



Trail County
Hillsboro, North Dakota

Audit Report

For the Year Ended December 31, 2015

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of Local Government

TRAILL COUNTY
Hillsboro, North Dakota

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TRAILL COUNTY
Hillsboro, North Dakota

COUNTY OFFICIALS

December 31, 2015

Thomas Eblen

Chairperson

Kurt Elliot

Vice Chairperson

Kendall Nesvig
Steven Larson
Leslie Amb

Commissioner
Commissioner
Commissioner

Rebecca Braaten
Connie Weber
Steven Hunt
Marlene Eblen
Stuart A. Larson
Paulette Bowersox

Auditor
Treasurer
Sheriff
County Recorder
State's Attorney
Clerk of District Court

STATE AUDITOR

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



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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Traill County
Hillsboro, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Traill County, Hillsboro, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Traill County Water Resource District which represent 96 percent, 97 percent, and 74 percent, and the Traill County Economic Development Commission, which represent 2 percent, 1 percent, and 2 percent, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units, respectively. Those statements were audited by other auditors whose reports also have been furnished to us, and in our opinion insofar as it relates to the amounts included for the Traill County Water Resource District and the Traill County Economic Development Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Traill County, Hillsboro, North Dakota, as of December 31, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 24 to the financial statements, Traill County adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

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, pension schedules, and notes to the required supplementary information* on pages 32-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

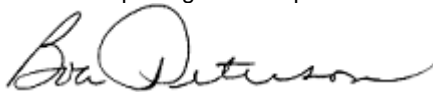
Other Information

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

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016 on our consideration of Traill County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Traill County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 20, 2016

TRAILL COUNTY
Hillsboro, North Dakota
STATEMENT OF NET POSITION
December 31, 2015

	Primary	Component Units		
	Governmental Activities	Water Resource District	District Health Unit	Economic Development Commission
ASSETS				
Cash, and cash equivalents	\$ 4,128,601	\$ 2,680,078	\$ 268,855	\$ 174,991
Intergovernmental receivable	319,199	-	21,450	-
Accounts receivable	25,401	-	1,031	-
Due from county	-	-	309	-
Road receivables	2,731	-	-	-
Taxes receivable	73,644	3,365	3,133	2,913
Special assessments - uncertified	-	3,414,453	-	-
Special assessments - certified	-	556,908	-	-
Special assessments - including liens	-	20,632	-	-
Economic development loans receivable	-	-	-	19,451
Prepaid rent	-	-	-	700
Capital Assets (not being depreciated):				
Land	15,822	1,112,644	-	-
Construction in progress	2,677,101	326,140	-	-
Capital Assets (being depreciated):				
Machinery and equipment	1,450,375	-	-	-
Office equipment	7,275	17,528	-	-
Technology	-	-	-	1,151
Vehicles	188,215	-	17,849	-
Buildings	1,366,977	-	-	-
Infrastructure	15,647,672	4,729,990	-	-
Total Capital Assets	\$ 21,353,437	\$ 6,186,302	\$ 17,849	\$ 1,151
Total Assets	\$ 25,903,013	\$ 12,861,738	\$ 312,627	\$ 199,206
DEFERRED OUTFLOWS OF RESOURCES				
Pension	\$ 151,691	\$ 8,593	\$ 13,043	\$ 4,896
Total Assets and Deferred Outflows of Resources	\$ 26,054,704	\$ 12,870,331	\$ 325,670	\$ 204,102
LIABILITIES				
Accounts payable	\$ 347,858	\$ 163,176	\$ 5,435	\$ 1,486
Salaries payable	35,539	-	2,255	-
Other liability	-	4,828	103	-
Grants received in advance	125,642	-	-	-
Retainages payable	165,063	-	-	-
Payroll liability	-	-	2,418	-
Long-Term Liabilities:				
Due Within One Year:				
Loans payable	36,000	-	-	-
Sinking fund bonds payable	-	529,529	-	-
Compensated absences payable	12,384	-	807	-
Due After One Year:				
Loans payable	110,000	-	-	-
Sinking fund bonds payable	-	3,383,351	-	-
Compensated absences payable	111,459	-	7,260	-
Net Pension Liability	1,920,808	77,674	118,473	63,756
Total Liabilities	\$ 2,864,753	\$ 4,158,558	\$ 136,751	\$ 65,242
DEFERRED INFLOWS OF RESOURCES				
Pension	\$ 214,475	\$ 9,885	\$ 15,939	\$ 7,119
Total Liabilities & Deferred Inflows of Resources	\$ 3,079,228	\$ 4,168,443	\$ 152,690	\$ 72,361
NET POSITION				
Invested in capital assets, net of related debt	\$ 21,353,437	\$ 2,273,422	\$ 17,849	\$ 1,151
Restricted for:				
Capital projects	1,150,496	-	-	-
Highways and bridges	865,599	-	-	-
Health and welfare	-	-	155,131	-
Culture and recreation	6,176	-	-	-
Conservation of natural resources	51,282	-	-	-
Emergencies	347,159	-	-	-
Economic development	-	-	-	111,139
Revolving loans	-	-	-	19,451
Maintenance and construction projects	-	6,536,555	-	-
Unrestricted	(798,673)	(108,089)	-	-
Total Net Position	\$ 22,975,476	\$ 8,701,888	\$ 172,980	\$ 131,741

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

TRAILL COUNTY
Hillsboro, North Dakota
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units		
						Water Resource District	District Health Unit	Economic Development Commission
Primary Government:								
Governmental Activities:								
General government	\$ 2,059,559	\$ 49,165	\$ 55,983	\$ -	\$ (1,954,411)			
Public safety	679,646	575,737	25,347	-	(78,562)			
Highways and bridges	4,423,414	77,843	2,582,533	2,379,073	616,035			
Flood repair	144,209	-	155,741	-	11,532			
Health and welfare	1,078,422	-	357,559	-	(720,863)			
Culture and recreation	4,612	-	-	-	(4,612)			
Conserv. of natural resources	157,131	12,949	-	-	(144,182)			
Interest on long-term debt	5,134	-	-	-	(5,134)			
Total Governmental Activities	\$ 8,552,127	\$ 715,694	\$ 3,177,163	\$ 2,379,073	\$ (2,280,197)			
Component Units:								
Water resource district	\$ 1,545,393	\$ 989,840	\$ -	\$ 416,101		\$ (139,452)	\$ -	\$ -
District health unit	372,480	31,431	161,188	-		-	(179,861)	-
Economic develop. commission	215,058	1,053	54,735	-		-	-	(159,270)
Total Component Units	\$ 2,132,931	\$ 1,022,324	\$ 215,923	\$ 416,101		\$ (139,452)	\$ (179,861)	\$ (159,270)
General Revenues:								
Taxes:								
Property taxes; levied for general purposes					\$ 207,773	\$ 367,236	\$ 178,974	\$ -
Property taxes; levied for special purposes					3,750,089	-	-	158,499
Property taxes; levied for debt service					82,895	-	-	-
Non restricted grants and contributions					1,023,610	-	84,088	-
Other general revenues					-	121,344	-	-
Unrestricted investment earnings					8,185	5,201	141	2,028
Miscellaneous revenue					67,221	-	1,712	3,076
Total General Revenues					\$ 5,139,773	\$ 493,781	\$ 264,915	\$ 163,603
Change in Net Position					\$ 2,859,576	\$ 354,329	\$ 85,054	\$ 4,333
Net Position - January 1					\$ 22,389,564	\$ 8,417,150	\$ 210,880	\$ 202,983
Prior Period Adjustments					(2,273,664)	(69,591)	(122,954)	(75,575)
Net Position - January 1, as restated					\$ 20,115,900	\$ 8,347,559	\$ 87,926	\$ 127,408
Net Position - December 31					\$ 22,975,476	\$ 8,701,888	\$ 172,980	\$ 131,741

