



Trail County

Hillsboro, North Dakota

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

TRAILL COUNTY

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TRAILL COUNTY

County Officials and Audit Personnel
December 31, 2017

COUNTY OFFICIALS

Kendall Nesvig
Larry Young
Kurt Elliott
Thomas Eblin
Leslie Amb

Glenda Haugen
Connie Weber
Steven Hunt
Marlene Eblen
Charlie Stock
Paulette Bowersox

Chairperson
Vice Chairperson
Commissioner
Commissioner
Commissioner

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

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE
Rick Kremer

Audit Manager
Audit In-Charge



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
 FARGO OFFICE BRANCH
 1655 43RD STREET SOUTH, SUITE 203
 FARGO, NORTH DAKOTA 58103

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, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Traill 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 following discretely presented component units, which reflect total assets and deferred outflow of resources, net position, and revenues of the discretely presented component units:

	Percent of Assets and Deferred Outflow of Resources	Percent of Net Position	Percent of Revenues
Water Resource District	96%	98%	82%
Job Development Authority	1%	1%	7%

The financial statements of these entities 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 these entities, 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. 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, 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, North Dakota, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, and notes to the required supplementary information* on pages 28-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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 - cash basis* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019 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.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
April 10, 2019

TRAILL COUNTY

Statement of Net Position

December 31, 2017

	Primary	Component Units		
	Government	Water	Health	Job
	Governmental	Resource	Unit	Development
	Activities	District		Authority
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 4,165,587	\$ 4,711,021	\$ 277,424	\$ 88,639
Intergovernmental Receivable	271,235	-	-	-
Interest Receivable	-	-	-	371
Taxes Receivable	82,256	3,049	2,758	2,567
Special Assessments Receivable	-	3,237,153	-	-
Economic Development Loans Receivable	-	-	-	80,321
Prepaid Rent	-	-	-	700
Capital Assets, Net	24,950,756	9,525,881	12,749	12,750
Total Assets	\$ 29,469,834	\$ 17,477,104	\$ 292,931	\$ 185,348
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pensions	\$ 2,104,130	\$ 38,918	\$ 113,901	\$ 68,624
LIABILITIES				
Accounts Payable	\$ 230,523	\$ 167,644	\$ -	\$ 4,386
Salaries Payable	41,951	-	2,314	-
Other Liability	-	307	2,891	-
Grants Received in Advance	29,491	-	-	-
Interest Payable	1,445	-	-	-
Retainages Payable	86,654	-	-	-
Long-Term Liabilities				
Due Within One Year				
Long-Term Debt	39,164	933,115	-	-
Compensated Absences Payable	12,222	-	1,042	-
Due After One Year				
Long-Term Debt	160,836	5,766,041	-	-
Compensated Absences Payable	109,994	-	9,378	-
Net Pension Liability	4,521,942	86,008	259,391	145,546
Total Liabilities	\$ 5,234,222	\$ 6,953,115	\$ 275,016	\$ 149,932
DEFERRED INFLOWS OF RESOURCES				
Derived from Pensions	\$ 183,980	\$ 39,661	\$ 16,512	\$ 5,922
NET POSITION				
Net Investment In Capital Assets	\$ 24,864,102	\$ 2,826,725	\$ 12,749	\$ 12,750
Restricted				
Capital Projects	244,878	-	-	-
Highways and Bridges	1,630,727	-	-	-
Health and Welfare	-	-	102,555	-
Conservation of Natural Resources	83,705	-	-	-
Emergencies	486,866	-	-	-
Revolving Loans	-	-	-	163,594
Maintenance and Construction Projects	-	7,846,210	-	-
Unrestricted	(1,154,516)	(149,689)	-	(78,226)
Total Net Position	\$ 26,155,762	\$ 10,523,246	\$ 115,304	\$ 98,118

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

TRAILL COUNTY

Statement of Activities

For the Year Ended December 31, 2017

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position						
		Program Revenues			Primary Government	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	Health Unit	Job Development Authority
Primary Government								
Governmental Activities								
General Government	\$ 2,218,405	\$ 52,582	\$ -	\$ -	\$ (2,165,823)			
Public Safety	1,007,333	556,893	13,993	-	(436,447)			
Highways and Bridges	2,621,176	50,527	719,461	276,029	(1,575,159)			
Health and Welfare	1,268,146	4,152	324,419	-	(939,575)			
Culture and Recreation	13,026	-	-	-	(13,026)			
Conserv. of Natural Resources	172,774	12,477	34,948	-	(125,349)			
Interest on Long-Term Debt	1,445	-	-	-	(1,445)			
Total Governmental Activities	\$ 7,302,305	\$ 676,631	\$ 1,092,821	\$ 276,029	\$ (5,256,824)			
Component Units								
Water Resource District	\$ 1,121,078	\$ 207,588	\$ -	\$ 826,949	\$ (86,541)	\$ -	\$ -	
District Health Unit	332,104	28,673	18,202	-	-	(285,229)	-	
Job Development Authority	200,282	-	22,347	-	-	-	-	(177,935)
Total Component Units	\$ 1,653,464	\$ 236,261	\$ 40,549	\$ 826,949	\$ (86,541)	\$ (285,229)	\$ (177,935)	
General Revenues								
Property Taxes					\$ 4,933,771	\$ 1,124,348	\$ 191,841	\$ 163,156
Non Restricted Grants and Contributions					721,548	-	41,654	-
Other General Revenues					-	22,472	-	-
Unrestricted Investment Earnings					9,581	6,048	197	2,796
Miscellaneous Revenue					87,969	-	875	94
Total General Revenues					\$ 5,752,869	\$ 1,152,868	\$ 234,567	\$ 166,046
Change in Net Position					\$ 496,045	\$ 1,066,327	\$ (50,662)	\$ (11,889)
Net Position - January 1					\$ 25,659,717	\$ 9,456,919	\$ 165,966	\$ 110,007
Net Position - December 31					\$ 26,155,762	\$10,523,246	\$ 115,304	\$ 98,118

