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AUDIT REPORT

ADAMS COUNTY
Hettinger, North Dakota

For the Years Ended December 31, 2016 and 2015

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ADAMS COUNTY
Hettinger, North Dakota

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ADAMS COUNTY
Hettinger, North Dakota

COUNTY OFFICIALS

Charles Christman	Commission Chairman
Dustin Laufer	Commissioner
Kathy Vliem	Commissioner
Patricia Carroll	Auditor/Treasurer
Ginger Dangerud	County Recorder/Clerk of Court
Travis Collins	Sheriff
Aaron Roseland	States Attorney

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Adams County
Hettinger, 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 Adams County, Hettinger, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 judgement, 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 county'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 county'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 Adams County, Hettinger, North Dakota, as of December 31, 2016 and 2015, and the respective changes in financial position for the years 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 management's discussion and analysis on pages 4 through 10, budgeting comparison information on pages 43 through 49, and the schedule of employer's share of net pension liability on page 50 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The schedules of fund activity arising from cash transactions and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 audits 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 schedules of fund activity arising from cash transactions and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2017 on our consideration of the 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 the county's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 5, 2017

ADAMS COUNTY

Management's Discussion and Analysis

December 31, 2016 and 2015

The Management's Discussion and Analysis (MD&A) of Adams County's financial performance provides an overall review of the county's financial activities for the fiscal years ended December 31, 2016 and 2015. The intent of the MD&A is to look at the county's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 *"Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments"*. Certain comparative information between the current fiscal year and the prior years is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2016 are as follows:

- * Net position of the county decreased \$91,755 as a result of the current year's operations.
- * Governmental net position as of the end of the fiscal year totaled \$4,623,702.
- * Total revenues from all sources were \$6,400,236.
- * Total expenses were \$6,491,990.
- * The county's general fund had \$1,785,946 in total revenues and \$1,556,027 in total expenditures. There was a total of \$7,496 paid from other financing uses. Overall, the general fund balance increased by \$222,423 for the year ended December 31, 2016.

Key financial highlights for the year ended December 31, 2015 are as follows:

- * Net position of the county increased \$1,449,652 as a result of the current year's operations.
- * Governmental net position as of the end of the fiscal year totaled \$4,715,457.
- * Total revenues from all sources were \$7,922,830.
- * Total expenses were \$6,473,178.
- * The county's general fund had \$1,242,456 in total revenues and \$1,244,390 in total expenditures. There was a total of \$330,569 received from other financing sources. Overall, the general fund balance increased by \$328,636 for the year ended December 31, 2015.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the county as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole county, presenting both an aggregate view of the county's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the county's general fund, county road and bridge fund and capital projects fund with all other governmental funds presented in total in one column.

REPORTING ON THE COUNTY AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the county to provide programs and activities and attempt to answer the question "How did the county do financially during the years ended December 31, 2016 and 2015?"

The Statement of Net Position presents information on all the county's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The Statement of Activities presents information on how the county's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused sick leave and/or vacation leave).

These two statements report the county's net position and changes in that position. This change in net position is important because it tells the reader whether, for the county as a whole, the financial position of the county has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the county reports governmental activities. Governmental activities are the activities where most of the county's programs and services are reported including, but not limited to, general government, public safety, highways and public improvement, health and welfare, culture and recreation, and conservation and economic development.

REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

The county uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the county to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the county's major funds. Using the criteria established by GASB Statement No. 34, the county's general fund, county road and bridge fund and capital projects fund are considered "major funds".

The county's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table I provides a summary of the county's net position as of December 31, 2016 and 2015. A comparative analysis of county-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the county's net position decreased by \$91,755 and increased by \$1,449,652 for the years ended December 31, 2016 and 2015, respectively. Changes in net position may serve over time as a useful indicator of the county's financial position.

As of December 31, 2016 the county's net position of \$4,623,702 is segregated into three separate categories. Net investment in capital assets totals \$1,359,653. It should be noted that these assets are not available for future spending. The restricted component of net position is \$2,447,864 of the county's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$816,185 which includes (\$578,912) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$1,395,097 is available to meet the county's ongoing obligations.

As of December 31, 2015 the county's net position of \$4,715,457 is segregated into three separate categories. Net investment in capital assets totals \$1,391,196. It should be noted that these assets are not available for future spending. The restricted component of net position is \$2,743,836 of the county's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$580,425 which includes (\$578,765) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$1,159,190 is available to meet the county's ongoing obligations.

Table I
Net Position
As of December 31, 2016 and 2015
(With comparative totals for December 31, 2014)

	2016	2015	2014
Assets			
Current Assets	4,415,340	4,672,684	2,977,807
Capital Assets (net of accumulated depreciation)	1,722,473	1,391,196	1,490,666
Total Assets	6,137,813	6,063,880	4,468,473
Deferred Outflows of Resources	196,926	84,786	61,513
Liabilities			
Current Liabilities	195,822	210,400	87,969
Long-Term Liabilities	316,852	44,821	41,800
Net Pension Liability	628,869	555,178	642,114
Total Liabilities	512,674	255,221	129,769
Deferred Inflows of Resources	564,493	622,811	492,298
Net Position			
Net Investment in Capital Assets	1,359,653	1,391,196	1,442,906
Restricted	2,447,864	2,743,836	1,569,378
Unrestricted	816,185	580,425	253,521
Total Net Position	4,623,702	4,715,457	3,265,805
	=====	=====	=====

Table II shows the changes in net position for the fiscal years ended December 31, 2016 and 2015. A comparative analysis of county-wide data is presented for both current years and prior year.