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

TRAILL COUNTY
Hillsboro, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2015

	General	Farm to Market Road	County Road	Highway Tax Distribution	Human Services	FEMA Flood Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and investments	\$ 681,660	\$ 688,521	\$ 52,898	\$ 580,357	\$ 34,177	\$ 125,642	\$ 1,150,496	\$ 814,850	\$ 4,128,601
Intergovernmental receivable	72,767	40,402	8,554	99,469	55,099	-	-	42,908	319,199
Accounts receivable	5,720	-	-	-	-	-	-	19,681	25,401
Road receivables	-	-	-	-	-	-	-	2,731	2,731
Taxes receivable	2,637	12,057	3,845	-	11,534	-	-	43,571	73,644
Total Assets	\$ 762,784	\$ 740,980	\$ 65,297	\$ 679,826	\$ 100,810	\$ 125,642	\$ 1,150,496	\$ 923,741	\$ 4,549,576
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
<u>Liabilities:</u>									
Accounts payable	\$ 25,405	\$ 94,236	\$ 100,000	\$ 114,583	\$ 7,327	\$ -	\$ -	\$ 6,307	\$ 347,858
Salaries payable	6,679	-	-	-	4,976	-	-	23,884	35,539
Grants received in advance	-	-	-	-	-	125,642	-	-	125,642
Total Liabilities	\$ 32,084	\$ 94,236	\$ 100,000	\$ 114,583	\$ 12,303	\$ 125,642	\$ -	\$ 30,191	\$ 509,039
<u>Deferred Inflows of Resources:</u>									
Road receivable	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ 2,731	\$ 2,731
Taxes receivable	2,637	12,057	3,845	-	11,534	-	-	43,571	73,644
Total Deferred Inflows of Resources	\$ 2,637	\$ 12,057	\$ 3,845	\$ -	\$ 11,534	\$ -	\$ -	\$ 46,302	\$ 76,375
Total Liabilities and Deferred Inflows of Resources	\$ 34,721	\$ 106,293	\$ 103,845	\$ 114,583	\$ 23,837	\$ 125,642	\$ -	\$ 76,493	\$ 585,414
<u>Fund Balances:</u>									
<u>Restricted for:</u>									
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,150,496	\$ -	\$ 1,150,496
Public safety	-	-	-	-	-	-	-	205,392	205,392
Highways and bridges	-	634,687	-	565,243	-	-	-	185,657	1,385,587
Health and welfare	-	-	-	-	76,973	-	-	244	77,217
Culture and recreation	-	-	-	-	-	-	-	2,280	2,280
Conservation of natural resources	-	-	-	-	-	-	-	84,664	84,664
Emergencies	-	-	-	-	-	-	-	342,424	342,424
Other purposes & general government	-	-	-	-	-	-	-	29,156	29,156
Unassigned	728,063	-	(38,548)	-	-	-	-	(2,569)	686,946
Total Fund Balances	\$ 728,063	\$ 634,687	\$ (38,548)	\$ 565,243	\$ 76,973	\$ -	\$ 1,150,496	\$ 847,248	\$ 3,964,162
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 762,784	\$ 740,980	\$ 65,297	\$ 679,826	\$ 100,810	\$ 125,642	\$ 1,150,496	\$ 923,741	\$ 4,549,576

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

TRAILL COUNTY
Hillsboro, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2015

Total *Fund Balances* for Governmental Funds \$ 3,964,162

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

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

Cost of Capital Assets	\$ 26,309,461	
Less Accumulated Depreciation	<u>(4,956,024)</u>	21,353,437

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	\$ 73,644	
Road Department Accounts Receivable	<u>2,731</u>	76,375

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 151,691	
Deferred Inflows Related to Pensions	<u>(214,475)</u>	(62,784)

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2015 are:

Loans Payable	\$ (146,000)	
Compensated Absences Payable	(123,843)	
Retainage Payable	(165,063)	
Net Pension Liability	<u>(1,920,808)</u>	<u>(2,355,714)</u>

Total Net Position of Governmental Activities		<u><u>\$ 22,975,476</u></u>
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The notes to the financial statements are an integral part of this statement.