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

TRAILL COUNTYBalance Sheet – Governmental Funds
December 31, 2017

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 327,651	\$ 3,594,383	\$ 243,553	\$ 4,165,587
Intergovernmental Receivable	88,965	182,270	-	271,235
Taxes Receivable	33,512	47,419	1,325	82,256
Total Assets	<u>\$ 450,128</u>	<u>\$ 3,824,072</u>	<u>\$ 244,878</u>	<u>\$ 4,519,078</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 39,476	\$ 191,047	\$ -	\$ 230,523
Salaries Payable	12,181	29,770	-	41,951
Grants Received In Advance	-	29,491	-	29,491
Total Liabilities	<u>\$ 51,657</u>	<u>\$ 250,308</u>	<u>\$ -</u>	<u>\$ 301,965</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 33,512	\$ 47,419	\$ 1,325	\$ 82,256
Total Liabilities and Deferred Inflows of Resources	<u>\$ 85,169</u>	<u>\$ 297,727</u>	<u>\$ 1,325</u>	<u>\$ 384,221</u>
Fund Balances				
Restricted				
Capital Projects	\$ -	\$ -	\$ 243,553	\$ 243,553
Public Safety	-	250,321	-	250,321
Highways and Bridges	-	2,433,409	-	2,433,409
Health and Welfare	-	222,853	-	222,853
Culture and Recreation	-	14,280	-	14,280
Conservation of Natural Resources	-	84,627	-	84,627
Emergencies	-	485,686	-	485,686
General Government	-	35,169	-	35,169
Unassigned	364,959	-	-	364,959
Total Fund Balances	<u>\$ 364,959</u>	<u>\$ 3,526,345</u>	<u>\$ 243,553</u>	<u>\$ 4,134,857</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 450,128</u>	<u>\$ 3,824,072</u>	<u>\$ 244,878</u>	<u>\$ 4,519,078</u>

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

TRAILL COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2017

Total Fund Balances for Governmental Funds			\$ 4,134,857
Total <i>net position</i> 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.			24,950,756
Certain 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 inflow of resources in the funds.			
Property Taxes Receivable			82,256
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 Derived From Pensions	\$ 2,104,130		
Deferred Inflows Derived From Pensions	<u>(183,980)</u>		1,920,150
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term- are reported in the statement of net position.			
Long-Term Debt	\$ (200,000)		
Interest Payable	(1,445)		
Compensated Absences	(122,216)		
Retainage Payable	(86,654)		
Net Pension Liability	<u>(4,521,942)</u>	<u>(4,932,257)</u>	
Total Net Position of Governmental Activities			<u>\$ 26,155,762</u>

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

TRAILL COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended December 31, 2017

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,045,685	\$ 2,827,499	\$ 48,322	\$ 4,921,506
Intergovernmental	331,780	1,758,618	-	2,090,398
Charges For Services	181,867	493,314	-	675,181
Licenses, Permits and Fees	1,450	-	-	1,450
Interest Income	5,182	4,399	-	9,581
Miscellaneous	58,753	28,648	568	87,969
Total Revenues	\$ 2,624,717	\$ 5,112,478	\$ 48,890	\$ 7,786,085
EXPENDITURES				
Current				
General Government	\$ 2,010,809	\$ -	\$ -	\$ 2,010,809
Public Safety	614,006	432,625	-	1,046,631
Highways and Bridges	-	3,110,285	-	3,110,285
Health and Welfare	-	1,133,278	-	1,133,278
Conserv. of Natural Resources	-	172,598	-	172,598
Capital Outlay	-	-	719,156	719,156
Total Expenditures	\$ 2,624,815	\$ 4,848,786	\$ 719,156	\$ 8,192,757
Excess (Deficiency) of Revenues Over Expenditures	\$ (98)	\$ 263,692	\$ (670,266)	\$ (406,672)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 4,000	\$ -	\$ 4,000
Loan Proceeds	-	200,000	-	200,000
Transfers Out	(4,000)	-	-	(4,000)
Total Other Financing Sources and Uses	\$ (4,000)	\$ 204,000	\$ -	\$ 200,000
Net Change in Fund Balances	\$ (4,098)	\$ 467,692	\$ (670,266)	\$ (206,672)
Fund Balances - January 1	\$ 369,057	\$ 3,058,653	\$ 913,819	\$ 4,341,529
Fund Balances - December 31	\$ 364,959	\$ 3,526,345	\$ 243,553	\$ 4,134,857

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

TRAILL COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (206,672)

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.

Current Year Capital Outlay	\$ 1,807,120	
Current Year Capital Contribution	276,029	
Current Year Depreciation	<u>(851,778)</u>	1,231,371

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

Debt Issuance		(200,000)
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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.

Decrease in Compensated Absences	\$ 1,679	
Increase in Interest Payable	(1,445)	
Decrease in Retainage Payable	<u>141,869</u>	142,103

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.

Increase in Taxes Receivable		12,265
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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.

Increase in Net Pension Liability	\$ (1,886,632)	
Increase in Deferred Outflows of Resources Related to Pensions	1,356,681	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>46,929</u>	<u>(483,022)</u>

Change in Net Position of Governmental Activities \$ 496,045

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

TRAILL COUNTY

Statement of Fiduciary Assets and Liabilities - Agency Funds
December 31, 2017

ASSETS

Cash and Investments \$ 5,917,499

LIABILITIES

Due to other governments/entities \$ 5,917,499

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

TRAILL COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Traill County ("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 the 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 the 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 the County.

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

Component Units

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

Discretely Presented Component Units. The component units' column in the basic financial statements include 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 ("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 Unit.