Table II
Changes in Net Position
As of December 31, 2016 and 2015
(With comparative totals for December 31, 2014)

	2016	2015	2014
Revenues			
Program Revenues:			
Charges for Services	600,327	713,663	502,275
Operating Grants and Contributions	3,583,402	4,600,933	1,133,636
General Revenues:			
Property Taxes	1,630,454	1,904,670	1,793,312
Other Taxes	37,491	37,635	50,012
State Aid - Unrestricted	366,539	504,586	479,759
Interest Earnings and Other Revenue	151,522	159,748	139,640
Gain on Trade-in of Capital Assets	30,500	1,595	8,800
Total Revenues	6,400,236	7,922,830	4,107,435
Expenses			
General Government	976,699	1,015,446	916,898
Public Safety	605,759	513,005	471,255
Highways and Public Improve.	4,149,841	4,031,183	1,661,864
Health and Welfare	448,714	510,825	480,614
Culture and Recreation	69,753	61,779	61,894
Conser. and Economic Dvlpmnt.	191,452	176,736	151,487
Other	37,998	163,923	85,663
Interest on Long-Term Debt	11,774	280	1,384
Total Expenses	6,491,990	6,473,178	3,831,059
Net Change in Position	(91,755)	1,449,652	276,376
	=====	=====	=====

Property taxes constituted 25%, unrestricted state aid 6%, operating grants and contributions 56%, and charges for services made up 9% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2016.

General government constituted 15%, public safety 9%, highways and public improvement 64% and health and welfare 7% of total expenses for governmental activities during the fiscal year ended December 31, 2016.

Property taxes constituted 24%, unrestricted state aid 6%, operating grants and contributions 58%, and charges for services made up 9% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2015.

General government constituted 16%, public safety 8%, highways and public improvement 62% and health and welfare 8% of total expenses for governmental activities during the fiscal year ended December 31, 2015.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III

Total and Net Cost of Services
As of December 31, 2016

	Total Cost Year Ended December 31, 2016	Total Cost Year Ended December 31, 2016
General Government	976,699	556,014
Public Safety	605,759	422,283
Highways and Public Improvement	4,149,841	823,137
Health and Welfare	448,714	207,156
Culture and Recreation	69,753	69,637
Conservation and Economic Dvlpmnt.	191,452	191,261
Other	37,998	26,998
Interest on Long-Term Debt	11,774	11,774
Total Expenses	6,491,990	2,308,261
	=====	=====

Total and Net Cost of Services
As of December 31, 2015

	Total Cost Year Ended December 31, 2015	Total Cost Year Ended December 31, 2015
General Government	1,015,446	764,172
Public Safety	513,005	305,761
Highways and Public Improvement	4,031,183	(676,727)
Health and Welfare	510,825	402,777
Culture and Recreation	61,779	53,201
Conservation and Economic Dvlpmnt.	176,736	154,522
Other	163,923	154,595
Interest on Long-Term Debt	280	280
Total Expenses	6,473,178	1,158,582
	=====	=====

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the county's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the county's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The county's governmental funds had total revenue of \$6,375,556 and expenditures of \$6,887,104 for the year ended December 31, 2016. As of December 31, 2016, the unassigned fund balance of the county's general fund was \$862,216 and total unassigned fund balances for all of the county's governmental funds was \$719,597. The county's governmental funds had total revenue of \$7,909,751 and expenditures of \$6,419,518 for the year ended December 31, 2015. As of December 31, 2015, the unassigned fund balance of the county's general fund was \$639,793 and total unassigned fund balances for all the county's governmental funds was \$520,396.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal years 2016 and 2015, the county did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2016 was \$90,086 less than budgeted. Actual expenditures for the year ended December 31, 2016 were under budget by \$379,282. This budget variance was mainly due to the county budgeting excess funds for general government and public safety.

Actual revenue for the year ended December 31, 2015 was \$134,480 less than budgeted. Actual expenditures for the year ended December 31, 2015 were under budget by \$371,045. This budget variance was mainly due to the county budgeting excess funds for public safety.

CAPITAL ASSETS

As of December 31, 2016 and 2015, the county had \$1,722,473 and \$1,391,196, respectively, invested in capital assets. Table IV shows the balances as of December 31, 2016, 2015 and 2014.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2016 and 2015
(With comparative totals for December 31, 2014)

	2016	2015	2014
Land	65,000	65,000	65,000
Buildings	597,874	619,054	640,234
Machinery and Vehicles	1,059,599	707,142	785,432
Total (net of depreciation)	1,722,473	1,391,196	1,490,666
	=====	=====	=====

As of December 31, 2016, this total represents an increase of \$331,277 in capital assets from January 1, 2016. During 2016, the county acquired a motorgrader and two tractors for the highway department and a Ford explorer for the sheriff's department. As of December 31, 2015, this total represents a decrease of \$99,470 in capital assets from January 1, 2015. During 2015, the county acquired a bobcat for the highway department and a Ford F150 pickup for the sheriff's department.

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 6 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2016, the county had \$418,464 in outstanding debt of which \$101,612 was due within one year. As of December 31, 2015, the county had \$44,821 in outstanding debt. During fiscal year 2016, the county issued two new long-term debt obligations.