TRAILL COUNTY
Hillsboro, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Human Services	FEMA Flood Fund	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:									
Taxes	\$ 206,346	\$ 650,212	\$ 205,783	\$ -	\$ 665,944	\$ -	\$ -	\$ 2,319,371	\$ 4,047,656
Intergovernmental	887,496	1,699,790	11,731	936,075	358,733	155,741	-	151,207	4,200,773
Charges for services	172,284	-	-	-	-	-	-	542,140	714,424
Licenses, permits and fees	250	-	-	-	-	-	-	-	250
Interest income	4,077	178	-	-	-	-	206	3,724	8,185
Miscellaneous	22,601	-	-	-	6,843	-	5,645	32,132	67,221
Total Revenues	\$ 1,293,054	\$ 2,350,180	\$ 217,514	\$ 936,075	\$ 1,031,520	\$ 155,741	\$ 5,851	\$ 3,048,574	\$ 9,038,509
Expenditures:									
Current:									
General government	\$ 910,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,196,159	\$ 2,106,397
Public safety	340,062	-	-	-	-	-	-	662,324	1,002,386
Highways and bridges	-	2,377,590	367,849	1,633,421	-	-	-	696,162	5,075,022
Flood repairs and maintenance	-	-	-	-	-	144,209	-	-	144,209
Health and welfare	-	-	-	-	1,150,558	-	-	4,661	1,155,219
Culture and recreation	-	-	-	-	-	-	-	8,467	8,467
Conserv. of natural resources	5,000	-	-	-	-	-	-	154,539	159,539
Capital outlay	-	-	-	-	-	-	12,690	-	12,690
Debt Service:									
Principal	-	-	-	-	-	-	-	54,000	54,000
Interest and fees	-	-	-	-	-	-	-	5,134	5,134
Total Expenditures	\$ 1,255,300	\$ 2,377,590	\$ 367,849	\$ 1,633,421	\$ 1,150,558	\$ 144,209	\$ 12,690	\$ 2,781,446	\$ 9,723,063
Excess (Deficiency) of Revenues Over Expenditures	\$ 37,754	\$ (27,410)	\$ (150,335)	\$ (697,346)	\$ (119,038)	\$ 11,532	\$ (6,839)	\$ 267,128	\$ (684,554)
Other Financing Sources (Uses):									
Transfers in	\$ 482,787	\$ -	\$ -	\$ -	\$ -	\$ 7,227	\$ 452,000	\$ 101,759	\$ 1,043,773
Transfers out	(452,000)	-	-	-	-	(18,759)	-	(573,014)	(1,043,773)
Total Other Financing Sources and Uses	\$ 30,787	\$ -	\$ -	\$ -	\$ -	\$ (11,532)	\$ 452,000	\$ (471,255)	\$ -
Net Change in Fund Balances	\$ 68,541	\$ (27,410)	\$ (150,335)	\$ (697,346)	\$ (119,038)	\$ -	\$ 445,161	\$ (204,127)	\$ (684,554)
Fund Balances - January 1	\$ 659,522	\$ 662,097	\$ 111,787	\$ 1,262,589	\$ 196,011	\$ -	\$ 705,335	\$ 1,051,375	\$ 4,648,716
Fund Balances - December 31	\$ 728,063	\$ 634,687	\$ (38,548)	\$ 565,243	\$ 76,973	\$ -	\$ 1,150,496	\$ 847,248	\$ 3,964,162

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

TRAILL COUNTY
Hillsboro, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

Net Change in *Fund Balances* - Total Governmental Funds \$ (684,554)

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 in the current year.

Current Year Capital Outlay	\$ 1,474,873	
Capital Contributions to Infrastructure	2,379,073	
Current Year Depreciation Expense	<u>(709,717)</u>	3,144,229

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

Repayment of Debt - Loans		54,000
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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.

Increase in Compensated Absences	\$ (5,683)	
Decrease in Retainage Payable	<u>67,391</u>	61,708

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

Decrease in Taxes Receivable	\$ (6,899)	
Increase in Road Department Receivables	<u>1,020</u>	<u>(5,879)</u>

The Net Pension Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Decrease in Net Pension Liability	\$ 152,267	
Increase in Deferred Outflows of Resources Related to Pensions	2,396	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>135,409</u>	<u>290,072</u>

Change in Net Position of Governmental Activities		<u><u>\$2,859,576</u></u>
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The notes to the financial statements are an integral part of this statement.

TRAILL COUNTY
Hillsboro, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2015

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 5,226,540</u>
<u>Liabilities:</u>	
Due to other governments/entities	<u>\$ 5,226,540</u>

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

TRAILL COUNTY
Hillsboro, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Traill County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the county's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of Traill County. The county has considered all potential component units for which the county is financially accountable and other organizations for which the nature and significance of their relationships with the county such that exclusion would cause the county's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Traill County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Traill County.

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

COMPONENT UNITS

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

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

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

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

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

Trail County Water Resource District - The County's governing board appoints a voting majority of the members of the Trail County Water Resource District Board. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy established by the Water Resource District. The financial statements of the Water Resource District are audited by other auditors and a separate standalone audit report is issued. A complete audit report may be obtained from Brady Martz, Certified Public Accountants and Consultants, 401 Demers Avenue Suite 300 P.O. Box 14296, Grand Forks, North Dakota, 58208-4296.

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

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

B. Basis of Presentation

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

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

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

The county reports the following major governmental funds:

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

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

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

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

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

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

Additionally, the county reports the following fund type:

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

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

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

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

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets

PRIMARY GOVERNMENT:

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

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

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

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

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

AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS:

Trails County Health District:

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

Assets	Years
Vehicles	5 - 7
Office Equipment	3 - 5

TRAILL COUNTY

Notes to the Financial Statements – Continued

Trail County Economic Development Commission:

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

Assets	Years
Technology	3
Office Equipment	7

Trail County Water Resource District:

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

F. Compensated Absences

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

Vacation leave is earned as follows:

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

G. Long-Term Obligations

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

H. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Fund Balances / Net Position

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

Fund Balance Spending Policy:

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

Major Special Revenue Fund Purposes & Revenue Sources:

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

Fund Balance Reporting and Governmental Fund Type Definitions

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

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

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TRAILL COUNTY

Notes to the Financial Statements – Continued

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

Trail County only has restricted and unassigned fund balances at December 31, 2015.

Restricted Fund Balances – consist of the following items at December 31, 2015:

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

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
 - Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes FEMA funds, other grant funds, and highway tax distribution.

Net Position:

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

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

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

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

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

J. Special Assessments

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

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

The board of county commissioners amended the county budget for 2015 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Major Funds:			
Highway Tax Distribution	\$ 1,238,000	\$ 778,731	\$ 2,016,731
FEMA Funds	-	144,209	144,209
Capital Improvements	-	12,690	12,690
Special Revenue Funds:			
Hatton Policing	-	103,037	103,037
Mayville Policing	-	183,183	183,183
E911 Wireless	-	9,417	9,417
Traffic Safety Grant	-	4,940	4,940
24/7	-	31,170	31,170
Community Service Program	-	250	250
Victim Witness & Advocacy	-	10,219	10,219
Homemaker Expense	-	3,755	3,755

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

At year ended December 31, 2015, the county's carrying amount of deposits was \$9,341,383 and the bank balances totaled \$9,500,855. Of the bank balances, deposits totaling \$5,001,799 were held at the Bank of North Dakota that are backed by the full faith and credit of the state of North Dakota and do not require pledges, \$1,639,450 was covered by Federal Depository Insurance, and the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2015, the District Health Unit's carrying amount of deposits was \$268,855 and bank balances totaled \$268,884, all of which were covered by Federal Depository Insurance.

TRAILL COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2015, the Economic Development Commission's carrying amount of deposits was \$174,991, and the bank balances totaled \$180,473, all of which were covered by Federal Depository Insurance.

Credit Risk:

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

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

As of December 31, 2015, the county had certificates of deposit totaling \$98,815 and Treasury Bills totaling \$98,962. The District Health Unit had certificates of deposit totaling \$94,081. The Economic Development Commission had certificates of deposit totaling \$73,506.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 5: ACCOUNTS RECEIVABLE

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

NOTE 6: ROAD ACCOUNTS RECEIVABLE

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

NOTE 7: TAXES RECEIVABLE

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

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

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

NOTE 8: LOANS RECEIVABLE

The Trill County Economic Development Commission (a component unit of Trill County) had the following activity in Economic Development loans receivable during fiscal year 2015. Detailed information on EDC individual loan balances may be obtained from their separate audit report.