Traill County Water Resource District ("Water Resource District")- The County's governing board appoints a voting majority of the members of the Water Resource District Board. The County has the authority to approve or modify the Water Resource District's 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.

Traill County Job Development Authority ("Job Development Authority") - The County's governing board appoints a voting majority of the members of the Job Development Authority Board. The County has the authority to approve or modify the Job Development Authority's operational and capital budgets. The County's governing board must approve the tax levy established by the Job Development Authority. The financial statements of the Job Development Authority 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.

B. Basis of Presentation

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

TRAIL COUNTY

Notes to the Financial Statements – Continued

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 all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

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

Special Revenue Fund - This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

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 to account for property taxes collected on behalf of other governments.

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

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

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the County consist of certificates of deposit stated at cost with maturities in excess of three months.

TRAIL COUNTY

Notes to the Financial Statements – Continued

E. Capital Assets

Capital assets for the primary government and discretely presented component units are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (County and Health Unit) and \$700 (Job Development Authority). Such assets are recorded at historical cost or estimated historical cost if purchased constructed. 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. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (amounts in years):

Assets	County	Health Unit	Job Development Authority	Water Resource District
Buildings	25 - 100	---	---	---
Machinery and Equipment	5 - 20	---	---	5 - 7
Infrastructure	40	---	---	---
Vehicles	3 - 20	5 - 7	---	5 - 7
Office Equipment	3 - 15	3 - 5	7	---
Technology	---	---	3	---
Land Improvements	---	---	---	50

F. Compensated Absences

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 hours of vacation leave may be carried over at each year-end by social service employees, and up to 80 hours of vacation leave may be carried over at year-end by other County employees. 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. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

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.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. 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.

J. Fund Balances

Fund Balance Spending Policy. It is the policy of the 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.

TRAILL COUNTY

Notes to the Financial Statements – Continued

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants & reimbursements).

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

K. Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

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

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

L. Interfund Transactions

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

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

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

M. Special Assessments

Special assessments of the 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.

NOTE 2: DEPOSITS

Credit Risk

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution’s failure, the County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount they may invest in any one issuer.

In accordance with North Dakota Statutes, 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.

TRAIL COUNTY

Notes to the Financial Statements – Continued

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 another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2017, the County's carrying amount of deposits totaled \$9,618,830, and the bank balances totaled \$9,685,814. Of the bank balances, \$5,215,308 was held at the Bank of North Dakota and \$1,658,276 was covered by Federal Depository Insurance. 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, 2017, the Water Resource District's deposits were in excess of FDIC Insurance, however all excess was covered by pledges collateral.

At year ended December 31, 2017, the Health Unit's carrying amount of deposits totaled \$277,424, and the bank balances totaled \$278,946, all of which was covered by Federal Depository Insurance.

At year ended December 31, 2017, the Job Development Authority's bank balances totaled \$101,130, all of which was covered by Federal Depository Insurance.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The County does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

As authorized in North Dakota Statutes, idle funds may be invested 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, 2017, the County held certificates of deposit in the amount of \$99,259, the Job Development Authority held \$74,262, and the Health Unit held \$94,379, all of which are considered deposits.

NOTE 3: PROPERTY TAXES

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.

TRAIL COUNTY

Notes to the Financial Statements – Continued

NOTE 4: CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the year ended December 31, 2017:

Primary Government	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 15,822	\$ -	\$ -	\$ -	\$ 15,822
Construction Progress	2,587,466	1,970,185	-	-	4,557,651
Total Capital Assets, not being depreciated	\$ 2,603,288	\$ 1,970,185	\$ -	\$ -	\$ 4,573,473
<i>Capital assets being depreciated</i>					
Machinery and Equipment	\$ 3,097,880	\$ 20,268	\$ -	\$ -	\$ 3,118,148
Office Equipment	252,894	-	-	-	252,894
Vehicles	972,131	29,162	28,000	-	973,293
Buildings	1,918,873	-	-	-	1,918,873
Infrastructure	20,466,517	63,534	-	-	20,530,051
Total Capital Assets, Being Depreciated	\$ 26,708,295	\$ 112,964	\$ 28,000	\$ -	\$ 26,793,259
<i>Less Accumulated Depreciation for</i>					
Machinery and Equipment	\$ 1,552,552	\$ 171,966	\$ -	\$ -	\$ 1,724,518
Office Equipment	251,257	1,637	-	-	252,894
Vehicles	778,613	64,646	28,000	-	815,259
Buildings	592,672	40,776	-	-	633,448
Infrastructure	2,417,104	572,753	-	-	2,989,857
Total Accumulated Depreciation	\$ 5,592,198	\$ 851,778	\$ 28,000	\$ -	\$ 6,415,976
Total Capital Assets Being Depreciated, Net	\$ 21,116,097	\$ (738,814)	\$ -	\$ -	\$ 20,377,283
Capital Assets, Net	\$ 23,719,385	\$ 1,231,371	\$ -	\$ -	\$ 24,950,756

Depreciation expense was charged to functions of the County as follows:

General Government	\$ 29,276
Public Safety	27,120
Highways and Bridges	787,996
Health and Welfare	4,241
Culture and Recreation	3,145
Total Depreciation Expense	\$ 851,778