Capital Lease Payable in the amount of \$264,000. The county obtained financing to purchase a Caterpillar 140M3 motor grader. This lease will have a final payment on April 15, 2019.

Capital Lease Payable in the amount of \$215,900. The county obtained financing to purchase two Case IH Puma 165 tractors. This lease will have a final payment on March 16, 2020.

For a detailed breakdown of the long-term debt, readers are referred to Note 11 to the audited financial statements which follow this analysis.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the county's finances and to show the county's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Patricia Carroll, County Auditor/Treasurer, Adams County, Hettinger, ND 58639.

ADAMS COUNTY
Hettinger, North Dakota

Statement of Net Position
December 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Airport Authority	Water Resource District
ASSETS:			
Cash and Investments	4,288,577.35	40,050.93	86,729.61
Accounts Receivable	75,745.18		
Taxes Receivable	51,017.25	1,383.36	403.15
Capital Assets (net of accumulated depreciation):			
Land	65,000.00	80,000.00	
Buildings	597,874.00	956,499.00	
Machinery and Vehicles	1,059,599.00	25,600.00	
Airport Runways/Improvements		4,170,390.00	
Total Capital Assets	1,722,473.00	5,232,489.00	
Total Assets	6,137,812.78	5,273,923.29	87,132.76
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	191,926.00		
LIABILITIES:			
Accounts Payable	82,436.57		
Interest Payable	11,774.09		
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	101,611.79		
Due After One Year:			
Capital Leases Payable	261,208.18		
Bank Loan Payable		160,000.00	
Compensated Absences Payable	55,643.55		
Net Pension Liability	628,869.00		
Total Liabilities	1,141,543.18	160,000.00	
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue	422,524.32		
Changes in Resources Related to Pensions	141,969.00		
Total Deferred Inflows of Resources	564,493.32		
NET POSITION:			
Net Investment in Capital Assets	1,359,653.03	5,232,489.00	
Restricted for:			
Special Purposes	2,447,863.89		
Unrestricted	816,185.36	(118,565.71)	87,132.76
Total Net Position	4,623,702.28	5,113,923.29	87,132.76
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Statement of Net Position
December 31, 2015

	Primary Government	Component Units	
	Governmental Activities	Airport Authority	Water Resource District
ASSETS:			
Cash and Investments	4,500,109.73	71,700.36	112,494.25
Accounts Receivable	115,737.30		
Taxes Receivable	56,837.27	806.09	372.94
Capital Assets (net of accumulated depreciation):			
Land	65,000.00	80,000.00	
Buildings	619,054.00	985,648.00	
Machinery and Vehicles	707,142.00	28,800.00	
Airport Runways/Improvements		1,363,313.00	
Total Capital Assets	1,391,196.00	2,457,761.00	
Total Assets	6,063,880.30	2,530,267.45	112,867.19
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	84,786.00		
LIABILITIES:			
Accounts Payable	210,399.95		
Long-Term Liabilities:			
Due After One Year:			
Compensated Absences Payable	44,820.80		
Net Pension Liability	555,178.00		
Total Liabilities	810,398.75		
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue	514,437.56		
Changes in Resources Related to Pensions	108,373.00		
Total Deferred Inflows of Resources	622,810.56		
NET POSITION:			
Net Investment in Capital Assets	1,391,196.00	2,457,761.00	
Restricted for:			
Special Purposes	2,743,835.82		
Unrestricted	580,425.17	72,506.45	112,867.19
Total Net Position	4,715,456.99	2,530,267.45	112,867.19

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Statement of Activities
For the Year Ended December 31, 2016

Net (Expense) Revenue and
Changes in Net Position

	Program Revenues			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions and Contributions	Primary Gov't Governmental Activities	Airport Authority	Water Resource District
<u>Functions/Programs</u>						
Primary Government:						
<u>Governmental Activities:</u>						
General Government	976,699.36	113,595.57	307,089.82	(556,013.97)		
Public Safety	605,759.42	169,734.41	13,742.10	(422,282.91)		
Highways and Public Improve.	4,149,840.74	314,568.33	3,012,135.29	(823,137.12)		
Health and Welfare	448,714.39	2,313.92	239,244.88	(207,155.59)		
Culture and Recreation	69,752.56	115.20		(69,637.36)		
Conser. and Economic Dvlpmnt.	191,452.30		190.83	(191,261.47)		
Other	37,997.50		10,999.35	(26,998.15)		
Interest on Long-Term Debt	11,774.09			(11,774.09)		
Total Governmental Activities	6,491,990.36	600,327.43	3,583,402.27	(2,308,260.66)		
Component Units:						
Airport Authority	326,171.99	2,250.00	118,585.51		2,523,053.32	
Water Resource District	42,505.00		1,500.00			(41,005.00)

General Revenues:

Taxes:

Property taxes; levied for general purposes	828,101.31	56,913.42	14,468.00
Property taxes; levied for special purposes	802,352.71		
Homestead tax credit	9,235.09		
Disabled veterans tax credit	3,325.85		
Telecommunication taxes	24,930.11		
State aid not restricted to specific program:			
State aid distribution	366,539.38		
Earnings on investments and other revenue	151,521.50	3,689.10	802.57
Gain on trade-in of capital assets	30,500.00		

Total General Revenues

2,216,505.95 60,602.52 15,270.57

Change in Net Position

(91,754.71) 2,583,655.84 (25,734.43)