	Balance January 1	Loans Issued	Loan Repayments	Balance December 31
Clifford Dinner Theater	\$ 934	\$ -	\$ 934	\$ -
Paddlewheel Café	511	-	511	-
Karrell Enterprises	1,805	-	1,805	-
Paddlewheel (L. Morris)	2,135	-	-	2,135
Hepper-Olson	4,250	-	4,250	-
Buxton Daycare	1,400	-	840	560
Chad's Excavating (3.75%)	19,144	-	12,376	6,768
Hillsboro Body Shop (5.25%)	15,000	-	5,012	9,988
Allowance for Doubtful Accounts	\$ (4,451)	\$ -	\$ (4,451)	\$ -
Total	\$ 40,728	\$ -	\$ 21,277	\$ 19,451

Concentration of Credit Risk:

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

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2015 for the primary government:

Primary Government:	Balance Jan 1 (Restated)	Increases	Decreases	Transfers	Balance Dec 31
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 15,822	\$ -	\$ -	\$ -	\$ 15,822
Construction Progress	5,545,446	3,020,622	-	(5,888,967)	2,677,101
Total Capital Assets, not being depreciated	\$ 5,561,268	\$ 3,020,622	\$ -	\$ (5,888,967)	\$ 2,692,923
<i>Capital assets being depreciated:</i>					
Machinery and Equipment	\$ 2,622,603	\$ 345,141	\$ -	\$ -	\$ 2,967,744
Office Equipment	269,165	-	10,581	-	258,584
Vehicles	842,737	75,487	-	-	918,224
Buildings	1,918,873	-	-	-	1,918,873
Infrastructure	11,251,450	412,696	-	5,888,967	17,553,113
Total Capital Assets, Being Depreciated	\$ 16,904,828	\$ 833,324	\$ 10,581	\$ 5,888,967	\$ 23,616,538
<i>Less Accumulated Depreciation for:</i>					
Machinery and Equipment	\$ 1,361,483	\$ 155,886	\$ -	\$ -	\$ 1,517,369
Office Equipment	256,252	5,638	10,581	-	251,309
Vehicles	661,420	68,589	-	-	730,009
Buildings	511,120	40,776	-	-	551,896
Infrastructure	1,466,613	438,828	-	-	1,905,441
Total Accumulated Depreciation	\$ 4,256,888	\$ 709,717	\$ 10,581	\$ -	\$ 4,956,024
Total Capital Assets Being Depreciated, Net	\$ 12,647,940	\$ 123,607	\$ -	\$ 5,888,967	\$ 18,660,514
Governmental Activities- Capital Assets, Net	\$ 18,209,208	\$ 3,144,229	\$ -	\$ -	\$ 21,353,437

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

Governmental Activities:	Amounts
General Government	\$ 29,276
Public Safety	29,920
Highways and Bridges	643,135
Health and Welfare	4,241
Culture and Recreation	3,145
Total Depreciation Expense-Governmental Activities	\$ 709,717

Trails County Water Resource District:

The following is a summary of changes in capital assets for the Trails County WRD, a discretely presented component unit of Trails County, for the year ended December 31, 2015:

Trails County Water Resource District	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,035,678	\$ 76,966	\$ -	\$ 1,112,644
Construction Progress	-	326,140	-	326,140
Total Capital Assets, not being depreciated	\$ 1,035,678	\$ 403,106	\$ -	\$ 1,438,784
<i>Capital assets being depreciated:</i>				
Equipment	\$ 83,336			\$ 83,336
Infrastructure	5,362,812	9,300		5,372,112
Total Capital Assets, Being Depreciated	\$ 5,446,148	\$ 9,300	\$ -	\$ 5,455,448
<i>Less Accumulated Depreciation for:</i>				
Equipment	\$ 56,905	\$ 8,903		\$ 65,808
Infrastructure	534,743	107,379		642,122
Total Accumulated Depreciation	\$ 591,648	\$ 116,282	\$ -	\$ 707,930
Total Capital Assets Being Depreciated, Net	\$ 4,854,500	\$ (106,982)	\$ -	\$ 4,747,518
Governmental Activities- Capital Assets, Net	\$ 5,890,178	\$ 296,124	\$ -	\$ 6,186,302

Trails County Health District:

The following is a summary of changes in capital assets for the Trails County Health District, a discretely presented component unit of Trails County, for the year ended December 31, 2015:

Trails County District Health Unit	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Vehicles	\$ 25,498	\$ -	\$ -	\$ 25,498
<i>Less Accumulated Depreciation for:</i>				
Vehicles	\$ 5,100	\$ 2,549	\$ -	\$ 7,649
Total Capital Assets Being Depreciated, Net	\$ 20,398	\$ (2,549)	\$ -	\$ 17,849

Trails County Economic Development Commission:

The following is a summary of changes in capital assets for the Trails County Economic Development Commission, a discretely presented component unit of Trails County, for the year ended December 31, 2015.

Trails County Economic Development Comm	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Vehicles	\$ 24,402	\$ -	\$ -	\$ 24,402
<i>Less Accumulated Depreciation for:</i>				
Vehicles	\$ 22,484	\$ 767	\$ -	\$ 23,251
Total Capital Assets Being Depreciated, Net	\$ 1,918	\$ (767)	\$ -	\$ 1,151

TRAILL COUNTY

Notes to the Financial Statements – Continued

NOTE 10: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions for differences between actual and expected experience, changes in proportion and differences between employer contributions and proportionate share of contributions, and for contributions made to the plan for the period of July 1, 2015 through December 31, 2015.

NOTE 11: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2015 and chargeable to the appropriations for the years then ended, but paid for subsequent to that date.

NOTE 12: SALARIES PAYABLE

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

NOTE 13: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, this includes amounts related to pension items for the net difference between projected and actual investment earnings on pension plan investments, and changes of assumptions.

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

NOTE 14: RETAINAGES PAYABLE

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

NOTE 15: GRANTS RECEIVED IN ADVANCE

Unearned revenue consists of funds received in the FEMA fund where the eligibility requirements have not all been met at December 31, 2015. Asset recognition criteria have been met, but revenue recognition criteria have not been met.