TRAIL COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component Units

The following is a summary of changes in capital assets for the year ended December 31, 2017 for the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 1,466,986	\$ 101,461	\$ -	\$ -	\$ 1,568,447
Construction Progress	1,420,034	1,670,068	-	(580,585)	2,509,517
Total Capital Assets, not being depreciated	\$ 2,887,020	\$ 1,771,529	\$ -	\$ (580,585)	\$ 4,077,964
<i>Capital assets being depreciated</i>					
Equipment	\$ 83,336	\$ -	\$ -	\$ -	\$ 83,336
Infrastructure	5,726,877	-	-	580,585	6,307,462
Total Capital Assets, Being Depreciated	\$ 5,810,213	\$ -	\$ -	\$ 580,585	\$ 6,390,798
<i>Less Accumulated Depreciation for</i>					
Equipment	\$ 71,937	\$ 2,764	\$ -	\$ -	\$ 74,701
Infrastructure	751,523	116,657	-	-	868,180
Total Accumulated Depreciation	\$ 823,460	\$ 119,421	\$ -	\$ -	\$ 942,881
Total Capital Assets Being Depreciated, Net	\$ 4,986,753	\$ (119,421)	\$ -	\$ 580,585	\$ 5,447,917
Capital Assets, Net	\$ 7,873,773	\$ 1,652,108	\$ -	\$ -	\$ 9,525,881

The following is a summary of changes in capital assets for the year ended December 31, 2017 for the Health Unit:

Health Unit	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets being depreciated</i>					
Vehicles	\$ 25,498	\$ -	\$ -	\$ -	\$ 25,498
<i>Less Accumulated Depreciation for</i>					
Vehicles	\$ 10,199	\$ 2,550	\$ -	\$ -	\$ 12,749
Capital Assets, Net	\$ 15,299	\$ (2,550)	\$ -	\$ -	\$ 12,749

The following is a summary of changes in capital assets for the year ended December 31, 2017 for the Job Development Authority.

Job Development Authority	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets being depreciated</i>					
Technology	\$ 2,302	\$ 13,500	\$ -	\$ -	\$ 15,802
<i>Less Accumulated Depreciation for</i>					
Technology	\$ 1,918	\$ 1,134	\$ -	\$ -	\$ 3,052
Capital Assets, Net	\$ 384	\$ 12,366	\$ -	\$ -	\$ 12,750

TRAIL COUNTY

Notes to the Financial Statements – Continued

NOTE 5: LONG-TERM LIABILITIES**Primary Government**

During the year ended December 31, 2017, the following changes occurred in governmental activities long-term liabilities:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ -	\$ 200,000	\$ -	\$ 200,000	\$ 39,164
Compensated Absences *	123,895	-	1,679	122,216	12,222
Net Pension Liability	2,635,310	1,886,632	-	4,521,942	-
Total Primary Government	\$ 2,759,205	\$2,086,632	\$ 1,679	\$ 4,844,158	\$ 51,386

Debt service requirements on long-term debt is as follows:

Year Ending Dec 31	Loans Payable	
	Principal	Interest
2017	\$ 39,164	\$ 4,004
2018	38,504	4,664
2019	39,611	3,557
2020	40,769	2,399
2021	41,952	1,217
Total	\$ 200,000	\$ 15,841

Discretely Presented Component Units

During the year ended December 31, 2017, the following changes occurred in governmental long-term liabilities of the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 5,357,304	\$ 1,995,000	\$ 617,699	\$ 6,734,605	\$ 936,804
Bond Discounts	(39,138)	-	3,689	(35,449)	(3,689)
Total Long-Term Debt	5,318,166	1,995,000	621,388	6,699,156	933,115
Net Pension Liability	101,426	-	15,418	86,008	-
Total Water Resource District	\$ 5,419,592	\$ 1,995,000	\$ 636,806	\$ 6,785,164	\$ 933,115

TRAIL COUNTY

Notes to the Financial Statements – Continued

Debt service requirements on long-term debt is as follows:

Year Ending Dec 31	Bonds Payable	
	Principal	Interest
2018	\$ 933,115	\$ 147,679
2019	798,544	126,922
2020	788,986	112,393
2021	798,960	98,064
2022	645,000	83,325
2023 - 2027	1,610,000	268,575
2028 - 2032	740,000	122,205
2033 - 2036	420,000	34,775
Total	\$ 6,734,605	\$ 993,938

During the year ended December 31, 2017, the following changes occurred in governmental long-term liabilities of the Health Unit:

Health Unit	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 8,382	\$ 2,038	\$ -	\$ 10,420	\$ 1,042
Net Pension Liability	154,649	104,742	-	259,391	-
Total Health Unit	\$ 163,031	\$ 106,780	\$ -	\$ 269,811	\$ 1,042

During the year ended December 31, 2017, the following changes occurred in governmental long-term liabilities of the Job Development Authority:

Job Development Authority	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Net Pension Liability	\$ 85,552	\$ 59,994	\$ -	\$ 145,546	\$ -

* The change in compensated absences for the County, Water Resource District, Health Unit, and Job Development Authority is shown as a net change.

NOTE 6: 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 nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

TRAIL COUNTY

Notes to the Financial Statements – Continued

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). For members hired after January 1, 2016 the Rule of 85 will be replaced with a rule of 90 with a minimum age of 60. The monthly 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.

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.

Member and Employer Contributions

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

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 24 months of service	Greater of two percent of monthly salary or \$25
25 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

TRAIL 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, 2017, the following net pension liabilities were reported:

	Net Pension Liability
Primary Government	\$ 4,521,942
Water Resource District	86,008
District Health Unit	259,391
Job Development Authority	145,546

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2017, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2016 Measurement	Pension Expense
Primary Government	0.281333%	0.010933%	\$ 683,370
Water Resource District	0.005351%	-0.005056%	4,486
District Health Unit	0.016138%	0.000270%	37,082
Job Development Authority	0.009055%	0.000277%	21,995

At December 31, 2017, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 26,878	\$ 22,032
Changes of Assumptions	1,854,301	101,990
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	60,817	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	62,161	59,958
Employer Contributions Subsequent to the Measurement Date	99,973	-
Total Primary Government	\$ 2,104,130	\$ 183,980

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 511	\$ 419
Changes of Assumptions	35,269	1,940
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,157	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	37,302
District Contributions Subsequent to the Measurement Date	1,981	-
Total Water Resource District	\$ 38,918	\$ 39,661

TRAIL COUNTY

Notes to the Financial Statements – Continued

Health Unit	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,542	\$ 1,264
Changes of Assumptions	106,368	5,850
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	3,489	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,549	9,398
Employer Contributions Subsequent to the Measurement Date	953	-
Total Health Unit	\$ 113,901	\$ 16,512

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 865	\$ 709
Changes of Assumptions	59,684	3,283
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,957	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,001	1,930
Employer Contributions Subsequent to the Measurement Date	4,118	-
Total Job Development Authority	\$ 68,625	\$ 5,922

The following amounts were 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, 2017.