Net Position - January 1

4,715,456.99 2,530,267.45 112,867.19

Net Position - December 31

4,623,702.28 5,113,923.29 87,132.76

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Statement of Activities
For the Year Ended December 31, 2015

Net (Expense) Revenue and
Changes in Net Position

	Program Revenues				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Gov't	Airport Authority	Water Resource District
					Governmental Activities		
<u>Functions/Programs</u>							
Primary Government:							
<u>Governmental Activities:</u>							
General Government	1,015,446.25	83,076.29	168,197.63		(764,172.33)		
Public Safety	513,004.74	191,508.34	15,735.53		(305,760.87)		
Highways and Public Improve.	4,031,183.33	436,679.92	4,271,230.35		676,726.94		
Health and Welfare	510,825.28	2,274.64	105,773.90		(402,776.74)		
Culture and Recreation	61,779.20	123.88	8,454.00		(53,201.32)		
Conser. and Economic Dvlpmnt.	176,735.95		22,213.55		(154,522.40)		
Other	163,922.94		9,328.04		(154,594.90)		
Interest on Long-Term Debt	279.93				(279.93)		
Total Governmental Activities	6,473,177.62	713,663.07	4,600,933.00		(1,158,581.55)		
Component Units:							
Airport Authority	188,019.03	12,120.00	78,908.29	297,089.00		200,098.26	
Water Resource District	12,461.33		1,500.00				(10,961.33)

General Revenues:

Taxes:

Property taxes; levied for general purposes	401,287.26	25,245.25	12,466.88
Property taxes; levied for special purposes	1,503,383.00		
Homestead tax credit	9,427.97		
Disabled veterans tax credit	3,277.04		
Telecommunication taxes	24,930.11		
State aid not restricted to specific program:			
State aid distribution	504,585.72		
Earnings on investments and other revenue	159,747.71	9,157.04	141.48
Gain on trade-in of capital assets	1,595.00		

Total General Revenues

2,608,233.81 34,402.29 12,608.36

Change in Net Position

1,449,652.26 234,500.55 1,647.03

Net Position - January 1
Prior Period Adjustment, see Note 17

3,846,405.73 2,295,766.90 111,220.16
(580,601.00)

Net Position - January 1, as restated

3,265,804.73 2,295,766.90 111,220.16

Net Position - December 31

4,715,456.99 2,530,267.45 112,867.19

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Balance Sheet
Governmental Funds
December 31, 2016

	Major Funds				
	General	County Road & Bridge	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Investments	961,082.81	1,738,250.50	674,085.88	915,158.16	4,288,577.35
Accounts Receivable	1,500.00	73,683.85		561.33	75,745.18
Taxes Receivable	26,541.09	2,722.27		21,753.89	51,017.25
Interfund Receivables	126,051.16				126,051.16
Total Assets	1,115,175.06	1,814,656.62	674,085.88	937,473.38	4,541,390.94
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	55,003.30	16,267.69		11,165.58	82,436.57
Interfund Payables				126,051.16	126,051.16
Total Liabilities	55,003.30	16,267.69		137,216.74	208,487.73
Deferred Inflows of Resources:					
Unavailable Revenue	197,955.34	43,341.57		232,244.66	473,541.57
Fund Balances:					
Restricted for:					
General Government				33,050.12	33,050.12
Public Safety				60,146.43	60,146.43
Highways and Public Improve.		1,755,047.36		133,966.97	1,889,014.33
Health and Welfare				173,533.63	173,533.63
Culture and Recreation				81,200.71	81,200.71
Conser. and Econ. Dvlpmnt.				82,028.99	82,028.99
Emergency Purposes				137,108.60	137,108.60
Other Special Purposes				9,595.51	9,595.51
Assigned to:					
Capital Projects			674,085.88		674,085.88
Unassigned	862,216.42			(142,618.98)	719,597.44
Total Fund Balances	862,216.42	1,755,047.36	674,085.88	568,011.98	3,859,361.64
Total Liabilities, Deferred Inflows of Resources and Fund Balances	1,115,175.06	1,814,656.62	674,085.88	937,473.38	4,541,390.94

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Balance Sheet
Governmental Funds
December 31, 2015

Major Funds

	General	County Road & Bridge	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Investments	813,705.19	1,946,327.40	642,861.63	1,097,215.51	4,500,109.73
Accounts Receivable		114,522.76		1,214.54	115,737.30
Taxes Receivable	11,068.49	98.03		45,670.75	56,837.27
Interfund Receivables	101,666.58				101,666.58
Total Assets	926,440.26	2,060,948.19	642,861.63	1,144,100.80	4,774,350.88
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	11,976.77	181,737.70		16,685.48	210,399.95
Interfund Payables				101,666.58	101,666.58
Total Liabilities	11,976.77	181,737.70		118,352.06	312,066.53
Deferred Inflows of Resources:					
Unavailable Revenue	274,670.35	40,681.82		255,922.66	571,274.83
Fund Balances:					
Restricted for:					
General Government				16,486.45	16,486.45
Public Safety				69,451.53	69,451.53
Highways and Public Improve.		1,838,528.67		319,369.15	2,157,897.82
Health and Welfare				100,923.87	100,923.87
Culture and Recreation				100,759.33	100,759.33
Conser. and Econ. Dvlpmnt.				123,962.17	123,962.17
Emergency Purposes				136,732.30	136,732.30
Other Special Purposes				21,538.32	21,538.32
Assigned to:					
Capital Projects			642,861.63		642,861.63
Unassigned	639,793.14			(119,397.04)	520,396.10
Total Fund Balances	639,793.14	1,838,528.67	642,861.63	769,826.08	3,891,009.52
Total Liabilities, Deferred Inflows of Resources and Fund Balances	926,440.26	2,060,948.19	642,861.63	1,144,100.80	4,774,350.88

