farm to Market	County Road & Bridge	Highway Tax Distribution	County Emergency Poor	OASIS/ FICA	FEMA	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>									
Taxes	\$ 330,642	\$ 206,316	\$ 282,862	\$ -	\$ 226,525	\$ 266,659	\$ -	\$ 504,173	\$ 1,817,177
Intergovernmental	437,360	90	66,181	538,946	99	117	151,389	113,014	1,307,196
Licenses, permits and fees	910	-	-	-	-	-	-	-	910
Charges for services	73,469	-	358,929	-	-	-	-	-	432,398
Fines and forfeitures	1,554	-	-	-	-	-	-	-	1,554
Interest income	5,031	763	-	-	-	-	-	-	5,794
Miscellaneous	180,802	30	37,259	-	-	-	-	27,851	245,942
<b>Total Revenues</b>	<b>\$ 1,029,768</b>	<b>\$ 207,199</b>	<b>\$ 745,231</b>	<b>\$ 538,946</b>	<b>\$ 226,624</b>	<b>\$ 266,776</b>	<b>\$ 151,389</b>	<b>\$ 645,038</b>	<b>\$ 3,810,971</b>
<u>Expenditures:</u>									
Current:									
General government	\$ 676,449	\$ -	\$ -	\$ -	\$ -	\$ 207,459	\$ -	\$ 257,690	\$ 1,141,598
Public safety	234,408	-	-	-	-	-	-	140,907	375,315
Highways and bridges	-	14,949	637,814	546,150	-	-	-	44,327	1,243,240
Flood repair	-	-	-	-	-	-	184,549	-	184,549
Health and welfare	13,250	-	-	-	201,368	-	-	-	214,618
Culture and recreation	-	-	-	-	-	-	-	12,091	12,091
Conserv. of natural resources	437	-	-	-	-	-	-	84,132	84,569
Debt Service:									
Principal	-	-	55,613	201,170	-	-	-	-	256,783
Interest and fees	-	-	2,354	13,593	-	-	-	-	15,947
<b>Total Expenditures</b>	<b>\$ 924,544</b>	<b>\$ 14,949</b>	<b>\$ 695,781</b>	<b>\$ 760,913</b>	<b>\$ 201,368</b>	<b>\$ 207,459</b>	<b>\$ 184,549</b>	<b>\$ 539,147</b>	<b>\$ 3,528,710</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 105,224	\$ 192,250	\$ 49,450	\$ (221,967)	\$ 25,256	\$ 59,317	\$ (33,160)	\$ 105,891	\$ 282,261
<u>Other Financing Sources (Uses):</u>									
Transfers in	\$ 12,844	\$ -	\$ 101,160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,004
Lease proceeds	-	-	-	157,288	-	-	-	-	157,288
Transfers out	-	(101,160)	-	-	-	-	-	(12,844)	(114,004)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 12,844</b>	<b>\$ (101,160)</b>	<b>\$ 101,160</b>	<b>\$ 157,288</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (12,844)</b>	<b>\$ 157,288</b>
<b>Net Change in Fund Balances</b>	<b>\$ 118,068</b>	<b>\$ 91,090</b>	<b>\$ 150,610</b>	<b>\$ (64,679)</b>	<b>\$ 25,256</b>	<b>\$ 59,317</b>	<b>\$ (33,160)</b>	<b>\$ 93,047</b>	<b>\$ 439,549</b>
Fund Balances - January 1	\$ 549,751	\$ 419,059	\$ 760,039	\$ 714,657	\$ (5,153)	\$ 29,022	\$ (10,402)	\$ 346,794	\$ 2,803,767
Fund Balances - December 31	\$ 667,819	\$ 510,149	\$ 910,649	\$ 649,978	\$ 20,103	\$ 88,339	\$ (43,562)	\$ 439,841	\$ 3,243,316

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

---

---

TOWNER COUNTY  
Cando, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2013

---

Net Change in *Fund Balances* - Total Governmental Funds \$ 439,549

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 contributions exceeded depreciation expense in the current year.

Current Year Capital Outlay	\$ 441,793	
Capital Contribution	181,395	
Current Year Depreciation Expense	<u>(252,649)</u>	370,539

The net effect of miscellaneous transactions involving capital assets is to decrease net capital assets. (109,835)

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

Repayment of Debt - Lease	\$ 256,783	
Lease Issuance	<u>(157,288)</u>	99,495

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	\$ (9,511)	
Net Change in Interest Payable	<u>6,934</u>	(2,577)

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 increase in taxes receivable and road receivables.

Net Change in Taxes Receivable	\$ 8,694	
Net Change in Road Department Receivables	<u>(38,494)</u>	<u>(29,800)</u>

Change in Net Position of Governmental Activities \$ 767,371

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

---

---

TOWNER COUNTY  
Cando, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
December 31, 2014 and 2013

---

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and investments	<u>\$ 933,616</u>	<u>\$ 956,270</u>
<u>LIABILITIES</u>		
Due to other governments	<u>\$ 933,616</u>	<u>\$ 956,270</u>

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

---

TOWNER COUNTY  
Cando, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2014 and 2013

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Towner County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. 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 government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of Towner 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 Towner 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 Towner County.

Based on these criteria, there are two discretely presented component units to be included within Towner 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 discretely presented component units.

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

Towner County Water Resource District - The County's governing board appoints a voting majority of the members of the Towner 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.

Towner County District Health District - 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.

Component Unit Financial Statements: The financial statements of the discretely presented component units are presented in the County's basic financial statements. Complete financial statements of the component units can be obtained from the Towner County Auditor Towner County, PO Box 603 Cando ND, 58324.

**TOWNER COUNTY**

## Notes to the Financial Statements – Continued

Related Organizations - The County is accountable for the following legally separate entities because it appoints a voting majority to their governing boards. Although, the County is not financially accountable for these entities, as defined by GASB statement 14, the County did provide operating grants to them as follows:

	<b>2014</b>	<b>2013</b>
Weed Control	\$53,452	\$84,132
County Park	36,787	12,091

**B. Basis of Presentation**

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government, Towner 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 and the component unit 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. 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 non-major funds.

The county reports the following major governmental funds:

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

*Farm-to-Market Fund.* This fund accounts for repair and improvement of highways and bridges that are legally restricted from taxes levied. The major source of revenue is a restricted tax levy.

*County Road and Bridge Fund.* This fund accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. The major source of revenue is a restricted tax levy.

*Highway Tax Distribution Fund.* This fund accounts for the Highway Tax Distribution revenue collected during the year and used for appropriate highway and road projects. The major source of revenues is restricted and State/Federal grants/reimbursements.

*County Emergency Poor Fund.* This fund accounts for the costs of providing social service benefits to needy residents of the county. The major source of revenue is a restricted tax levy.

*OASIS/FICA Fund.* This fund accounts for the costs of social security costs of the county. The major source of revenue is a restricted tax levy.

## TOWNER COUNTY

### Notes to the Financial Statements – Continued

---

*FEMA Fund.* This fund accounts for the federal public assistance grants passed through the State to be used for the repair of roads in the county that were damaged from flooding. The major source of revenue is restricted State/Federal grants/reimbursements.

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 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 are 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.