NOTE 16: LONG-TERM LIABILITIES

Primary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2015; the following changes occurred in governmental activities long-term liabilities for Trill County:

Primary Government	Balance Jan. 1	Increases	Decreases	Balance Dec. 31	Due Within One Year
Loans Payable	\$ 200,000	\$ -	\$ 54,000	\$ 146,000	\$ 36,000
Compensated Absences *	118,160	5,683	-	123,843	12,384
Net Pension Liability*	2,073,075	-	152,267	1,920,808	-
Total Governmental Activities	\$ 2,391,235	\$ 5,683	\$ 206,267	\$ 2,190,651	\$ 48,384

TRAILL COUNTY

Notes to the Financial Statements – Continued

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

Outstanding debt (excluding compensated absences and leases payable) at December 31, 2015 for the primary government governmental activities consists of the following issue:

Loan Payable:

\$200,000 Bank Loan for bridge repairs due in 2016; interest at 2.50%. \$146,000

DISCRETELY PRESENTED COMPONENT UNITS:

Traill County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2015, the following changes occurred in governmental long-term liabilities of the District:

Water Resource District	Balance Jan. 1	Increases	Decreases	Balance Dec. 31	Due Within One Year
Bonds Payable	\$ 4,370,000	\$ 1,435,000	\$ 1,860,000	\$ 3,945,000	\$ 532,696
Bond Discounts	(21,585)	(13,000)	2,465	(32,120)	(3,167)
Bank Notes Payable	37,875	-	37,875	-	-
Net Pension Liability*	73,456	38,581	34,363	77,674	-
Total Governmental Activities	\$ 4,459,746	\$ 1,460,581	\$ 1,934,703	\$ 3,990,554	\$ 529,529

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

Outstanding debt (excluding compensated absences and leases payable) at December 31, 2015 for the Water Resource District governmental activities consists of the following individual issues.

Sinking Fund Bonds:

Traill County Drains #6, #17a, #23-40, #30 lateral #62 - \$960,000 Refunding Improvement Bonds of 2014 due in annual installments of \$45,000 to \$70,000 through May 1, 2028, interest payable semiannually at 0.65 percent to 3.25 percent. \$ 845,000

Traill County Drain #5 - \$560,000 Refunding Improvement Bonds of 2014 due in annual installments of \$40,000 through May 1, 2029, interest payable semiannually at 1.65 percent to 3.15 percent 560,000

Traill County Drains #9, #18, #29, #13, #30, #58, #6 - \$1,325,000 Refunding Improvement Bonds of 2009 due in annual installments of \$125,000 to \$160,000 through May 1, 2018, interest payable semiannually at 1.75 percent to 3.3 percent. 440,000

Moen Drain Reconstruction Refunding Improvement Bond of 2015 due in annual installments of \$140,000 to \$150,000 through May 1, 2021, interest payable semiannually at 0.65 percent to 1.55 percent. 875,000

Traill County Water Drains #80 and #28 Improvement Bonds of 2015 due in annual installments of \$25,000 to \$40,000 through May 1, 2029, interest payable semiannually at 1.30 percent to 3.00 percent. 480,000

TRAILL COUNTY

Notes to the Financial Statements – Continued

Sinking Fund Bonds: (Continued)

Bloomfield 46, Christopherson 50, Garfield 32, Roseville 19 – 2015 Maintenance Bonds due in semiannual installments of \$6,187 to \$7,167 through September 15, 2021, interest payable semiannually at 3.25 percent.	\$ 80,000
Norway #38 - \$680,000 G.O. Refunding Bonds of 2004 payable in annual installments of \$25,000 to \$45,000 through May 1, 2019, with interest payable semiannually at 2.00 percent to 4.75 percent	120,000
Steenerson-Leirness \$34-20 Drainage System Improvement Bonds Series 2008 due in annual installments of \$55,000 - \$80,000 through May 1, 2023, interest payable semiannually at 2.50 percent to 5.00 percent.	<u>545,000</u>
Total Water Resource District – Sinking Fund Bonds	<u>\$3,945,000</u>

Debt service requirements on long-term debt for the water resource district governmental activities for loans and bonds payable at December 31, 2015 are as follows:

WRD - GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Bonds Payable	
	Principal	Interest
2015	\$ 529,529	\$ 101,209
2016	539,532	86,611
2017	514,948	74,125
2018	385,377	61,546
2019	370,819	52,336
2020 – 2024	1,078,475	146,805
2025 – 2029	494,200	30,975
Totals	\$ 3,912,880	\$ 553,607

Health District:

Changes in Long-Term Liabilities – During the year ended December 31, 2015; the following changes occurred in governmental activities long-term liabilities for the Traill County Health District:

District Health Unit	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 8,797	\$ -	\$ 730	\$ 8,067	\$ 807
Net Pension Liability*	112,930	5,543	-	118,473	-
Total Governmental Activities	\$ 121,727	\$ 5,543	\$ 730	\$ 126,540	\$ 807

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

Economic Development Commission:

Changes in Long-Term Liabilities – During the year ended December 31, 2015; the following changes occurred in governmental activities long-term liabilities for the Traill County Economic Development Commission:

District Health Unit	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Net Pension Liability*	\$ 68,810	\$ -	\$ 5,054	\$ 63,756	\$ -

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

TRAILL COUNTY

Notes to the Financial Statements – Continued

NOTE 17: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2015:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 482,787	\$ 452,000
FEMA Flood Fund	7,227	18,759
Capital Improvements	452,000	-
Special Revenue Funds:		
County Road & Bridge	18,759	7,227
Health Insurance	-	1,675
Oasis and Social Security	-	126,584
Abandoned Cemetery	-	17,565
County Share Special Assessments	-	49,167
Weed Control	8,000	-
Jail	-	119,928
County Park	-	22,275
Insurance Reserve	-	36,811
Emergency 911	75,000	-
E911 Wireless	-	75,000
Traffic Safety Grant	-	8,000
Debt Service Fund:		
County Loan	-	108,781
Total Transfers	\$ 1,043,773	\$ 1,043,773

NOTE 18: PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

TRAILL COUNTY

Notes to the Financial Statements – Continued

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's 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 member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 25 months of service	Greater of two percent of monthly salary or \$25
26 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

TRAILL COUNTY

Notes to the Financial Statements – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, Trill County reported a liability of \$1,920,808 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was .282479 percent, which was a decrease of .000087 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Employer recognized pension expense of \$182,649. At December 31, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 55,725	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	535	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	40,547
Changes of Assumptions	-	171,135
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	2,792
District Contributions Subsequent to the Measurement Date	95,431	-
Total	\$ 151,691	\$ 214,475

\$95,431 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

2016	\$ (52,007)
2017	(52,007)
2018	(52,007)
2019	31,780
2020	(31,717)

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

TRAILL COUNTY

Notes to the Financial Statements – Continued

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's Proportionate Share of the Net Pension Liability	\$ 2,945,463	\$ 1,920,808	\$ 1,082,455

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued NDPERS financial report.

TRAILL COUNTY

Notes to the Financial Statements – Continued

NOTE 19: RISK MANAGEMENT

Trail 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Trail County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$3,045,187 for mobile equipment and portable property (public assets). The coverage for the Water Resource District and the Economic Development Commission by NDIRF is limited to losses of one million dollars for general liability and automobile.