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2016

Total Fund Balances for Governmental Funds	3,859,361.64
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Total net position reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	3,990,411.00	
Less Accumulated Depreciation	(2,267,938.00)	
Net Capital Assets		1,722,473.00

Property taxes 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 unavailable revenue in the funds.	51,017.25
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The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	191,926.00	
Total Deferred Inflows of Resources	(141,969.00)	
Net Deferred Outflows/Inflows of Resources		49,957.00

Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:

Capital Leases Payable	(362,819.97)	
Interest Payable	(11,774.09)	
Compensated Absences Payable	(55,643.55)	
Net Pension Liability	(628,869.00)	
Total Long-Term Liabilities		(1,059,106.61)

Total Net Position of Governmental Activities	4,623,702.28
	=====

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2015

Total Fund Balances for Governmental Funds	3,891,009.52
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Total net position reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	3,544,164.00	
Less Accumulated Depreciation	(2,152,968.00)	
Net Capital Assets		1,391,196.00

Property taxes 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 unavailable revenue in the funds.

56,837.27

The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	84,786.00	
Total Deferred Inflows of Resources	(108,373.00)	
Net Deferred Outflows/Inflows of Resources		(23,587.00)

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

Compensated Absences Payable	(44,820.80)	
Net Pension Liability	(555,178.00)	
Total Long-Term Liabilities		(599,998.80)

Total Net Position of Governmental Activities	4,715,456.99
	=====

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	Major Funds				
	General	County Road & Bridge	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	812,628.71	120,203.05		703,442.28	1,636,274.04
Licenses, Permits and Fees	1,680.00	210.00		34,537.72	36,427.72
Intergovernmental	648,105.56	2,995,815.05	31,224.25	312,287.84	3,987,432.70
Charges for Services	229,517.57	291,703.12		42,687.08	563,907.77
Miscellaneous	94,014.20	42,534.02		14,965.22	151,513.44
Total Revenues	1,785,946.04	3,450,465.24	31,224.25	1,107,920.14	6,375,555.67
Expenditures:					
Current:					
General Government	966,832.80			5,720.83	972,553.63
Public Safety	538,236.87			42,435.11	580,671.98
Highways and Public Improve.		3,943,943.25		28,510.69	3,972,453.94
Health and Welfare				436,088.01	436,088.01
Culture and Recreation	12,000.00			56,885.56	68,885.56
Conser. and Economic Dvlpmnt.	6,610.08			184,515.82	191,125.90
Other	2,000.00			35,997.50	37,997.50
Capital Outlay	30,347.00	479,900.00			510,247.00
Debt Service:					
Principal		117,080.03			117,080.03
Total Expenditures	1,556,026.75	4,540,923.28		790,153.52	6,887,103.55
Excess (Deficiency) of Revenues Over Expenditures	229,919.29	(1,090,458.04)	31,224.25	317,766.62	(511,547.88)
Other Financing Sources (Uses):					
Transfers In		527,076.73			527,076.73
Transfers Out	(7,496.01)			(519,580.72)	(527,076.73)
Proceeds from Capital Leases		479,900.00			479,900.00
Total Other Financing Sources (Uses)	(7,496.01)	1,006,976.73		(519,580.72)	479,900.00
Net Change in Fund Balances	222,423.28	(83,481.31)	31,224.25	(201,814.10)	(31,647.88)
Fund Balance - January 1	639,793.14	1,838,528.67	642,861.63	769,826.08	3,891,009.52
Fund Balance - December 31	862,216.42	1,755,047.36	674,085.88	568,011.98	3,859,361.64

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	Major Funds				
	General	County Road & Bridge	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	400,069.01	13,298.12		1,479,819.70	1,893,186.83
Licenses, Permits and Fees	7,050.00	1,110.00		37,760.64	45,920.64
Intergovernmental	513,355.44	3,599,445.29	149,572.74	265,780.37	4,528,153.84
Charges for Services	220,417.29	1,027,266.98		35,058.16	1,282,742.43
Miscellaneous	101,564.43	222.77		57,960.51	159,747.71
Total Revenues	1,242,456.17	4,641,343.16	149,572.74	1,876,379.38	7,909,751.45
Expenditures:					
Current:					
General Government	836,972.42			170,105.84	1,007,078.26
Public Safety	364,153.09			121,552.21	485,705.30
Highways and Public Improve.		3,883,004.70		31,532.02	3,914,536.72
Health and Welfare				504,547.57	504,547.57
Culture and Recreation				60,912.20	60,912.20
Conser. and Economic Dvlpmnt.	6,477.03			168,938.28	175,415.31
Other	3,257.07		129,761.00	30,904.87	163,922.94
Capital Outlay	33,530.00	25,000.00			58,530.00
Debt Service:					
Principal		47,760.02			47,760.02
Interest		1,110.15			1,110.15
Total Expenditures	1,244,389.61	3,956,874.87	129,761.00	1,088,492.99	6,419,518.47
Excess (Deficiency) of Revenues Over Expenditures	(1,933.44)	684,468.29	19,811.74	787,886.39	1,490,232.98
Other Financing Sources (Uses):					
Transfers In	337,053.40	510,407.19		244,418.83	1,091,879.42
Transfers Out	(6,484.42)			(1,085,395.00)	(1,091,879.42)
Total Other Financing Sources (Uses)	330,568.98	510,407.19		(840,976.17)	
Net Change in Fund Balances	328,635.54	1,194,875.48	19,811.74	(53,089.78)	1,490,232.98
Fund Balance - January 1	311,157.60	643,653.19	623,049.89	822,915.86	2,400,776.54
Fund Balance - December 31	639,793.14	1,838,528.67	642,861.63	769,826.08	3,891,009.52