All governmental and internal service funds of the County and the discretely presented component unit follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

#### 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 \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**TOWNER COUNTY**

Notes to the Financial Statements – Continued

---

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

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

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

<b>Assets</b>	<b>Years</b>
Buildings	50
Equipment	5 - 20
Small Equipment	3 - 10
Infrastructure	50

F. Compensated Absences

Vacation leave is earned at the rate of 5 to 15 days per year depending on years of service. Vacation leave may be carried over from one year to the next, but it must be used within 15 months from when earned; if not used within that time frame, the employee will forfeit the unused time. Upon termination vacation benefits that have accrued through the last day of work will be paid. Employees accrue sick leave benefits at the rate of 12 days per year. Unused sick leave benefits will be allowed to accumulate to a limit of 60 days.

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.

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 Towner 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 (highway, bridge replacement, 15 mill road, social services, FEMA disaster reimbursement, and job development authority) are disclosed in more detail in Note 1B.

**TOWNER COUNTY**

Notes to the Financial Statements – Continued

**Minimum Fund Balance Policy/Budget Stabilization**

The County adopted a minimum fund balance policy for the general fund to protect against cash flow shortfalls related to timing of project revenues and receipts and to maintain a budget stabilization commitment. The County intends to maintain a minimum unassigned fund balance in its general fund of \$550,000, but not less than 15% of annual general fund expenditures.

When fund balance falls below 15% range, the County will replenish shortages/deficiencies using the budget strategies and time frames described below:

- a. Reduce recurring expenditures to eliminate any structural deficit, or
  - b. Increase revenues or pursue other funding sources, or
  - c. Some combination of the two options above
- Deficiency resulting in a minimum fund balance between 12.5 percent and 15 percent shall be replenished over a period not exceeding one year
  - Deficiency resulting in a minimum fund balance between 10 percent and 12.5 percent shall be replenished over a period not to exceed 3 years
  - Deficiency resulting in a minimum fund balance of less than 10 percent shall be replenished over a period not to exceed five years

Unassigned fund balance of the general fund balance at 12-31-14 and 12-31-13 of \$841,950 and \$660,893, respectively, was 103% and 71% of 2014 and 2013 general fund expenditures, respectively.

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

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

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



**TOWNER COUNTY**

Notes to the Financial Statements – Continued

---

Towner County only reports restricted and unassigned fund balances at December 31, 2014 and 2013.

Restricted Fund Balances – consist of the following items at December 31, 2014 and 2013:

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

Special Revenue Funds – Restricted & 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.

Restricted fund balances totaled \$3,882,087 at 12-31-14 and \$2,646,843 at 12-31-13.

**Net Position:**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, and any related debt used to finance the purchase or construction of those capital assets. 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 also shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for negative funds. The unrestricted net position is available to meet the district's ongoing obligations.

I. Interfund Transactions

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

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

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

**TOWNER COUNTY**

## Notes to the Financial Statements – Continued

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

The board of county commissioners amended the county budgeted expenditures for 2014 and 2013 as follows:

2014 Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
General Fund	\$ -	\$ -	\$ -
Special Revenue Funds:			
Farm to Market	113,975	105,000	218,975
County Road and Bridge	658,767	186,000	844,767
County Park	16,900	20,000	36,900

2013 Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
General Fund	\$ 799,132	\$ 100,000	\$ 899,132
Special Revenue Funds:			
County Road and Bridge	607,956	75,000	682,956
Highway Tax	200,000	255,000	455,000
Special Road & Bridge	43,000	1,500	44,500
Weed Control	77,600	7,000	84,600
Regional Correction	33,000	100	33,100
County Agent	58,321	7,000	65,321
Health Insurance	114,300	5,000	119,300

**NOTE 3: DEPOSITS**

In accordance with North Dakota Statutes, Towner 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.

## TOWNER COUNTY

### Notes to the Financial Statements – Continued

---

At year ended December 31, 2014 the county's carrying amount of deposits totaled \$4,444,404 and the bank balances totaled \$4,380,488. Of the bank balances, \$1,040,800 was covered by Federal Depository Insurance. The remaining bank balances totaling \$3,339,688 were collateralized with securities held by the pledging financial institution's agent in the government's name. At year ended December 31, 2013 the county's carrying amount of deposits totaled \$5,003,173 and the bank balances totaled \$5,074,759. Of the bank balances, \$1,252,053 was covered by Federal Depository Insurance, and \$2,053 was held at the Bank of North Dakota backed by the full faith and credit of the State of North Dakota. The remaining bank balances totaling \$3,820,653 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2014, the Towner County Water Resource District's carrying amount of deposits totaled \$438,349, and bank balances totaled \$438,669, all of which was covered by Federal Depository Insurance. At year ended December 31, 2013, the Towner County Water Resource District's carrying amount of deposits and bank balances totaled \$402,838, all of which was covered by Federal Depository Insurance.

At year ended December 31, 2014, the Towner County Public Health District's carrying amount of deposits was \$112,189 and the bank balances totaled \$113,593, all of which was covered by Federal Depository Insurance. At year ended December 31, 2013, the Towner County Public Health District's carrying amount of deposits was \$86,008 and the bank balances totaled \$87,802, all of which was 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 and 2013, Towner County had certificates of deposit totaling \$450,156 and \$448,684, respectively, all of which are considered deposits.

As of December 31, 2014 and 2013, the Towner County Health District had certificates of deposit totaling \$21,700 and \$21,592, respectively, all of which were considered deposits.

#### Concentration of Credit Risk:

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

#### **NOTE 4: TAXES RECEIVABLE**

The taxes receivable represents the past two 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.

**TOWNER COUNTY**

Notes to the Financial Statements – Continued

---

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

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

**NOTE 5: ROAD ACCOUNTS RECEIVABLE**

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

**NOTE 6: INTERGOVERNMENTAL RECEIVABLE**

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

**NOTE 7: DUE TO OTHER FUNDS & DUE FROM OTHER FUNDS**

In 2014, due to and due from other funds on the governmental funds modified accrual balance sheet represents the amount of cash borrowed by the FEMA fund (major) and Stone Garden Grant Fund (nonmajor) totaling \$118,335 covered by the General Fund.

In 2013, due to and due from other funds on the governmental funds modified accrual balance sheet represents the amount of cash borrowed by the Stone Garden Grant Fund (nonmajor) totaling \$26,438 covered by the General Fund.

**NOTE 8: TAXES RECEIVED IN ADVANCE / DEFERRED INFLOWS**

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

**NOTE 9: 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:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Funds:</b>		
General Fund	\$ 19,186	\$ -
<b>Special Revenue Funds:</b>		
Weed Control	-	19,186
<b>Total Transfers</b>	<b>\$ 19,186</b>	<b>\$ 19,186</b>

**TOWNER COUNTY**

Notes to the Financial Statements – Continued

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

	Transfers In	Transfers Out
<b>Major Funds:</b>		
General Fund	\$ 12,844	\$ -
Farm to Market	-	101,160
County Road & Bridge	101,160	-
<b>Special Revenue Funds:</b>		
Weed Control	-	12,844
<b>Total Transfers</b>	<b>\$ 114,004</b>	<b>\$ 114,004</b>