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

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

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

NOTE 20: JOINT VENTURE

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2015.

	Red River Joint Water Resource Board
Total Assets	\$ 7,770,996
Total Liabilities	104,554
Total Net Position	\$ 7,666,442
Revenues	\$ 2,423,290
Expenses	2,582,765
Change in Net Position	\$ (159,475)

TRAILL COUNTY

Notes to the Financial Statements – Continued

NOTE 21: CONDUIT DEBT

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

As of December 31, 2015, there are Industrial Revenue Bonds to the South Dakota Health and Educational Facilities Authority with an amount outstanding totaling \$176,315,000.

NOTE 22: COMMITMENTSCommitments:

At December 31, 2015, Traill County had commitments for remaining project costs related to Bridge 263 and the courthouse elevator project. As of December 31, 2015, the remaining construction commitments are as follows:

Project	Total Contract	Total Completed	Retainage	Remaining Balance	Percent Completed
CNOB-4907(054)	\$ 2,136,884	\$ 1,977,343	\$ 106,844	\$ 266,385	92.53%
Traill County Structure No. 220	600,616	582,192	58,219	76,643	96.93%
Total	\$ 2,737,500	\$ 2,559,535	\$ 165,063	\$ 343,028	93.50%

Contingencies:

The County, Health District, and Economic Development Commission participated in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the County, Health District, and Economic Development Commission have not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2015 may be impaired. In the opinion of the County, Health District, and Economic Development Commission, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 23: OPERATING LEASESEconomic Development Commission:

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

Fiscal Year	Amounts
2016	\$ 8,400
2017	3,500
Total	\$11,900

TRAILL COUNTY

Notes to the Financial Statements – Continued

NOTE 24: PRIOR PERIOD ADJUSTMENTS**Change in Accounting Principle – GASB 68 & 71 - Pensions:**

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The effect of the prior period adjustments to beginning net position for the change in accounting principle for the county is as follows:

Governmental Activities - County	Amounts
Beginning Net Position, as previously reported	\$ 22,389,564
Adjustments to restate the January 1, 2015 Net Position:	
Deferred Outflows of Resources - Pensions	149,295
Net Pension Liability	(2,073,075)
Deferred Inflows of Resources - Pensions	(349,884)
Net Position January 1, as restated	\$ 20,115,900

Governmental Activities - WRD	Amounts
Beginning Net Position, as previously reported	\$ 8,417,150
Adjustments to restate the January 1, 2015 Net Position:	
Deferred Outflows of Resources - Pensions	3,865
Net Pension Liability	(73,456)
Net Position January 1, as restated	\$ 8,347,559

Governmental Activities - District Health Unit	Amounts
Beginning Net Position, as previously reported	\$ 210,880
Adjustments to restate the January 1, 2015 Net Position:	
Deferred Outflows of Resources - Pensions	12,020
Net Pension Liability	(112,930)
Deferred Inflows of Resources - Pensions	(22,044)
Net Position January 1, as restated	\$ 87,926

Governmental Activities - EDC	Amounts
Beginning Net Position, as previously reported	\$ 202,983
Adjustments to restate the January 1, 2015 Net Position:	
Deferred Outflows of Resources - Pensions	4,848
Net Pension Liability	(68,810)
Deferred Inflows of Resources - Pensions	(11,613)
Net Position January 1, as restated	\$ 127,408

NOTE 25: SUBSEQUENT EVENTS**Trail County Water Resource District:**

Subsequent to December 31, 2015, and before the report was issued for the Trail County Water Resource District, the District issued \$1,945,000 of improvement bonds to provide funds for the Buxton and Thereson Drains. The bonds have maturity dates ranging from May 1, 2036, and an interest rate ranging from 0.8 percent to 3.25 percent. Payments on these bonds will begin in 2017.

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 210,449	\$ 210,449	\$ 206,346	\$ (4,103)
Intergovernmental	967,131	967,131	887,496	(79,635)
Charges for services	134,165	134,165	172,284	38,119
Licenses, permits and fees	250	250	250	-
Interest income	2,000	2,000	4,077	2,077
Miscellaneous	2,000	2,000	22,601	20,601
Total Revenues	\$ 1,315,995	\$ 1,315,995	\$ 1,293,054	\$ (22,941)
<u>Expenditures:</u>				
Current:				
General government	\$ 1,127,908	\$ 1,127,908	\$ 910,238	\$ 217,670
Public safety	354,473	354,473	340,062	14,411
Conservation of natural resources	-	-	5,000	(5,000)
Total Expenditures	\$ 1,482,381	\$ 1,482,381	\$ 1,255,300	\$ 227,081
Excess (Deficiency) of Revenues Over Expenditures	\$ (166,386)	\$ (166,386)	\$ 37,754	\$ 204,140
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 482,787	\$ 482,787
Transfers out	-	-	(452,000)	(452,000)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 30,787	\$ 30,787
Net Change in Fund Balances	\$ (166,386)	\$ (166,386)	\$ 68,541	\$ 234,927
Fund Balances - January 1	\$ 659,522	\$ 659,522	\$ 659,522	\$ -
Fund Balances - December 31	\$ 493,136	\$ 493,136	\$ 728,063	\$ 234,927

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

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 675,435	\$ 675,435	\$ 650,212	\$ (25,223)
Intergovernmental	9,922	9,922	1,699,790	1,689,868
Interest income	-	-	178	178
Total Revenues	<u>\$ 685,357</u>	<u>\$ 685,357</u>	<u>\$ 2,350,180</u>	<u>\$ 1,664,823</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	<u>\$ 1,105,997</u>	<u>\$ 1,105,997</u>	<u>\$ 2,377,590</u>	<u>\$ (1,271,593)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (420,640)</u>	<u>\$ (420,640)</u>	<u>\$ (27,410)</u>	<u>\$ 393,230</u>
Fund Balances - January 1	<u>\$ 662,097</u>	<u>\$ 662,097</u>	<u>\$ 662,097</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 241,457</u>	<u>\$ 241,457</u>	<u>\$ 634,687</u>	<u>\$ 393,230</u>

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

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 223,862	\$ 223,862	\$ 205,783	\$ (18,079)
Intergovernmental	2,773	2,773	11,731	8,958
Total Revenues	<u>\$ 226,635</u>	<u>\$ 226,635</u>	<u>\$ 217,514</u>	<u>\$ (9,121)</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	<u>\$ 326,987</u>	<u>\$ 326,987</u>	<u>\$ 367,849</u>	<u>\$ (40,862)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (100,352)</u>	<u>\$ (100,352)</u>	<u>\$ (150,335)</u>	<u>\$ (49,983)</u>
Fund Balances - January 1	<u>\$ 111,787</u>	<u>\$ 111,787</u>	<u>\$ 111,787</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 11,435</u>	<u>\$ 11,435</u>	<u>\$ (38,548)</u>	<u>\$ (49,983)</u>