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds (31,647.88)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	510,247.00	
Current Year Depreciation Expense	(209,470.00)	300,777.00

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

Debt Proceeds	(479,900.00)	
Repayment of Debt	117,080.03	(362,819.97)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences Payable	(10,822.75)	
Net Increase in Interest Payable	(11,774.09)	
Net Increase to Pension Expense	(147.00)	(22,743.84)

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.

Net Decrease in Taxes Receivable		(5,820.02)
----------------------------------	--	------------

In the statement of activities, only the gain on the trade-in of capital assets is reported, whereas in the governmental funds, this transaction has no effect on financial resources. Thus the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to increase net position.

30,500.00

Change in Net Position of Governmental Activities (91,754.71)

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds

1,490,232.98

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	58,530.00	
Current Year Depreciation Expense	(159,595.00)	(101,065.00)

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

Debt Proceeds	0.00	
Repayment of Debt	47,760.02	47,760.02

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences Payable	(3,020.39)	
Net Decrease in Interest Payable	830.22	
Net Decrease to Pension Expense	1,836.00	(354.17)

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.

Net Increase in Taxes Receivable		11,483.43
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In the statement of activities, only the gain on the trade-in of capital assets is reported, whereas in the governmental funds, this transaction has no effect on financial resources. Thus the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to increase net position.

1,595.00

Change in Net Position of Governmental Activities

1,449,652.26
=====

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2016

	Agency Funds
<u>Assets:</u>	
Cash and Investments	536,048.53
	=====
<u>Liabilities:</u>	
Due to Other Governments	536,048.53
	=====

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2015

	Agency Funds
<u>Assets:</u>	
Cash and Investments	692,986.16
	=====
<u>Liabilities:</u>	
Due to Other Governments	692,986.16
	=====

The accompanying notes are an integral part of these financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Notes to the Financial Statements
December 31, 2016 and 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial 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 are such that exclusion would cause the county's financial statements to be misleading or incomplete. The Government 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 Adams County.

Based on these criteria, the component units discussed below are included within the county's reporting entity because of the significance of its operational or financial relationship with the county.

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

Adams County Airport Authority: The Adams County Airport Authority's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the airport authority budget. The airport authority has the authority to issue its own debt.

Adams County Water Resource District: The Adams County Water Resource District's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the water resource district budget. The water resource district has the authority to issue its own debt.

The financial statements of each of the two discretely presented component units are presented in the basic financial statements. Additional information may be obtained from the Adams County Auditor/Treasurer, 600 Adams Avenue, Hettinger, ND 58639.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, Adams 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 nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the county's governmental activities. Direct expenses are those that are specifically associated with 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, 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.

County Road and Bridge. This is the county's primary road maintenance fund. It accounts for a special levy and all financial resources related to highway maintenance, except those required to be accounted for in another fund.

Capital Projects. This fund accounts for the accumulation of resources for major capital improvement projects, repairs and maintenance of county buildings and debt service payments.

The county reports the following fund type:

Agency Funds. These funds account for assets held by the county in a custodial capacity as an agent on behalf of others. The county's agency funds are used to account for various deposits 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. These 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. Nonexchange 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 general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general 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-reimbursements grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the county's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the county as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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:

Buildings	40 to 100 years
Machinery and Vehicles	5 to 20 years
Airport Runways/Improvements	15 to 40 years

F. Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the county. The employees may carry forward a maximum of 240 hours of accrued annual leave.

G. Long-Term Obligations

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

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

H. Pension

For purposes of measuring 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); additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the county is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the county or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the county commission through the adoption of a resolution. The county commission also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The county reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the county's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the county's policy to use fund balance in the following order:

- * Committed
- * Assigned
- * Unassigned

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the county has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

J. 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.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investments 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 any 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 other securities approved by the banking board.

At December 31, 2016 the county's carrying amount of deposits was \$4,824,626 and the bank balance was \$5,001,883. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$4,501,883 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2015 the county's carrying amount of deposits was \$5,193,096 and the bank balance was \$5,362,627. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$4,862,627 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- (1) 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.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At December 31, 2016 the county held certificates of deposit in the amount of \$1,028,437, which are all considered deposits.

At December 31, 2015 the county held certificates of deposit in the amount of \$1,024,397, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due the county at December 31. No allowance has been established for estimated uncollectible accounts receivable.

Note 4 TAXES RECEIVABLE

Taxes receivable represent the past two years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes and special assessment receivables.