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

**NOTE 10: CAPITAL ASSETS**

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

	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<b>Governmental Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 12,250	\$ -	\$ -	\$ -	\$ 12,250
Construction in Progress	-	66,850	-	-	66,850
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 12,250</b>	<b>\$ 66,850</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 79,100</b>
<i>Capital assets, being depreciated:</i>					
Buildings	\$ 392,500	\$ -	\$ -	\$ -	\$ 392,500
Equipment	2,356,294	356,755	179,776	-	2,533,273
Small Equipment	76,881	-	-	-	76,881
Infrastructure	2,323,442	572,163	-	-	2,895,605
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 5,149,117</b>	<b>\$ 928,918</b>	<b>\$ 179,776</b>	<b>\$ -</b>	<b>\$ 5,898,259</b>
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 358,275	\$ 1,227	\$ -	\$ -	\$ 359,502
Equipment	847,764	208,967	71,910	-	984,821
Small Equipment	55,461	4,768	-	-	60,229
Infrastructure	313,256	72,391	-	-	385,647
<b>Total Accumulated Depreciation</b>	<b>\$ 1,574,756</b>	<b>\$ 287,353</b>	<b>\$ 71,910</b>	<b>\$ -</b>	<b>\$ 1,790,199</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 3,574,361</b>	<b>\$ 641,565</b>	<b>\$ 107,866</b>	<b>\$ -</b>	<b>\$ 4,108,060</b>
<b>Governmental Activities-Capital Assets, Net</b>	<b>\$ 3,586,611</b>	<b>\$ 708,415</b>	<b>\$ 107,866</b>	<b>\$ -</b>	<b>\$ 4,187,160</b>

Depreciation expense was charged to functions/programs of the county as follows for the year ended December 31, 2014:

Governmental Activities:	Amounts
General Government	\$ 4,266
Public Safety	12,315
Highways	270,772
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 287,353</b>

**TOWNER COUNTY**

Notes to the Financial Statements – Continued

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

<b>Governmental Activities:</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 12,250	\$ -	\$ -	\$ -	\$ 12,250
Construction in Progress	48,253	184,489	-	(232,742)	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 60,503</b>	<b>\$ 184,489</b>	<b>\$ -</b>	<b>\$ (232,742)</b>	<b>\$ 12,250</b>
<i>Capital assets, being depreciated:</i>					
Buildings	\$ 392,500	\$ -	\$ -	\$ -	\$ 392,500
Equipment	2,149,984	433,374	227,064	-	2,356,294
Small Equipment	71,556	5,325	-	-	76,881
Infrastructure	2,090,700	-	-	232,742	2,323,442
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 4,704,740</b>	<b>\$ 438,699</b>	<b>\$ 227,064</b>	<b>\$ 232,742</b>	<b>\$ 5,149,117</b>
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 357,048	\$ 1,227	\$ -	\$ -	\$ 358,275
Equipment	776,425	188,568	117,229	-	847,764
Small Equipment	50,693	4,768	-	-	55,461
Infrastructure	255,170	58,086	-	-	313,256
<b>Total Accumulated Depreciation</b>	<b>\$ 1,439,336</b>	<b>\$ 252,649</b>	<b>\$ 117,229</b>	<b>\$ -</b>	<b>\$ 1,574,756</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 3,265,404</b>	<b>\$ 186,050</b>	<b>\$ 109,835</b>	<b>\$ 232,742</b>	<b>\$ 3,574,361</b>
<b>Governmental Activities-Capital Assets, Net</b>	<b>\$ 3,325,907</b>	<b>\$ 370,539</b>	<b>\$ 109,835</b>	<b>\$ -</b>	<b>\$ 3,586,611</b>

Depreciation expense was charged to functions/programs of the county as follows for the year ended December 31, 2013:

<b>Governmental Activities:</b>	<b>Amounts</b>
General Government	\$ 4,266
Public Safety	9,990
Highways	238,393
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 252,649</b>

**NOTE 11: ACCOUNTS PAYABLE**

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31.

**NOTE 12: LONG-TERM LIABILITIES**

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 the primary government:

<b>Governmental Activities:</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Leases Payable	\$ 325,650	\$ 112,991	\$ 91,969	\$ 346,672	\$ 116,144
Compensated Absences *	27,191	6,570	-	33,761	3,376
<b>Total Governmental Activities</b>	<b>\$ 352,841</b>	<b>\$ 119,561</b>	<b>\$ 91,969</b>	<b>\$ 380,433</b>	<b>\$ 119,520</b>

**TOWNER COUNTY**

## Notes to the Financial Statements – Continued

During the year ended December 31, 2013, the following changes occurred in governmental activities long-term liabilities for the primary government:

<b>Governmental Activities:</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Leases Payable	\$ 425,145	\$ 157,288	\$ 256,783	\$ 325,650	\$ 91,970
Compensated Absences *	17,680	9,511	-	27,191	2,719
<b>Total Governmental Activities</b>	<b>\$ 442,825</b>	<b>\$ 166,799</b>	<b>\$ 256,783</b>	<b>\$ 352,841</b>	<b>\$ 94,689</b>

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

Outstanding governmental activities debt at December 31, 2014 is comprised of the following individual issues:

**Leases Payable:**

\$123,314 Lease from Caterpillar for a 140M Motor Grader. Payments are \$27,312 annually through 2015; interest at 3.45%.	\$ 26,390
\$174,909 Lease from Merchant's Capital Resources, Inc. for a 2011 140M Motor Grader. Payments are \$26,943 annually through 2016; interest at 3.057%.	51,479
\$218,450 Lease from Caterpillar for a 2012 140M Motor Grader. Payments are \$25,508 to \$125,000 annually through 2017; interest at 4%.	89,844
\$151,825 Lease from Kinetic Leasing for a 2012 Cat 938K Wheel Loader. Payments are \$20,857 to \$65,000 annually through 2017; interest at 2.65%.	65,968
\$112,991 Lease from Caterpillar for a 2012 Cat 140M2 Motor Grader. Payments are \$21,410 to \$23,818 annually through 2019; interest at 2.7%.	<u>112,991</u>
<b>Total Lease Payable</b>	<b><u>\$346,672</u></b>

Debt service requirements on government activity long-term debt at December 31, 2014 are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending Dec 31</b>	<b>Leases Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2015	\$ 116,144	\$ 9,698
2016	92,279	6,272
2017	67,889	3,698
2018	46,542	1,888
2019	23,818	643
<b>Total</b>	<b>\$ 346,672</b>	<b>\$ 22,199</b>

**NOTE 13: PENSION PLAN****North Dakota Public Employees' Retirement System**

Towner County participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan.

## TOWNER COUNTY

### Notes to the Financial Statements – Continued

---

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of Towner County. 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.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 4% of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. Towner County has implemented a salary reduction agreement and is currently contributing the employees share. Towner County is required to contribute 4.12% of each participant's salary as the employer's share. In addition to the 4.12% employer contribution the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Towner County's required and actual contributions to NDPERS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$73,190, \$68,487, and \$78,778, 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 14: RISK MANAGEMENT

Towner 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. Towner 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 one million dollars per occurrence for general liability and automobile and \$2,345,113 for public assets (mobile equipment and portable property).



**TOWNER COUNTY**

## Notes to the Financial Statements – Continued

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

**NOTE 15: DEFICIT CASH FUND BALANCES**

At December 31, 2014 and 2013, the following funds had deficit fund balances:

	Balance	
	2014	2013
FEMA Fund	\$ (69,945)	\$ -
Stonegarden Grant	(48,390)	(26,438)

**NOTE 16: CONDUIT DEBT OBLIGATIONS**

From time to time, Towner County has obtained community development block grant loans 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 loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facility transfers to the private-sector entity served by the loan. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

As of December 31, 2014 and 2013, there was one community development block grant loan outstanding, with an aggregate principal amount payable of \$142,784.