Primary Government	\$ 99,973
Water Resource District	1,981
District Health Unit	953
Job Development Authority	4,118

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

	Primary Government	Water Resource District	District Health Unit	Job Development Authority
2018	\$ 393,101	\$ (1,035)	\$ 20,432	\$ 12,653
2019	476,549	553	25,218	15,338
2020	413,321	(645)	21,604	13,303
2021	343,063	(1,584)	18,271	11,042
2022	194,143	(13)	10,911	6,249

TRAIL COUNTY

Notes to the Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 – 40	7.50%
41 – 49	6.00%	
50+	5.00%	
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, 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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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%	1.52%
International Fixed Income	5%	-.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

TRAIL COUNTY

Notes to the Financial Statements – Continued

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate

The following presents the County’s and Water Resource District’s proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Primary Government	\$ 6,138,675	\$ 4,521,942	\$ 3,176,888
Water Resource District	116,759	86,008	60,425
District Health Unit	352,131	259,391	182,235
Job Development Authority	197,583	145,546	102,253

Pension Plan Fiduciary Net Position

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

NOTE 7: 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Trail County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$3,127,126 for mobile equipment and portable property (public assets). The coverage for the Water Resource District and the Job Development Authority by NDRIF 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.

TRAILL COUNTY

Notes to the Financial Statements – Continued

NOTE 8: JOINT VENTURE

Under authorization of state statutes, Rush River Water Resource District joined Southeast Cass Water Resource District, North Cass Water Resource District, Maple River Water Resource District, and the water resource districts of Richland County, Grand Forks County, Pembina County, Traill County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for the water management districts located within the Red River Valley. Known as the Red River 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 each year depends on where 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, 2017, which is the most current audited information available:

	Red River Joint Joint WRD
Total Assets	\$ 10,183,698
Total Liabilities	117,178
Net Position	\$ 10,066,520
Revenues	\$ 3,735,429
Expenses	859,223
Change in Net Position	\$ 2,876,206

Complete financial statements for the Red River Joint Water Resource District may be obtained from the Treasurer's office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

NOTE 9: 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, 2017, there are Industrial Revenue Bonds to the South Dakota Health and Educational Facilities Authority with an amount outstanding totaling \$170,855,000.

NOTE 10: CONSTRUCTION COMMITMENTS

The County had several open construction commitments as of December 31, 2017 as follows:

Project	Total Contract	Total Completed	Retainage	Remaining Balance	Percent Completed
Bridge 106 Replacement	\$ 448,786	\$ 445,698	\$ 8,914	\$ 12,002	99.31%

TRAIL COUNTY

Notes to the Financial Statements – Continued

NOTE 11: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2017:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 4,000
Special Revenue Fund	4,000	-
Total Transfers	\$ 4,000	\$ 4,000

Transfers were done to transfer unrestricted fund balance to cover costs of the weed control fund.

NOTE 12: TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

At December 31, 2017, the local governments within the County provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria.

New Business

Under NDCC §40-57.1-03, a municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements used in or necessary to the operation of a project for a period not exceeding five years from the date of commencement of project operations. A municipality may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations.

Charitable Organization

Under NDCC §57-02-08(8), buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to NDCC §23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit may be exempt.

Pollution Abatement Improvements

Under NDCC §57-02-08(37), the governing board may grant an exemption for a pollution abatement improvement. A pollution abatement improvement is property, exclusive of land and improvements to the land, that is part of an agricultural or industrial facility which is used for or has for its ultimate purpose the prevention, control, monitoring, reducing, or eliminating of pollution by treating, pretreating, stabilizing, isolating, collecting, holding, controlling, measuring, or disposing of waste contaminants, or part of an agricultural or industrial facility and required to comply with local, state, or federal environmental quality laws, rules, regulations, or standards.

Improvements to Commercial and Residential Buildings and Structures

Under NDCC §57-02.2-03, improvements to commercial and residential buildings and structures as defined may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements.

TRAILL COUNTYNotes to the Financial Statements – Continued

The total reduction in property tax revenue due to tax abatements is as follows:

	Reduction in Property Tax Revenue
New Business	\$ 21,920
Charitable Organizations	46,608
Pollution Abatement Improvements	30,810
Remodel, Renovate, Alter Existing Building	46,624
Other Programs	4,917
Total Reduction in Property Tax Revenue	\$ 150,879

NOTE 13: SUBSEQUENT EVENTS

On January 2, 2019, Traill County Social Services and Steele County Social Services combined to form the Agassiz Valley Social Service District. Traill County will be the lead county and all activity will go through Traill County.