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

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

Note 5 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by a negative cash balance in various funds. The amounts shown as interfund payables represent the amount of negative cash in the funds. Interfund receivables/payables for the years ended December 31, 2016 and 2015 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2016</u>		
General Fund	126,051.16	
County Agent		126,051.16
<u>December 31, 2015</u>		
General Fund	101,666.58	
County Agent		101,666.58

Note 6 CAPITAL ASSETS

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

Primary Government

	<u>2016</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	65,000			65,000
Governmental Activities:				
Capital assets being depreciated:				
Buildings	1,728,500			1,728,500
Machinery & Vehicles	1,750,664	551,247	105,000	2,196,911
Total	3,479,164	551,247	105,000	3,925,411
Less accumulated depreciation for:				
Buildings	1,109,446	21,180		1,130,626
Machinery & Vehicles	1,043,522	188,290	94,500	1,137,312
Total	2,152,968	209,470	94,500	2,267,938
Total capital assets being depreciated, net	1,326,196	341,777	10,500	1,657,473
Governmental Activities Capital Assets, Net	1,391,196	341,777	10,500	1,722,473

	<u>2015</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	65,000			65,000
Governmental Activities:				
Capital assets being depreciated:				
Buildings	1,728,500			1,728,500
Machinery & Vehicles	1,715,844	76,995	42,175	1,750,664
Total	3,444,344	76,995	42,175	3,479,164
Less accumulated depreciation for:				
Buildings	1,088,266	21,180		1,109,446
Machinery & Vehicles	930,412	138,415	25,305	1,043,522
Total	2,018,678	159,595	25,305	2,152,968
Total capital assets being depreciated, net	1,425,666	(82,600)	16,870	1,326,196
Governmental Activities Capital Assets, Net	1,490,666	(82,600)	16,870	1,391,196

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

	<u>2016</u>	<u>2015</u>
General Government	5,600	5,600
Public Safety	19,598	19,598
Highways and Public Improve.	173,405	123,530
Health and Welfare	10,000	10,000
Culture and Recreation	867	867
Total Depreciation Expense	<u>209,470</u>	<u>159,595</u>
	=====	=====

Discretely Presented Component Unit

Airport Authority

The following is a summary of changes in capital assets for the Adams County Airport Authority, a discretely presented component unit of Adams County, for the years ended December 31:

	<u>2016</u>		
	<u>Balance January 1</u>	<u>Increases</u>	<u>Balance December 31</u>
<i>Capital assets not being depreciated:</i>			
Land	80,000		80,000
<i>Capital assets being depreciated:</i>			
Buildings	1,185,978		1,185,978
Machinery & Vehicles	32,000		32,000
Airport Runways/ Improvements	2,047,732	3,074,876	5,122,608
Total	<u>3,265,710</u>	<u>3,074,876</u>	<u>6,340,586</u>
<i>Less accumulated depreciation for:</i>			
Buildings	200,330	29,149	229,479
Machinery & Vehicles	3,200	3,200	6,400
Airport Runways/ Improvements	684,419	267,799	952,218
Total	<u>887,949</u>	<u>300,148</u>	<u>1,188,097</u>
Total capital assets being depreciated, net	<u>2,377,761</u>	<u>2,774,728</u>	<u>5,152,489</u>
Capital Assets, Net	<u>2,457,761</u>	<u>2,774,728</u>	<u>5,232,489</u>
	=====	=====	=====

	<u>2015</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<i>Capital assets not being depreciated:</i>				
Land	80,000			80,000
Governmental Activities: <i>Capital assets being depreciated:</i>				
Buildings	1,185,978			1,185,978
Machinery & Vehicles		32,000		32,000
Airport Runways/ Improvements	3,089,014	278,718	1,320,000	2,047,732
Total	4,274,992	310,718	1,320,000	3,265,710
<i>Less accumulated depreciation for:</i>				
Buildings	171,181	29,149		200,330
Machinery & Vehicles		3,200		3,200
Airport Runways/ Improvements	1,941,612	62,807	1,320,000	684,419
Total	2,112,793	95,156	1,320,000	887,949
Total capital assets being depreciated, net	2,162,199	215,562		2,377,761
Capital Assets, Net	2,242,199	215,562	-0-	2,457,761
	=====	=====	=====	=====

Depreciation expense was charged to functions/programs of the airport authority as follows for the years ending December 31:

	<u>2016</u>	<u>2015</u>
Airport	300,148	95,156
	=====	=====

Note 7 ACCOUNTS PAYABLE

Accounts payable consist of amounts on open account for goods and services received prior to December 31, 2016 and 2015 and chargeable to the appropriations for the periods then ended, but paid for subsequent to that date.

Note 8 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to December 31, 2016.

Note 9 UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable and prepaid property taxes.

Deferred revenue on the government-wide financial statements consists of prepaid property taxes.

Note 10 CAPITAL LEASES PAYABLE

The county has entered into the following lease agreements.