**NOTE 17: CONSTRUCTION COMMITMENTS**

Towner County had open construction commitments on one project as of December 31, 2014 as follows:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
CNOA - 4804(057)	\$ 1,605,156	\$ 66,850	\$ -	\$ 1,538,306
Total Construction Projects	\$ 1,605,156	\$ 66,850	\$ -	\$ 1,538,306

**TOWNER COUNTY**Notes to the Financial Statements – Continued

---

**NOTE 18: PRIOR PERIOD ADJUSTMENT**

There was a prior period adjustment for the period ending December 31, 2013 for Governmental Wide Activities involving adjustments to the beginning balance for an error in the cash accounts.

	<b>Amounts</b>
Total Governmental Activities as previously reported	\$103,429
<b>Adjustments to restate the January 1, 2013</b>	
<b>Total Governmental Activities for the following:</b>	
Cash Adjustment due to Transfer Error	10,000
Total Governmental Activities, January 1, 2013 as restated	<u>\$113,429</u>

TOWNER COUNTY  
Cando, 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	\$ 339,006	\$ 339,006	\$ 337,736	\$ (1,270)
Intergovernmental	446,039	446,039	506,680	60,641
Licenses, permits and fees	800	800	2,240	1,440
Charges for services	74,590	74,590	79,833	5,243
Fines and forfeitures	2,000	2,000	1,624	(376)
Interest income	5,000	5,000	7,556	2,556
Miscellaneous	33,000	33,000	42,427	9,427
<b>Total Revenues</b>	<b>\$ 900,435</b>	<b>\$ 900,435</b>	<b>\$ 978,096</b>	<b>\$ 77,661</b>
<u>Expenditures:</u>				
Current:				
General government	\$ 620,754	\$ 620,754	\$ 615,605	\$ 5,149
Public safety	248,826	248,826	187,287	61,539
Health and welfare	6,643	6,643	9,356	(2,713)
Economic development	8,000	8,000	8,000	-
<b>Total Expenditures</b>	<b>\$ 884,223</b>	<b>\$ 884,223</b>	<b>\$ 820,248</b>	<b>\$ 63,975</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 16,212</b>	<b>\$ 16,212</b>	<b>\$ 157,848</b>	<b>\$ 141,636</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 84,178	\$ 84,178	\$ 19,186	\$ (64,992)
<b>Net Change in Fund Balances</b>	<b>\$ 100,390</b>	<b>\$ 100,390</b>	<b>\$ 177,034</b>	<b>\$ 76,644</b>
<b>Fund Balances - January 1</b>	<b>\$ 667,819</b>	<b>\$ 667,819</b>	<b>\$ 667,819</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 768,209</b>	<b>\$ 768,209</b>	<b>\$ 844,853</b>	<b>\$ 76,644</b>

The notes to the required supplementary information are an integral part of this statement.

TOWNER COUNTY  
Cando, 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	\$ 213,075	\$ 213,075	\$ 209,915	\$ (3,160)
Intergovernmental	-	100	1,444,640	1,444,540
Interest	800	800	705	(95)
Total Revenues	<u>\$ 213,875</u>	<u>\$ 213,975</u>	<u>\$ 1,655,260</u>	<u>\$ 1,441,285</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	<u>\$ 113,975</u>	<u>\$ 218,975</u>	<u>\$ 319,677</u>	<u>\$ (100,702)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 99,900</u>	<u>\$ (5,000)</u>	<u>\$ 1,335,583</u>	<u>\$ 1,340,583</u>
<u>Other Financing Sources (Uses)</u>				
Transfers out	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Net Change in Fund Balances	<u>\$ (100)</u>	<u>\$ (105,000)</u>	<u>\$ 1,335,583</u>	<u>\$ 1,440,583</u>
Fund Balances - January 1	<u>\$ 510,149</u>	<u>\$ 510,149</u>	<u>\$ 510,149</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 510,049</u>	<u>\$ 405,149</u>	<u>\$ 1,845,732</u>	<u>\$ 1,440,583</u>

The notes to the required supplementary information are an integral part of this statement.

TOWNER COUNTY  
Cando, 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	\$ 294,475	\$ 294,475	\$ 289,442	\$ (5,033)
Intergovernmental	65,150	65,150	76,878	11,728
Charges for services	252,000	252,000	275,290	23,290
Miscellaneous	20,000	20,000	12,985	(7,015)
Total Revenues	<u>\$ 631,625</u>	<u>\$ 631,625</u>	<u>\$ 654,595</u>	<u>\$ 22,970</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 658,767	844,767	\$ 801,606	\$ 43,161
Debt Service:				
Principal	-	-	50,082	(50,082)
Interest	-	-	4,173	(4,173)
Total Expenditures	<u>\$ 658,767</u>	<u>\$ 844,767</u>	<u>\$ 855,861</u>	<u>\$ (11,094)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (27,142)</u>	<u>\$ (213,142)</u>	<u>\$ (201,266)</u>	<u>\$ 11,876</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Net Change in Fund Balances	<u>\$ 72,858</u>	<u>\$ (113,142)</u>	<u>\$ (201,266)</u>	<u>\$ (88,124)</u>
Fund Balances - January 1	<u>\$ 910,649</u>	<u>\$ 910,649</u>	<u>\$ 910,649</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 983,507</u></u>	<u><u>\$ 797,507</u></u>	<u><u>\$ 709,383</u></u>	<u><u>\$ (88,124)</u></u>

The notes to the required supplementary information are an integral part of this statement.

TOWNER COUNTY  
Cando, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 2,024,371	\$ 2,024,371	\$ 380,615	\$ (1,643,756)
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 1,926,076	\$ 1,926,076	\$ 561,496	\$ 1,364,580
Debt Service:				
Principal	-		41,887	(41,887)
Interest	-	-	5,239	(5,239)
Total Expenditures	\$ 1,926,076	\$ 1,926,076	\$ 608,622	\$ 1,317,454
Excess (Deficiency) of Revenues Over Expenditures	\$ 98,295	\$ 98,295	\$ (228,007)	\$ (326,302)
<u>Other Financing Sources (Uses)</u>				
Sale of asset	\$ -	\$ -	\$ 125,000	\$ 125,000
Net Change in Fund Balances	\$ 98,295	\$ 98,295	\$ (103,007)	\$ (201,302)
Fund Balances - January 1	\$ 649,978	\$ 649,978	\$ 649,978	\$ -
Fund Balances - December 31	\$ 748,273	\$ 748,273	\$ 546,971	\$ (201,302)

The notes to the required supplementary information are an integral part of this statement.

TOWNER COUNTY  
Cando, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COUNTY EMERGENCY POOR FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 252,575	\$ 252,575	\$ 248,390	\$ (4,185)
Intergovernmental	100	100	-	(100)
Total Revenues	<u>\$ 252,675</u>	<u>\$ 252,675</u>	<u>\$ 248,390</u>	<u>\$ (4,285)</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>\$ 252,132</u>	<u>\$ 252,132</u>	<u>\$ 228,248</u>	<u>\$ 23,884</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 543</u>	<u>\$ 543</u>	<u>\$ 20,142</u>	<u>\$ 19,599</u>
Fund Balances - January 1	<u>\$ 20,103</u>	<u>\$ 20,103</u>	<u>\$ 20,103</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 20,646</u>	<u>\$ 20,646</u>	<u>\$ 40,245</u>	<u>\$ 19,599</u>

The notes to the required supplementary information are an integral part of this statement.