TRAILL COUNTYBudgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,129,733	\$ 2,129,733	\$ 2,045,685	\$ (84,048)
Intergovernmental	296,919	296,919	331,780	34,861
Charges for Services	167,559	167,559	181,867	14,308
Licenses, Permits and Fees	250	250	1,450	1,200
Interest Income	2,000	2,000	5,182	3,182
Miscellaneous	74,500	74,500	58,753	(15,747)
Total Revenues	<u>\$ 2,670,961</u>	<u>\$ 2,670,961</u>	<u>\$ 2,624,717</u>	<u>\$ (46,244)</u>
EXPENDITURES				
Current				
General Government	\$ 2,226,934	\$ 2,226,934	\$ 2,010,809	\$ 216,125
Public Safety	615,773	615,773	614,006	1,767
Debt service				
Principal	70,000	70,000	-	70,000
Total Expenditures	<u>\$ 2,912,707</u>	<u>\$ 2,912,707</u>	<u>\$ 2,624,815</u>	<u>\$ 287,892</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (241,746)</u>	<u>\$ (241,746)</u>	<u>\$ (98)</u>	<u>\$ 241,648</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ -	\$ -	\$ (4,000)	\$ (4,000)
Net Change in Fund Balances	<u>\$ (241,746)</u>	<u>\$ (241,746)</u>	<u>\$ (4,098)</u>	<u>\$ 237,648</u>
Fund Balances - January 1	<u>\$ 369,057</u>	<u>\$ 369,057</u>	<u>\$ 369,057</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 127,311</u>	<u>\$ 127,311</u>	<u>\$ 364,959</u>	<u>\$ 237,648</u>

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

TRAILL COUNTYBudgetary Comparison Schedule - Special Revenue Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,962,802	\$ 2,962,802	\$ 2,827,499	\$ (135,303)
Intergovernmental	1,312,017	1,312,017	1,758,618	446,601
Charges for Services	186,642	186,642	493,314	306,672
Interest Income	-	-	4,399	4,399
Miscellaneous	-	-	28,648	28,648
Total Revenues	<u>\$ 4,461,461</u>	<u>\$ 4,461,461</u>	<u>\$ 5,112,478</u>	<u>\$ 651,017</u>
EXPENDITURES				
Current				
Public Safety	\$ -	\$ 335,385	\$ 432,625	\$ (97,240)
Highways and Bridges	4,063,875	4,166,055	3,110,285	1,055,770
Health and Welfare	1,319,704	1,319,704	1,133,278	186,426
Conservation of Natural Resources	184,313	186,458	172,598	13,860
Total Expenditures	<u>\$ 5,567,892</u>	<u>\$ 6,007,602</u>	<u>\$ 4,848,786</u>	<u>\$ 1,158,816</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,106,431)</u>	<u>\$ (1,546,141)</u>	<u>\$ 263,692</u>	<u>\$ 1,809,833</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 4,000	\$ 4,000
Loan Proceeds	-	-	200,000	200,000
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,000</u>	<u>\$ 204,000</u>
Net Change in Fund Balances	<u>\$ (1,106,431)</u>	<u>\$ (1,546,141)</u>	<u>\$ 467,692</u>	<u>\$ 2,013,833</u>
Fund Balances - January 1	<u>\$ 3,058,653</u>	<u>\$ 3,058,653</u>	<u>\$ 3,058,653</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 1,952,222</u>	<u>\$ 1,512,512</u>	<u>\$ 3,526,345</u>	<u>\$ 2,013,833</u>

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

TRAILL COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
 For the Year Ended December 31, 2017

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

Primary Government - Pension	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.2813328%	0.270400%	0.282479%	0.282392%
County's proportionate share of the net pension liability (asset)	\$ 4,521,942	\$ 2,635,310	\$ 1,920,808	\$ 1,792,400
County's covered-employee payroll	\$ 2,871,972	\$ 2,724,995	\$ 2,516,548	\$ 2,378,805
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

Water Resource District - Pension	2017	2016	2015	2014
Water Resource District's proportion of the net pension liability (asset)	0.005351%	0.010400%	0.011423%	0.011573%
District's proportionate share of the net pension liability (asset)	\$ 86,008	\$ 101,426	\$ 77,674	\$ 73,456
Water Resource District's covered-employee payroll	\$ 54,630	\$ 104,874	\$ 101,766	\$ 97,488
Water Resource District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.44%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

Health Unit - Pension	2017	2016	2015	2014
Health Unit's proportion of the net pension liability (asset)	0.0161380%	0.015868%	0.017423%	0.017792%
Health Unit's proportionate share of the net pension liability (asset)	\$ 259,391	\$ 154,649	\$ 118,473	\$ 112,930
Health Unit's covered-employee payroll	\$ 164,748	\$ 159,912	\$ 155,214	\$ 149,880
Health Unit's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

Job Development Authority - Pension	2017	2016	2015	2014
Job Development Authority's proportion of the net pension liability (asset)	0.0090052%	0.008778%	0.008872%	0.008869%
Job Development Authority's proportionate share of the net pension liability (asset)	\$ 145,546	\$ 85,552	\$ 60,329	\$ 56,296
Job Development Authority's covered-employee payroll	\$ 92,439	\$ 88,463	\$ 79,040	\$ 74,714
Job Development Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

TRAIL COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued
 For the Year Ended December 31, 2017

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

Primary Government - Pension	2017	2016	2015	2014
Statutorily required contribution	\$ 208,253.04	\$ 197,285	\$ 191,151	\$ 169,371
Contributions in relation to the statutorily required contribution	\$ 198,224.81	\$ 194,989	\$ 187,799	\$ 169,371
Contribution deficiency (excess)	\$ 10,028	\$ 2,296	\$ 3,353	\$ -
County's covered-employee payroll	\$ 2,871,972	\$ 2,724,995	\$ 2,516,548	\$ 2,378,805
Contributions as a percentage of covered-employee payroll	6.90%	7.16%	7.46%	7.12%

Water Resource District - Pension	2017	2016	2015	2014
Statutorily required contribution	\$ 3,961	\$ 7,593	\$ 7,730	\$ 6,491
Contributions in relation to the statutorily required contribution	\$ 5,491	\$ 7,467	\$ 7,246	\$ 6,491
Contribution deficiency (excess)	\$ (1,530)	\$ 126	\$ 484	\$ -
Water Resource District's covered-employee payroll	\$ 54,630	\$ 104,874	\$ 101,766	\$ 97,488
Contributions as a percentage of covered-employee payroll	10.05%	7.12%	7.12%	7.12%