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

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 935,000	\$ 935,000	\$ 936,075	\$ 1,075
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 1,238,000	\$ 2,016,731	\$ 1,633,421	\$ 383,310
Excess (Deficiency) of Revenues Over Expenditures	\$ (303,000)	\$ (1,081,731)	\$ (697,346)	\$ 384,385
Fund Balances - January 1	\$ 1,262,589	\$ 1,262,589	\$ 1,262,589	\$ -
Fund Balances - December 31	\$ 959,589	\$ 180,858	\$ 565,243	\$ 384,385

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

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 703,828	\$ 703,828	\$ 665,944	\$ (37,884)
Intergovernmental	308,681	308,681	358,733	50,052
Miscellaneous	-	-	6,843	6,843
Total Revenues	<u>\$ 1,012,509</u>	<u>\$ 1,012,509</u>	<u>\$ 1,031,520</u>	<u>\$ 19,011</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>\$ 1,219,361</u>	<u>\$ 1,219,361</u>	<u>\$ 1,150,558</u>	<u>\$ 68,803</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (206,852)</u>	<u>\$ (206,852)</u>	<u>\$ (119,038)</u>	<u>\$ 87,814</u>
Fund Balances - January 1	<u>\$ 196,011</u>	<u>\$ 196,011</u>	<u>\$ 196,011</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ (10,841)</u>	<u>\$ (10,841)</u>	<u>\$ 76,973</u>	<u>\$ 87,814</u>

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

TRAILL COUNTY
Hillsboro, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FLOOD FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 155,741	\$ 155,741
<u>Expenditures:</u>				
Current:				
Flood repair	\$ -	\$ 144,209	\$ 144,209	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (144,209)	\$ 11,532	\$ 155,741
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 7,227	\$ 7,227
Transfers out	-	-	(18,759)	(18,759)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (11,532)	\$ (11,532)
Net Change in Fund Balances	\$ -	\$ (144,209)	\$ -	\$ 144,209
Fund Balances - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balances - December 31	\$ -	\$ (144,209)	\$ -	\$ 144,209

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

TRAILL COUNTY
Hillsboro, North Dakota

PENSION SCHEDULES
For the Year Ended December 31, 2015

**Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years***

	2015	2014
District's proportion of the net pension liability (asset)	0.282479%	0.282392%
District's proportionate share of the net pension liability (asset)	\$ 1,920,808	\$ 2,073,075
District's covered-employee payroll	\$ 2,516,548	\$ 2,378,805
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%	87.15%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	77.70%

*Complete data for this schedule is not available prior to 2014.

**Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years***

	2015	2014
Statutorily required contribution	\$ 179,178	\$ 169,371
Contributions in relation to the statutorily required contribution	\$ (179,178)	\$ (169,371)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 2,516,548	\$ 2,378,805
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

TRAILL COUNTY
Hillsboro, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2015, Bottineau County had the following fund expenditures in excess of budgeted amounts:

Special Revenue Funds:	Budget	Spent	Over Budget
Farm to Market Road	\$ 1,105,997	\$ 2,377,590	\$ 1,271,593

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

NOTE 3: PENSIONS - CHANGES OF ASSUMPTIONS

Amounts reported in 2015 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

TRAILL COUNTY
Hillsboro, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-15
Major Govt. Funds:							
General Fund	\$ 332,482.47	\$ 1,551,531.63	\$ 482,787.11	\$ -	\$ 452,000.00	\$ 1,233,140.99	\$ 681,660.22
Farm to Market Road	\$ 674,719.31	\$ 2,309,777.95	\$ -	\$ -	\$ -	\$ 2,295,976.20	\$ 688,521.06
County Road	111,787.32	208,959.19	-	-	-	267,848.60	52,897.91
Highway Distribution	1,337,860.57	955,508.40	-	-	-	1,713,013.01	580,355.96
County Human Services	203,875.25	987,997.38	-	-	-	1,157,695.99	34,176.64
FEMA Flood Fund	281,383.63	-	7,226.98	-	18,759.23	144,209.03	125,642.35
Capital Improvements	705,335.16	5,850.17	452,000.00	-	-	12,689.65	1,150,495.68
Total Major Funds	\$ 3,647,443.71	\$ 6,019,624.72	\$ 942,014.09	\$ -	\$ 470,759.23	\$ 6,824,573.47	\$ 3,313,749.82
Nonmajor Govt. Funds:							
<u>Special Revenue Funds:</u>							
County Road & Bridge	\$ 23,831.51	\$ 759,322.49	\$ 18,759.23	\$ -	\$ 7,226.98	\$ 784,137.88	\$ 10,548.37
County Bridge	216,578.53	293.20	-	-	-	50,720.26	166,151.47
Homemaker Exp - Estate	3,754.75	-	-	-	-	3,754.75	-
Emergency Fund	241,173.34	98,993.08	-	-	-	-	340,166.42
Health Insurance	19,224.17	261,196.73	-	-	1,674.96	278,745.94	-
Veteran's Service Officer	6,487.37	41,710.35	-	-	-	46,044.05	2,153.67
Hatton/Portland Policing	6,177.70	98,078.48	-	-	-	103,036.70	1,219.48
Mayville Policing	10,633.39	174,680.60	-	-	-	183,183.23	2,130.76
Oasis and Social Security	123,092.31	770,500.63	-	-	126,583.74	767,009.20	-
Abandoned Cemetery	13,706.32	4,308.94	-	-	17,565.26	450.00	-
Document Preservation	33,305.10	12,948.55	-	-	-	3,302.83	42,950.82
County Share Special Assessments	49,167.36	-	-	-	49,167.36	-	-
County Agent	23,548.53	65,946.76	-	-	-	73,866.09	15,629.20
Sheriff Designated	1,891.93	6,083.00	-	-	-	-	7,974.93
Homeland Security	184.70	3,700.00	-	-	-	-	3,884.70
Sheriff Designated - Drug Dog	149.22	-	-	-	-	-	149.22
Weed Control	17,766.86	70,865.85	8,000.00	-	-	76,750.59	19,882.12
Jail	106,057.43	235,558.31	-	-	119,928.10	221,687.64	-
County Park	15,772.68	15,192.70	-	-	22,275.35	8,690.03	-
Insurance Reserve	40,863.24	100,716.20	-	-	36,811.25	104,768.19	-
Seat Belt Safety	244.24	-	-	-	-	-	244.24
Emergency 911	9,117.50	44,596.74	75,000.00	-	-	104,071.72	24,642.52
DES Hazardous Chemicals	4,200.09	1,262.50	-	-	-	-	5,462.59
E911 Wireless	145,004.20	72,572.90	-	-	75,000.00	9,416.87	133,160.23
Traffic Safety Grant	7,736.49	5,294.89	-	-	8,000.00	4,939.92	91.46
24/7 Fund	6,632.20	33,690.05	-	-	-	31,170.00	9,152.25
Community Service Program	250.00	100.00	-	-	-	250.00	100.00
Victim & Witness Advocacy	25,183.47	14,192.03	-	-	-	10,219.02	29,156.48
Total Nonmajor Special Rev. Funds	\$ 1,151,734.63	\$ 2,891,804.98	\$ 101,759.23	\$ -	\$ 464,233.00	\$ 2,866,214.91	\$ 814,850.93
<u>Debt Service Fund (Nonmajor):</u>							
County Loan	\$ 38,642.79	\$ 129,271.93	\$ -	\$ -	\$ 108,781.09	\$ 59,133.63	\$ -
Total Nonmajor Govt. Funds	\$ 1,190,377.42	\$ 3,021,076.91	\$ 101,759.23	\$ -	\$ 573,014.09	\$ 2,925,348.54	\$ 814,850.93
Total Governmental Funds	\$ 4,837,821.13	\$ 9,040,701.63	\$ 1,043,773.32	\$ -	\$ 1,043,773.32	\$ 9,749,922.01	\$ 4,128,600.75
<u>Agency Funds:</u>							
Airport	\$ 29.95	\$ 58,458.66	\$ -	\$ -	\$ -	\$ 58,417.53	\$ 71.08
Ambulance	1,392.27	433,493.29	-	-	-	434,127.69	757.87
Job/Economic Development	439.09	158,516.87	-	-	-	158,692.09	263.87
County Historical Society	66.82	25,936.28	-	-	-	25,966.72	36.38
Water Resource District (County)	556.89	174,350.94	-	-	-	174,604.68	303.15
Senior Citizens	139.22	77,771.64	-	-	-	77,835.09	75.77
Speed Enforcement	331.80	(331.80)	-	-	-	-	-
Health District (County)	575.84	179,402.16	-	-	-	179,669.06	308.94
State Taxes	139.22	42,906.43	-	-	-	42,969.88	75.77
Part Payment	-	52,345.61	-	-	-	49,125.35	3,220.26
Wetlands	-	1,027.00	-	-	-	1,027.00	-