TOWNER COUNTY  
Cando, North Dakota

BUDGETARY COMPARISON SCHEDULE  
OASIS/FICA FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 275,100	\$ 275,100	\$ 271,384	\$ (3,716)
Intergovernmental	140	140	-	(140)
Total Revenues	<u>\$ 275,240</u>	<u>\$ 275,240</u>	<u>\$ 271,384</u>	<u>\$ (3,856)</u>
<u>Expenditures:</u>				
Current:				
General Government	<u>\$ 224,772</u>	<u>\$ 224,772</u>	<u>\$ 264,364</u>	<u>\$ (39,592)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 50,468</u>	<u>\$ 50,468</u>	<u>\$ 7,020</u>	<u>\$ (43,448)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers out	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ 50,000</u>
Net Change in Fund Balances	<u>\$ 468</u>	<u>\$ 468</u>	<u>\$ 7,020</u>	<u>\$ 6,552</u>
Fund Balances - January 1	<u>\$ 88,339</u>	<u>\$ 88,339</u>	<u>\$ 88,339</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 88,807</u></u>	<u><u>\$ 88,807</u></u>	<u><u>\$ 95,359</u></u>	<u><u>\$ 6,552</u></u>

The notes to the required supplementary information are an integral part of this statement.



TOWNER COUNTY  
Cando, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 659,148	\$ 659,148
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ -	\$ -	\$ 639,573	\$ (639,573)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 19,575	\$ 19,575
<u>Other Financing Sources (Uses)</u>				
Transfers out	\$ -	\$ -	\$ -	\$ -
Fund Balances - January 1	\$ (43,562)	\$ (43,562)	\$ (43,562)	\$ -
Fund Balances - December 31	\$ (43,562)	\$ (43,562)	\$ (23,987)	\$ 19,575

The notes to the required supplementary information are an integral part of this statement.

TOWNER COUNTY  
Cando, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 329,731	\$ 329,731	\$ 330,642	\$ 911
Intergovernmental	303,649	303,649	437,360	133,711
Licenses, permits and fees	850	850	910	60
Charges for services	70,400	70,400	73,469	3,069
Fines and forfeitures	800	800	1,554	754
Interest income	6,500	6,500	5,031	(1,469)
Miscellaneous	33,000	33,000	180,802	147,802
<b>Total Revenues</b>	<b>\$ 744,930</b>	<b>\$ 744,930</b>	<b>\$ 1,029,768</b>	<b>\$ 284,838</b>
<u>Expenditures:</u>				
Current:				
General government	\$ 556,056	\$ 656,056	\$ 676,449	\$ (20,393)
Public safety	229,696	229,696	234,408	(4,712)
Health and welfare	10,780	10,780	13,250	(2,470)
Conservation of natural resources	2,600	2,600	437	2,163
<b>Total Expenditures</b>	<b>\$ 799,132</b>	<b>\$ 899,132</b>	<b>\$ 924,544</b>	<b>\$ (25,412)</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ (54,202)</b>	<b>\$ (154,202)</b>	<b>\$ 105,224</b>	<b>\$ 259,426</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 94,844	\$ 94,844	\$ 12,844	\$ (82,000)
<b>Net Change in Fund Balances</b>	<b>\$ 40,642</b>	<b>\$ (59,358)</b>	<b>\$ 118,068</b>	<b>\$ 177,426</b>
Fund Balances - January 1	\$ 549,751	\$ 549,751	\$ 549,751	\$ -
<b>Fund Balances - December 31</b>	<b>\$ 590,393</b>	<b>\$ 490,393</b>	<b>\$ 667,819</b>	<b>\$ 177,426</b>

The notes to the required supplementary information are an integral part of this statement.

TOWNER COUNTY  
Cando, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 204,300	\$ 204,300	\$ 206,316	\$ 2,016
Intergovernmental	-	110	90	(20)
Interest	1,000	1,000	763	(237)
Miscellaneous	-	-	30	30
<b>Total Revenues</b>	<b>\$ 205,300</b>	<b>\$ 205,410</b>	<b>\$ 207,199</b>	<b>\$ 1,789</b>
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 105,410	\$ 105,410	\$ 14,949	\$ 90,461
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 99,890</b>	<b>\$ 100,000</b>	<b>\$ 192,250</b>	<b>\$ 92,250</b>
<u>Other Financing Sources (Uses)</u>				
Transfers out	\$ (100,000)	\$ (100,000)	\$ (101,160)	\$ (1,160)
<b>Net Change in Fund Balances</b>	<b>\$ (110)</b>	<b>\$ -</b>	<b>\$ 91,090</b>	<b>\$ 91,090</b>
<b>Fund Balances - January 1</b>	<b>\$ 419,059</b>	<b>\$ 419,059</b>	<b>\$ 419,059</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 418,949</b>	<b>\$ 419,059</b>	<b>\$ 510,149</b>	<b>\$ 91,090</b>

The notes to the required supplementary information are an integral part of this statement.

TOWNER COUNTY  
Cando, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 282,448	\$ 282,448	\$ 282,862	\$ 414
Intergovernmental	40,175	40,175	66,181	26,006
Charges for services	252,000	252,000	358,929	106,929
Miscellaneous	20,000	20,000	37,259	17,259
Total Revenues	<u>\$ 594,623</u>	<u>\$ 594,623</u>	<u>\$ 745,231</u>	<u>\$ 150,608</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 607,956	\$ 682,956	\$ 637,814	\$ 45,142
Debt Service:				
Principal	-	-	55,613	(55,613)
Interest	-	-	2,354	(2,354)
Total Expenditures	<u>\$ 607,956</u>	<u>\$ 682,956</u>	<u>\$ 695,781</u>	<u>\$ (12,825)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (13,333)</u>	<u>\$ (88,333)</u>	<u>\$ 49,450</u>	<u>\$ 137,783</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 101,160</u>	<u>\$ 1,160</u>
Net Change in Fund Balances	<u>\$ 86,667</u>	<u>\$ 11,667</u>	<u>\$ 150,610</u>	<u>\$ 138,943</u>
Fund Balances - January 1	<u>\$ 760,039</u>	<u>\$ 760,039</u>	<u>\$ 760,039</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 846,706</u>	<u>\$ 771,706</u>	<u>\$ 910,649</u>	<u>\$ 138,943</u>

The notes to the required supplementary information are an integral part of this statement.

TOWNER COUNTY  
Cando, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 360,000	\$ 360,000	\$ 538,946	\$ 178,946
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 200,000	\$ 455,000	\$ 388,862	\$ 66,138
Debt Service:				
Principal	-	-	201,170	(201,170)
Interest	-	-	13,593	(13,593)
Total Expenditures	\$ 200,000	\$ 455,000	\$ 603,625	\$ (148,625)
Excess (Deficiency) of Revenues Over Expenditures	\$ 160,000	\$ (95,000)	\$ (64,679)	\$ 30,321
Fund Balances - January 1	\$ 714,657	\$ 714,657	\$ 714,657	\$ -
Fund Balances - December 31	\$ 874,657	\$ 619,657	\$ 649,978	\$ 30,321

The notes to the required supplementary information are an integral part of this statement.