Health Unit - Pension	2017	2016	2015	2014
Statutorily required contribution	\$ 11,946	\$ 11,577	\$ 11,790	\$ 10,671
Contributions in relation to the statutorily required contribution	\$ 11,701	\$ 11,357	\$ 11,051	\$ 10,671
Contribution deficiency (excess)	\$ 245	\$ 220	\$ 739	\$ -
Health Unit's covered-employee payroll	\$ 164,748	\$ 159,912	\$ 155,214	\$ 149,880
Contributions as a percentage of covered-employee payroll	7.10%	7.10%	7.12%	7.12%

Job Development Authority - Pension	2017	2016	2015	2014
Statutorily required contribution	\$ 6,703	\$ 6,405	\$ 6,004	\$ 5,320
Contributions in relation to the statutorily required contribution	\$ 6,380	\$ 6,330	\$ 5,898	\$ 5,320
Contribution deficiency (excess)	\$ 323	\$ 75	\$ 105	\$ -
Job Development Authority's covered-employee payroll	\$ 92,439	\$ 88,463	\$ 79,040	\$ 74,714
Contributions as a percentage of covered-employee payroll	6.90%	7.16%	7.46%	7.12%

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

TRAILL COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2: SCHEDULE OF EMPLOYER PENSION LIABILITY AND CONTRIBUTIONS

GASB Statement No. 68 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

NOTE 3: CHANGES OF ASSUMPTIONS – PENSION

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2017. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NOTE 4: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of county commissioners amended the budget for 2017 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Special Revenue Fund	\$ 5,567,894	\$ 439,710	\$ 6,007,604
Capital Projects Fund	50,890	771,395	822,285

TRAILL COUNTY

Schedule of Fund Activity - Cash Basis
For the Year Ended December 31, 2017

	Balance Jan 1	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance Dec 31
General Fund	\$ 337,086.54	\$ 2,593,659.35	\$ -	\$ -	\$ 4,000.00	\$ 2,599,094.59	\$ 327,651.30
Special Revenue Fund							
Farm to Market Road	\$ 1,424,048.42	\$ 1,474,020.30	\$ -	\$ -	\$ -	\$ 1,513,112.48	\$ 1,384,956.24
County Road	64,832.65	263,566.89	-	-	-	187,131.75	141,267.79
County Road & Bridge	2,601.06	591,352.91	90,000.00	-	-	666,759.43	17,194.54
County Bridge	113,941.49	252.06	-	200,000.00	-	5,113.65	309,079.90
Highway Distribution	425,808.10	872,173.62	-	-	90,000.00	577,819.75	630,161.97
Road Legislation	102,179.75	-	-	-	-	102,179.75	-
County Human Services	134,647.55	1,160,510.73	-	-	-	1,077,733.31	217,424.97
Emergency Fund	437,132.07	84,184.00	-	-	-	37,568.30	483,747.77
Veteran's Service Officer	11,475.48	54,875.69	-	-	-	52,973.08	13,378.09
Hatton/Portland Policing	4,865.36	113,705.67	-	-	-	102,695.37	15,875.66
Mayville Policing	32,127.15	180,691.80	-	-	-	178,449.76	34,369.19
Document Preservation	50,325.06	12,477.00	-	-	-	2,145.05	60,657.01
County Agent	10,606.86	86,423.80	-	-	-	79,429.23	17,601.43
Sheriff Designated	8,529.93	14,180.46	-	-	-	9,428.62	13,281.77
Homeland Security	184.70	-	-	-	-	-	184.70
Sheriff Designated - Drug Dog	149.22	-	-	-	-	-	149.22
Weed Control	16,386.17	71,369.90	4,000.00	-	-	89,575.84	2,180.23
Seat Belt Safety	244.24	-	-	-	-	-	244.24
Emergency 911	36,978.26	46,159.29	50,000.00	-	-	97,713.69	35,423.86
DES Hazardous Chemicals	6,712.59	37.50	-	-	-	-	6,750.09
E911 Wireless	117,953.06	82,551.01	-	-	50,000.00	16,353.46	134,150.61
Traffic Safety Grant	1,083.78	4,357.97	-	-	-	4,543.59	898.16
FEMA 2013 Disaster	29,491.42	-	-	-	-	-	29,491.42
24/7 Fund	9,723.18	14,315.00	-	-	-	13,742.18	10,296.00
Community Service Program	200.00	250.00	-	-	-	-	450.00
Victim & Witness Advocacy	32,635.92	12,705.40	-	-	-	10,172.44	35,168.88
Total Special Revenue Fund	\$ 3,074,863.47	\$ 5,140,161.00	\$ 144,000.00	\$ 200,000.00	\$ 140,000.00	\$ 4,824,640.73	\$ 3,594,383.74
Capital Project Fund							
Capital Project - Jail Fund	\$ 122,405.55	\$ 48,746.46	\$ -	\$ -	\$ 97,292.96	\$ 70,699.20	\$ 3,159.85
Capital Improvements	894,541.89	143.64	97,292.96	-	-	751,585.76	240,392.73
Total Capital Projects Fund	\$ 1,016,947.44	\$ 48,890.10	\$ 97,292.96	\$ -	\$ 97,292.96	\$ 822,284.96	\$ 243,552.58
Total Governmental Funds	\$ 4,428,897.45	\$ 7,782,710.45	\$ 241,292.96	\$ 200,000.00	\$ 241,292.96	\$ 8,246,020.28	\$ 4,165,587.62

Continued...