Continued on next page....

TRAILL COUNTY
Hillsboro, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-15
CONTINUED..							
<u>Agency Funds (Continued):</u>							
Prepaid Taxes	\$ 4,921,773.27	\$ 5,174,852.88	\$ -	\$ -	\$ -	\$ 4,921,773.27	\$ 5,174,852.88
Game and Fish Licenses	5,003.26	11,632.00	-	-	-	11,033.00	5,602.26
Mobile Homes	5,376.84	86.00	-	-	-	-	5,462.84
Garrison Diversion	156.42	48,408.65	-	-	-	48,479.61	85.46
Domestic Violence	35.00	1,190.00	-	-	-	1,190.00	35.00
UCC Funds	408.80	-	-	-	-	-	408.80
County Agent Special	4,449.38	5,107.40	-	-	-	4,766.36	4,790.42
Unclaimed Property	106.74	81.38	-	-	-	106.74	81.38
Clerk of Court Checking	17,922.56	205,136.17	-	-	-	212,088.87	10,969.86
Red River Joint Water Resources	276.06	86,753.22	-	-	-	86,879.10	150.18
Soil Conservation District	139.22	44,728.80	-	-	-	44,792.25	75.77
Total Cities	20,876.43	2,112,083.26	-	-	-	2,123,625.04	9,334.65
Total Park Districts	1,877.20	168,465.34	-	-	-	169,538.06	804.48
Total School Districts	15,908.27	3,797,959.74	-	-	-	3,806,301.68	7,566.33
Total Townships	1,860.69	1,317,430.82	-	-	-	1,318,354.68	936.83
Drains (County)	263.97	1,417,146.48	-	-	-	1,417,213.74	196.71
Total Rural Fire Protection Districts	278.58	110,430.09	-	-	-	110,635.46	73.21
Total Agency Funds	<u>\$ 5,000,383.79</u>	<u>\$ 15,705,369.31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,479,212.95</u>	<u>\$ 5,226,540.15</u>
Total Primary Government	<u>\$ 9,838,204.92</u>	<u>\$ 24,746,070.94</u>	<u>\$ 1,043,773.32</u>	<u>\$ -</u>	<u>\$ 1,043,773.32</u>	<u>\$ 25,229,134.96</u>	<u>\$ 9,355,140.90</u>

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*

Board of County Commissioners
Traill County
Hillsboro, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Traill County, Hillsboro, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Traill County's basic financial statements, and have issued our report thereon dated October 20, 2016. Our report includes reference to other auditors who audited the financial statements of the Traill County Water Resource District and the Traill County Economic Development Commission, as described in our report on Traill County's financial statements. This report does not include results of the other auditors' testing of internal control over financial reporting or on compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

TRAILL COUNTY

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

Compliance and Other Matters

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 20, 2016

TRAILL COUNTY
Hillsboro, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

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

Internal Control Over Financial Reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> None noted
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None noted

Section II - Financial Statement Findings

No matters were reported.

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

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

Board of County Commissioners
Traill County
Hillsboro, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Traill County, Hillsboro, North Dakota, for the year ended December 31, 2015, and have issued our report thereon dated October 20, 2016. We did not audit the financial statements of the Traill County Water Resource District and the Traill County Economic Development Commission, which are part of the aggregate discretely presented component units' opinion unit. Our report includes reference to other auditors who audited the financial statements of the Traill County Water Resource District and the Traill County Economic Development Commission, as described in our report on Traill County's financial statements. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated September 20, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether Traill County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Traill County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2015. GASB Statement 68 (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27), and GASB Statement 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68) were adopted during the year ended December 31, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

DISAGREEMENTS WITH MANAGEMENT

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

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated October 20, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

OTHER AUDIT FINDINGS OR ISSUES

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

The following presents our informal recommendations:

LACK OF SEGREGATION OF DUTIES – HEALTH DISTRICT UNIT

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

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

OVERSPENT FUNDS

A review of client fund expenditures (actual and budgeted) indicated that Traill County overspent the Farm to Market Road Fund by \$1,271,593. The County is not in compliance with *NDCC section 11-23-06* that 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 11-23-07 and internal control over expenditures."

We recommend Traill County carefully budget each required fund, and amend the budget for any unforeseen expenditures in excess of budgeted amounts to comply with NDCC section 11-23-06.

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

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



Robert R. Peterson
State Auditor

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

(701) 328-2220