TOWNER COUNTY  
Cando, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COUNTY EMERGENCY POOR FUND  
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 236,466	\$ 236,466	\$ 226,525	\$ (9,941)
Intergovernmental	150	150	99	(51)
Total Revenues	<u>\$ 236,616</u>	<u>\$ 236,616</u>	<u>\$ 226,624</u>	<u>\$ (9,992)</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>\$ 236,616</u>	<u>\$ 236,616</u>	<u>\$ 201,368</u>	<u>\$ 35,248</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,256</u>	<u>\$ 25,256</u>
Fund Balances - January 1	<u>\$ (5,153)</u>	<u>\$ (5,153)</u>	<u>\$ (5,153)</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ (5,153)</u></u>	<u><u>\$ (5,153)</u></u>	<u><u>\$ 20,103</u></u>	<u><u>\$ 25,256</u></u>

The notes to the required supplementary information are an integral part of this statement.

---

---

TOWNER COUNTY  
Cando, North Dakota

BUDGETARY COMPARISON SCHEDULE  
OASIS/FICA FUND  
For the Year Ended December 31, 2013

---

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 264,150	\$ 264,150	\$ 266,659	\$ 2,509
Intergovernmental	150	150	117	(33)
Total Revenues	<u>\$ 264,300</u>	<u>\$ 264,300</u>	<u>\$ 266,776</u>	<u>\$ 2,476</u>
<u>Expenditures:</u>				
Current:				
General Government	<u>\$ 197,300</u>	<u>\$ 197,300</u>	<u>\$ 207,459</u>	<u>\$ (10,159)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 67,000</u>	<u>\$ 67,000</u>	<u>\$ 59,317</u>	<u>\$ (7,683)</u>
Fund Balances - January 1	<u>\$ 29,022</u>	<u>\$ 29,022</u>	<u>\$ 29,022</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 96,022</u>	<u>\$ 96,022</u>	<u>\$ 88,339</u>	<u>\$ (7,683)</u>

The notes to the required supplementary information are an integral part of this statement.

---

---

TOWNER COUNTY  
Cando, North Dakota

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

---

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 151,389	\$ 151,389
<u>Expenditures:</u>				
Current:				
Flood repair	\$ -	\$ -	\$ 184,549	\$ (184,549)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ (33,160)	\$ (33,160)
Fund Balances - January 1	\$ (10,402)	\$ (10,402)	\$ (10,402)	\$ -
Fund Balances - December 31	\$ (10,402)	\$ (10,402)	\$ (43,562)	\$ (33,160)

The notes to the required supplementary information are an integral part of this statement.



---

TOWNER COUNTY  
Cando, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2014 and 2013

---

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2014, Towner County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
<u>Special Revenue Funds:</u>			
Farm to Market	\$218,975	\$318,511	\$ 99,536
OASIS	224,772	264,364	39,592
FEMA	-	498,343	498,343
Stone Garden Grant	-	60,717	60,717

TOWNER COUNTY  
Notes to the Required Supplementary Information - Continued

During fiscal year 2013, Towner County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
<u>Special Revenue Funds:</u>			
Highway Taxes	\$455,000	\$592,640	\$137,640
FEMA	-	184,549	184,549
OASIS	197,300	207,459	10,159
Emergency	-	889	889
County Agent	65,321	65,328	7
Stone Garden Grant	-	128,495	128,495

**NOTE 3: BUDGET TO ACTUAL RECONCILIATION**

The county entered into a lease for the purchase of one motor grader during 2014 and one wheel loader in 2013. The lease proceeds and corresponding highway expenditures were reported on the statement of revenues, expenditures and changes in fund balance – governmental funds for the highway tax distribution fund, but were not reported on the budgetary comparison schedule for the highway tax distribution fund. The county did not budget for these funds and these transactions were not recorded on the county's general ledger. The differences are as follows:

<b>2014 Highway Tax Distribution</b>	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual</b>
Expenditures	\$ 721,613	\$ (112,991)	\$ 608,622
Lease Proceeds	112,991	(112,991)	-

<b>2013 Highway Tax Distribution</b>	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual</b>
Expenditures	\$ 760,913	\$ (157,288)	\$ 603,625
Lease Proceeds	157,288	(157,288)	-

TOWNER COUNTY  
Cando, North Dakota  
SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-14
<b>Major Funds:</b>						
General Fund	\$ 641,396.33	\$ 953,344.45	\$ 19,186.00	\$ -	\$ 835,373.03	\$ 778,553.75
<b>Special Revenue Funds:</b>						
Farm to Market	\$ 573,506.81	\$ 233,003.69	\$ -	\$ -	\$ 318,511.12	\$ 487,999.38
County Road and Bridge	989,352.13	644,798.92	-	-	844,328.75	789,822.30
Highway Taxes	632,864.71	500,615.21	-	-	627,285.98	506,193.94
County Emergency Poor	95,233.19	249,384.66	-	-	228,248.04	116,369.81
Oasis and FICA	170,242.78	268,967.56	-	-	264,363.79	174,846.55
FEMA Fund	349,481.26	78,916.90	-	-	498,343.35	(69,945.19)
Total Special Revenue Funds	\$ 2,810,680.88	\$ 1,975,686.94	\$ -	\$ -	\$ 2,781,081.03	\$ 2,005,286.79
Total Major Funds	\$ 3,452,077.21	\$ 2,929,031.39	\$ 19,186.00	\$ -	\$ 3,616,454.06	\$ 2,783,840.54
<b>Special Revenue Funds (Non-Major):</b>						
Special Road and Bridge	\$ 12,008.76	\$ 30,896.63	\$ -	\$ -	\$ 42,792.23	\$ 113.16
Stonegarden Grant	(26,437.54)	38,765.14	-	-	60,717.33	(48,389.73)
Emergency	225,483.84	75,968.52	-	-	17,894.76	283,557.60
Veterans Service Officer	9,313.03	19,622.17	-	-	19,874.47	9,060.73
Health Insurance	78,774.85	118,194.73	-	-	52,791.99	144,177.59
Advertising	16,225.10	7,276.63	-	-	1,870.22	21,631.51
Insurance Reserve	142,902.60	72,559.57	-	-	45,819.27	169,642.90
County Agent	51,859.67	66,423.88	-	-	49,567.50	68,716.05
Weed Control	38,414.87	70,037.58	-	19,186.00	53,452.47	35,813.98
Regional Correctional Center	25,419.02	40,907.04	-	-	28,532.45	37,793.61
County Park	28,038.03	16,732.71	-	-	36,787.49	7,983.25
CDBG - Off Book	1.00	-	-	-	-	1.00
Total Non-Major Funds	\$ 602,003.23	\$ 557,384.60	\$ -	\$ 19,186.00	\$ 410,100.18	\$ 730,101.65
Total Governmental Funds	\$ 4,054,080.44	\$ 3,486,415.99	\$ 19,186.00	\$ 19,186.00	\$ 4,026,554.24	\$ 3,513,942.19
<b>Agency Funds:</b>						
Job Development	\$ 10,272.30	\$ 29,107.01	\$ -	\$ -	\$ 30,696.94	\$ 8,682.37
County Health District	14,886.01	46,288.23	-	-	48,880.81	12,293.43
County Airport	4,476.67	22,164.89	-	-	13,731.80	12,909.76
Hospital	25,013.95	74,610.20	-	-	77,984.33	21,639.82
Horizons	5,583.99	-	-	-	390.78	5,193.21
Senior Citizens	6,391.76	38,369.12	-	-	37,983.45	6,777.43
State Tax	6,718.32	23,340.15	-	-	23,111.95	6,946.52
Domestic Violence	875.00	280.00	-	-	-	1,155.00
Historical Society	2,797.72	8,384.08	-	-	8,739.48	2,442.32
Game and Fish	6,299.08	19,823.00	-	-	19,563.00	6,559.08
Ambulance General	3,384.04	12,705.56	-	-	12,676.68	3,412.92
Soil Conservation General	8,085.99	27,538.70	-	-	26,677.42	8,947.27
Water Resource District	21,733.37	69,964.65	-	-	74,262.74	17,435.28
Estimated Taxes	1,870.97	4,110.89	-	-	5,868.76	113.10
Ambulance North	0.10	3,692.54	-	-	775.11	2,917.53
Rolla Ambulance	6,461.94	13,039.36	-	-	14,558.47	4,942.83
Devils Lake Basin	5,331.25	18,973.70	-	-	19,186.00	5,118.95
Document Preservation	14,729.75	6,708.50	-	-	9,800.29	11,637.96
Sheriffs Special	290.74	-	-	-	-	290.74
Hazardous Chemicals	3,039.38	275.00	-	-	-	3,314.38
County Agent Special	5,113.09	1,159.56	-	-	40.00	6,232.65
County Agent Pesticide	6,122.05	1,080.00	-	-	751.92	6,450.13
Game and Fish Trust Fund	40,800.00	-	-	-	-	40,800.00
Bisbee Damn Project	-	45,000.00	-	-	42,040.86	2,959.14
Paid Under Protest	4,311.35	-	-	-	4,311.35	-
Total Cities	60,280.60	368,344.17	-	-	385,851.60	42,773.17
Total City Park	13,269.55	86,348.01	-	-	83,186.79	16,430.77
Total School Districts	563,901.52	1,512,310.37	-	-	1,514,547.98	561,663.91
Total Townships	86,597.55	409,714.10	-	-	410,380.65	85,931.00
Total Rural Fire District	27,632.30	90,185.45	-	-	90,172.23	27,645.52
Total Agency Funds	\$ 956,270.34	\$ 2,933,517.24	\$ -	\$ -	\$ 2,956,171.39	\$ 933,616.19
Total Primary Government	\$ 5,010,350.78	\$ 6,419,933.23	\$ 19,186.00	\$ 19,186.00	\$ 6,982,725.63	\$ 4,447,558.38
<b>Component Units:</b>						
Water Resource District	\$ 400,318.98	\$ 75,955.97	\$ -	\$ -	\$ 37,926.30	\$ 438,348.65
Health District	85,147.63	181,978.42	-	-	156,145.48	110,980.57
Total Component Units	\$ 485,466.61	\$ 257,934.39	\$ -	\$ -	\$ 194,071.78	\$ 549,329.22
Total Reporting Entity	\$ 5,495,817.39	\$ 6,677,867.62	\$ 19,186.00	\$ 19,186.00	\$ 7,176,797.41	\$ 4,996,887.60