TRAIL COUNTY

Schedule of Fund Activity - Cash Basis - Continued

	Balance Jan 1	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance Dec 31
Agency Funds							
Airport	\$ 19.00	\$ 11,788.00	\$ -	\$ -	\$ -	\$ 11,776.00	\$ 31.00
Ambulance	737.07	512,941.15	-	-	-	512,239.34	1,438.88
Job Development	239.62	185,378.03	-	-	-	185,139.61	478.04
County Historical Society	22.01	15,163.99	-	-	-	15,149.51	36.49
Water Resource District	274.15	218,315.24	-	-	-	218,015.30	574.09
Senior Citizens	77.97	96,274.94	-	-	-	96,208.77	144.14
Health District	278.40	192,116.55	-	-	-	191,895.60	499.35
State Taxes	78.63	48,212.86	-	-	-	48,147.29	144.20
Part Payment	-	23,636.12	-	-	-	23,636.12	-
Wetlands	-	1,158.00	-	-	-	1,158.00	-
Prepaid Taxes	4,997,014.02	5,872,577.94	-	-	-	4,997,014.02	5,872,577.94
Game and Fish Licenses	187.26	-	-	-	-	-	187.26
Mobile Homes	5,462.84	-	-	-	-	-	5,462.84
Garrison Diversion	85.78	52,216.03	-	-	-	52,144.27	157.54
Domestic Violence	70.00	945.00	-	-	-	910.00	105.00
UCC Funds	408.80	-	-	-	-	-	408.80
County Agent Special	2,778.47	3,278.00	-	-	-	3,351.62	2,704.85
Unclaimed Property	252.77	73.00	-	-	-	252.77	73.00
Red River Joint Water	155.54	55,144.19	-	-	-	55,150.77	148.96
Soil Conservation District	78.63	50,165.31	-	-	-	50,099.74	144.20
Cities	14,296.79	2,060,138.26	-	-	-	2,067,559.52	6,875.53
Park Districts	628.78	217,585.41	-	-	-	217,474.74	739.45
School Districts	7,410.84	4,202,414.00	-	-	-	4,196,480.53	13,344.31
Townships	861.99	1,021,414.88	-	-	-	1,015,944.42	6,332.45
Drains	33,836.93	1,499,492.76	-	-	-	1,528,707.37	4,622.32
Rural Fire Protection Dist.	43.88	140,356.50	-	-	-	140,132.08	268.30
Total Agency Funds	\$ 5,065,300.17	\$ 16,480,786.16	\$ -	\$ -	\$ -	\$ 15,628,587.39	\$ 5,917,498.94
Total Primary Government	\$ 9,494,197.62	\$ 24,263,496.61	\$ 241,292.96	\$ 200,000.00	\$ 241,292.96	\$ 23,874,607.67	\$ 10,083,086.56

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone (701)239-7250

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

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

Independent Auditor's Report

Board of County Commissioners
Traill County
Hillsboro, North Dakota

We have audited, 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, 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 as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Traill County's basic financial statements, and have issued our report thereon dated April 10, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2017-001 and 2017-002 that we consider to be material weaknesses.

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*.

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

Trails County's Response to Findings

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

Purpose of this Report

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
April 10, 2019

TRAILL COUNTY

Summary of Auditor's Results
For the Year Ended December 31, 2017

Financial Statements

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

Internal control over financial reporting

Material weaknesses identified?	<u> X </u> Yes	<u> </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

TRAILL COUNTY

Schedule of Audit Findings

For the Year Ended December 31, 2017

2017-001 – FINANCIAL STATEMENT PREPARATION

Condition

Trail County does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, for external reporting. Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

Criteria

Management of Trail County is responsible for establishing proper internal control over the preparation of Trail County's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

This deficiency is due to limited resources coupled with the fact that Trail County may not know how to prepare basic financial statements that comply with GAAP.

Effect

This increases the risk of material misstatement of the County's financial statements.

Recommendation

We recognize Trail County is not staffed with personnel fully knowledgeable of reporting requirements under GAAP. However, it is important that they are aware of this weakness and that management accepts responsibility for the preparation and fair presentation of the financial statements in accordance with the GAAP basis of accounting, even if the auditor assisted in drafting those financial statements.

Trail County's Response

Agree. Trail County is aware that there is a risk having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

2017-002 – ADJUSTING JOURNAL ENTRIES

Condition

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Criteria

Trail County is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Cause

Management of Traill County does not have adequate resources to obtain proper internal controls and training to ensure fair presentation of Traill County's financial statements in accordance with GAAP.

Effect

Inadequate internal controls over recording of transactions affects Traill County's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit. We recommend Traill County review its current training system to determine if it is cost effective to obtain this knowledge internally.

Traill County's Response

Agree. Traill County does not have adequate resources to obtain proper internal controls and training to make and identify all necessary adjustments. We will continue to try to identify all items in need of adjustment at year end to comply with GAAP.



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203.
FARGO, NORTH DAKOTA 58103

GOVERNANCE COMMUNICATION

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, North Dakota, for the year ended December 31, 2017 which collectively comprise Traill County's basic financial statements and have issued our report thereon dated April 10, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated October 9, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic 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, or fraud 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 opinion on the basic financial statements and not to provide an opinion on 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, 2017. 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. Management has corrected all such misstatements. The schedules below list all misstatements detected as a result of audit procedures that were corrected by management.

PRIMARY GOVERNMENT		
Client Provided Adjustments		
Expenditures	227,010	
Accounts Payable		185,059
Salaries Payable		41,951
Audit Adjustments		
Intergovernmental Receivable	271,235	
Revenue		271,235
Revenue	29,491	
Unearned Revenue		29,491
Expenditures	45,464	
Accounts Payable		45,464

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 April 10, 2019.

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 Traill 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:

* * * * *

FRAUD RISK ASSESSMENT

Trail County does not currently prepare a fraud risk assessment of the entire entity. If the County does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the County's goals in reporting, reliance, and accountability.

We recommend Trail County prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

* * * * *

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

Thank you and the employees of Trail 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 Trail County.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
April 10, 2019

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Division of Local Government Audit

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