TOWNER COUNTY  
Cando, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BASIS  
For the Year Ended December 31, 2013

	Balance 1-1-13	Receipts	Transfer In	Transfer Out	Disbursements	Balance 12-31-13
<b>Major Funds:</b>						
General Fund	\$ 511,558.21	\$ 1,007,622.67	\$ 12,844.45	\$ -	\$ 890,629.00	\$ 641,396.33
<b>Special Revenue Funds:</b>						
Farm to Market	\$ 488,787.48	\$ 200,828.33	\$ -	\$ 101,160.00	\$ 14,949.00	\$ 573,506.81
County Road and Bridge	847,291.38	723,730.75	101,160.00	-	682,830.00	989,352.13
Highway Taxes	402,866.48	822,638.23	-	-	592,640.00	632,864.71
County Emergency Poor	90,745.79	225,084.40	-	-	220,597.00	95,233.19
Oasis and FICA	119,132.46	258,569.32	-	-	207,459.00	170,242.78
FEMA Fund	(27,169.45)	561,199.98	-	-	184,549.27	349,481.26
Total Special Revenue Funds	\$ 1,921,654.14	\$ 2,792,051.01	\$ 101,160.00	\$ 101,160.00	\$ 1,903,024.27	\$ 2,810,680.88
Total Major Funds	\$ 2,433,212.35	\$ 3,799,673.68	\$ 114,004.45	\$ 101,160.00	\$ 2,793,653.27	\$ 3,452,077.21
<b>Special Revenue Funds (Non-Major):</b>						
Special Road and Bridge	\$ 14,154.65	\$ 42,181.11	\$ -	\$ -	\$ 44,327.00	\$ 12,008.76
Stonegarden Grant	(6,553.19)	108,610.84	-	-	128,495.19	(26,437.54)
Emergency	142,477.28	83,895.56	-	-	889.00	225,483.84
Veterans Service Officer	8,605.93	16,364.10	-	-	15,657.00	9,313.03
Health Insurance	84,005.10	113,757.75	-	-	118,988.00	78,774.85
Advertising	12,666.08	7,005.02	-	-	3,446.00	16,225.10
Insurance Reserve	127,463.65	69,709.95	-	-	54,271.00	142,902.60
County Agent	53,258.46	63,929.21	-	-	65,328.00	51,859.67
Weed Control	51,095.77	84,295.10	-	12,844.00	84,132.00	38,414.87
Regional Correctional Center	27,080.94	31,432.08	-	-	33,094.00	25,419.02
County Park	24,675.81	15,453.22	-	-	12,091.00	28,038.03
CDBG - OffBook	1.00	-	-	-	-	1.00
Total Non-Major Funds	\$ 538,931.48	\$ 636,633.94	\$ -	\$ 12,844.00	\$ 560,718.19	\$ 602,003.23
Total Governmental Funds	\$ 2,972,143.83	\$ 4,436,307.62	\$ 114,004.45	\$ 114,004.00	\$ 3,354,371.46	\$ 4,054,080.44
<b>Agency Funds:</b>						
Job Development	\$ 12,620.08	\$ 27,912.58	\$ -	\$ -	\$ 30,260.36	\$ 10,272.30
County Health District	14,482.22	42,184.23	-	-	41,780.44	14,886.01
County Airport	5,234.11	13,039.27	-	-	13,796.71	4,476.67
Hospital	25,324.20	71,778.62	-	-	72,088.87	25,013.95
Horizons	5,545.66	1,365.31	-	-	1,326.98	5,583.99
Senior Citizens	6,472.12	30,501.38	-	-	30,581.74	6,391.76
State Tax	7,041.18	20,137.89	-	-	20,460.75	6,718.32
Domestic Violence	455.00	420.00	-	-	-	875.00
Historical Society	2,789.61	8,039.42	-	-	8,031.31	2,797.72
Game and Fish	4,273.08	15,406.00	-	-	13,380.00	6,299.08
Ambulance General	3,703.15	12,266.98	-	-	12,586.09	3,384.04
Soil Conservation General	10,749.94	28,639.22	-	-	31,303.17	8,085.99
Water Resource District	24,744.89	70,102.10	-	-	73,113.62	21,733.37
Estimated Taxes	122.67	23,558.06	-	-	21,809.76	1,870.97
Ambulance North	57.28	992.22	-	-	1,049.40	0.10
Rolla Ambulance	-	6,461.94	-	-	-	6,461.94
Devils Lake Basin	6,013.83	18,402.57	-	-	19,085.15	5,331.25
Document Preservation	9,100.38	6,102.37	-	-	473.00	14,729.75
Sheriffs Special	290.74	-	-	-	-	290.74
Hazardous Chemicals	2,764.38	275.00	-	-	-	3,039.38
County Agent Special	5,123.09	150.00	-	-	160.00	5,113.09
County Agent Pesticide	5,630.38	5,795.00	-	-	5,303.33	6,122.05
Game and Fish Trust Fund	40,800.00	-	-	-	-	40,800.00
Payroll Deduction	46,251.61	56,539.94	-	-	102,791.55	-
Paid Under Protest	-	4,311.35	-	-	-	4,311.35
Total Cities	77,786.51	351,402.64	-	-	368,908.55	60,280.60
Total City Park	17,478.64	75,862.69	-	-	80,071.78	13,269.55
Total School Districts	627,071.61	1,474,348.79	-	-	1,537,518.88	563,901.52
Total Townships	84,665.76	1,012,309.13	-	-	1,010,377.34	86,597.55
Total Rural Fire District	34,546.11	95,015.09	-	-	101,928.90	27,632.30
Total Agency Funds	\$ 1,081,138.23	\$ 3,473,319.79	\$ -	\$ -	\$ 3,598,187.68	\$ 956,270.34
Total Primary Government	\$ 4,053,282.06	\$ 7,909,627.41	\$ 114,004.45	\$ 114,004.00	\$ 6,952,559.14	\$ 5,010,350.78
<b>Component Units:</b>						
Water Resource District	\$ 112,093.56	\$ 325,606.67	\$ -	\$ -	\$ 37,381.25	\$ 400,318.98
Health District	76,200.23	134,383.63	-	-	125,436.23	85,147.63
Total Component Units	\$ 188,293.79	\$ 459,990.30	\$ -	\$ -	\$ 162,817.48	\$ 485,466.61
Total Reporting Entity	\$ 4,241,575.85	\$ 8,369,617.71	\$ 114,004.45	\$ 114,004.00	\$ 7,115,376.62	\$ 5,495,817.39

TOWNER COUNTY  
Cando, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>		
<u>Passed Through State Department of Human Services</u>		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	\$ 45,441
<u>Passed Through State Department of Health:</u>		
Public Health Emergency Preparedness	93.069	14,567
Immunization Cooperative Agreements	93.268	1,003
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	600
PPHF Capacity Building Assistance to Strengthne Public Health Immunization	93.539	3,041
Maternal and Child Health Services Block Grant to the States	93.994	<u>1,828</u>
Total U.S. Department of Health and Human Services		<u>\$ 66,480</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u></b>		
<u>Passed Through State Department of Emergency Services:</u>		
Emergency Management Performance Grants	97.042	\$ 25,009
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	*** 439,715
Homeland Security Grant Program	97.067	<u>53,995</u>
Total U.S. Department of Homeland Security		<u>\$ 518,719</u>
Total Expenditures of Federal Awards		<u>\$ 585,199</u>

\*\*\* - Major Program

**NOTE 1: BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Towner County under programs of the federal government for the year ended December 31, 2014. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Towner County, it is not intended to and does not present the financial position or changes in net position of Towner County.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

**STATE AUDITOR**

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



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

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

---

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

---

Independent Auditor's Report

Board of County Commissioners  
Towner County  
Cando, 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 Towner County, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Towner County's basic financial statements, and have issued our report thereon dated December 4, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency [2014-01].

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

### Towner County's Response to Finding

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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  
December 4, 2015

STATE AUDITOR

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



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

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

---

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

---

Independent Auditor's Report

Board of County Commissioners  
Towner County  
Cando, North Dakota

**Report on Compliance for Each Major Federal Program**

We have audited Towner County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Towner County's major federal program for the year ended December 31, 2014. Towner County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Towner County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.



## **TOWNER COUNTY**

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

---

### **Report on Internal Control Over Compliance**

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

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

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

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

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

We have audited the financial statements of Towner County as of and for the year ended December 31, 2014, and have issued our report thereon dated December 4, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
December 4, 2015

TOWNER COUNTY  
Cando, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Years Ended December 31, 2014 and 2013

**Section I - Summary of Auditor's Results**

Financial Statements

Type of Report Issued?

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

Internal Control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of Major Programs:

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

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

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

**TOWNER COUNTY**

Schedule of Findings and Questioned Costs - Continued

---

**Section II - Financial Statement Findings**

---

---

**2014-01 – LACK OF SEGREGATION OF DUTIES - COUNTY**

**Condition:**

Towner County has minimal employees in the auditor/treasurer offices responsible for all duties performed for the combined office. It appears that the county does not have segregation of duties for keeping the assets and liabilities separate from the posting to the General Ledger.

**Effect:**

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

**Cause:**

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

**Criteria:**

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

**Recommendation:**

Due to the size, complexity and the economic realities of Towner County, it is presently not feasible to obtain proper separation of duties. We recommend that until it is feasible to hire more staff, that the duties be segregated to the extent possible to reduce the potential risk of loss.

**Views of Responsible Officials / Planned Corrective Actions:**

I agree with the State Auditor's recommendation and will segregate duties to the best of my ability with current staff.

**Section III – Federal Findings**

---

---

No matters were noted.

**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

Board of County Commissioners  
Towner County  
Cando, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Towner County for the years ended December 31, 2014 and 2013, and have issued our report thereon dated December 4, 2015. 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 AND OMB CIRCULAR A-133**

As stated in our engagement letter dated October 15, 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 Towner County’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by OMB Circular A-133.

As part of obtaining reasonable assurance about whether Towner 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Towner County’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the purpose of expressing an opinion on Towner County’s compliance with those requirements over each major federal program. While our audit provides a reasonable basis for our opinion over compliance for each major federal program, it does not provide a legal determination on Towner County’s compliance with those requirements.

**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 Towner County are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended December 31, 2014 and 2013. 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 December 4, 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 recommendation:

\*\*\*\*\*

**OVERSPENT BUDGETS - COUNTY**

It was noted that Towner County overspent several funds during 2014 and 2013. Funds overspent during 2014 included the following funds: FEMA (\$498,343), OASIS/FICA Fund (\$39,592), Stone Garden Grant (\$60,717), and the farm to market road fund (\$99,536). Funds overspent during 2013 included the following funds: FEMA (\$184,549), OASIS/FICA Fund (\$10,159), Stone Garden Grant (\$128,495), emergency fund (\$889), county agent fund (\$7), and highway tax fund (\$137,640).

**TOWNER COUNTY**  
Management's Letter - Continued

---

NDCC 11-23-06 states "No county expenditure may be made or liability incurred, nor may a bill be paid for any purpose, in excess of the appropriation, except as provided in section 11-23-06".

We recommend Towner County carefully budget and amend applicable fund budgets for any unforeseen expenditures in excess of budgeted amounts to comply with NDCC 11-23-06.

\* \* \* \* \*

This information is intended solely for the use of the Board of County Commissioners and management of Towner County and 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 Towner 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 Towner County.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
December 4, 2015

You may obtain audit reports on the internet at:

[www.nd.gov/auditor/](http://www.nd.gov/auditor/)

or by contacting the  
Division of Local Government Audit

Office of the State Auditor  
600 East Boulevard Avenue – Department 117  
Bismarck, ND 58505-0060

(701) 328-2241