Lease-purchase of Caterpillar 140M3 motor grader due in annual installments of \$68,856.54, which include interest at 2.9%, through April 15, 2019.	195,143.46
Lease-purchase of two Case IH Puma 165 tractors due in annual installments of \$48,223.49 through March 16, 2019 and a final installment of \$48,224.45 on March 16, 2020. Payments include interest at 5.85%.	167,676.51
Total Capital Leases Payable	<u>362,819.97</u> =====

These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under these capital leases, and the net present value of the minimum lease payments at December 31, 2016:

<u>Year Ending</u> <u>December 31</u>	<u>Payments</u>
2017	117,080.03
2018	117,080.03
2019	117,080.03
2020	48,225.45
Total minimum lease payments	<u>399,465.54</u>
Less: amount representing interest	<u>(36,645.57)</u>
Present value of future minimum lease payment	<u>362,819.97</u> =====

Note 11 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2016 and 2015, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

<u>2016</u>					
	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Capital Leases		479,900	117,080	362,820	101,612
Compensated Absences *	44,821	10,823		55,644	
Total	44,821	490,723	117,080	418,464	101,612
	=====	=====	=====	=====	=====

<u>2015</u>					
	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Compensated Absences *	41,800	3,021	-0-	44,821	-0-
	=====	=====	=====	=====	=====

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Component Unit Debt

Changes in Long-Term Liabilities. During the year ended December 31, 2016, the following changes occurred in liabilities reported in the long-term liabilities - Component Unit:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Bank Loan Payable	-0-	160,000	-0-	160,000	-0-
	=====	=====	=====	=====	=====

Bank Loan Payable. The Adams County Airport Authority has entered into a loan agreement to provide funds for runway improvements.

\$160,000 Loan Payable with Dakota Western Bank. Interest is at 3.25%. This loan will be repaid as funds become available.	160,000.00
--	------------

Note 12 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2016</u>		
County Road and Bridge	527,076.73	
General Fund		7,496.01
Farm to Market Roads		344,000.00
Unorganized Townships		175,580.72

To subsidize expenditures.

<u>December 31, 2015</u>		
General	87,056.50	
County Road and Bridge	51,366.00	
Human Services	50,650.00	
Jail Facilities	4,708.50	
County Agent	5,676.50	
911 Wireless	542.50	
Social Security		200,000.00
General Fund	42,461.32	
County Road and Bridge	24,458.11	
Human Services	24,046.73	
Jail Facilities	3,163.79	
County Agent	3,820.05	
Comprehensive Health Ins.		97,950.00

To transfer amounts levied for health care and retirement costs.

County Road and Bridge	425,104.08	
General		6,484.42
Farm to Market Roads		195,715.78
Unorganized Townships		222,903.88
Human Services	147,714.16	
Emergency Poor		147,714.16

To subsidize expenditures.

Human Services	1,584.06	
Emergency Poor		1,584.06
General	217,014.58	
Abandoned Cemeteries		1,498.40
Jail Facilities		117,279.00
County Fair		83.64
Social Security		70,271.87
Insurance Reserve		26,919.85
Comprehensive Health Insurance		961.82
Extension Education	2,512.54	
Pesticide		2,512.54

To close funds.

Note 13 DEFICIT FUND BALANCE

The following fund had a deficit balance at December 31:

	<u>2016</u>	<u>2015</u>
<u>Special Revenue Fund</u>		
County Agent	(142,618.98)	(119,397.04)

The county plans to eliminate this deficit with future revenue collections and/or transfers from other funds.

Note 14 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the Adams County Senior Citizens, Adams County Historical Society and Adams County Job Development. However, the county's accountability for these entities does not extend beyond levying the tax. In 2016 and 2015, the county remitted \$28,312.74 and \$23,420.82 to the Senior Citizens, \$10,575.52 and \$7,771.86 to the Historical Society and \$47,761.62 and \$35,775.32 to the Job Development, respectively.

Note 15 RISK MANAGEMENT

Adams County is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The county pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$1,870,330 for public assets.

The county also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The 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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the county with a blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The county has worker's compensation with the Department of Workforce Safety and Insurance; and 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 fiscal years.

Note 16 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 NDPERS plan is financed by investment income and contributions.

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the 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 covered compensation. 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 25 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

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

At December 31, 2016, Adams County reported a liability of \$628,869 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015 the county's proportion was .092483 percent, which was an increase of .005015 from its proportion measured as of June 30, 2014.

For the year ended December 31, 2016 the county recognized pension expense of \$66,252. At December 31, 2016 the county reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	-----	-----
Differences between expected and actual experience	18,244	
Changes in assumptions		56,029
Net difference between projected and actual earnings on pension plan investments	72,665	85,940
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,400	
County contributions subsequent to the measurement date (see below)	69,617	
Total	<u>191,926</u>	<u>141,969</u>
	=====	=====

\$69,617 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

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

Year ended June 30:	

2017	(10,722)
2018	(10,722)
2019	(10,722)
2020	16,710
2021	(4,200)
Thereafter	0

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

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses.
Cost-of-living adjustments	None

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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 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 Equity Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

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

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

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
The county's proportionate share of the net pension liability	964,339	628,869	354,394

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

Note 17 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the Governmental Activities. This adjustment was made to account for the county's net pension liability less it's deferred outflows of resources at December 31, 2014.

ADAMS COUNTY
Hettinger, North Dakota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	881,235.12	881,235.12	812,628.71	(68,606.41)
Licenses, Permits and Fees	1,450.00	1,450.00	1,680.00	230.00
Intergovernmental	733,197.00	733,197.00	648,105.56	(85,091.44)
Charges for Services	193,150.00	193,150.00	229,517.57	36,367.57
Miscellaneous	67,000.00	67,000.00	94,014.20	27,014.20
Total Revenues	1,876,032.12	1,876,032.12	1,785,946.04	(90,086.08)
Expenditures:				
Current:				
General Government	1,138,526.80	1,138,526.80	966,832.80	171,694.00
Public Safety	767,178.00	767,178.00	538,236.87	228,941.13
Health and Welfare	1,104.00	1,104.00		1,104.00
Culture and Recreation	12,000.00	12,000.00	12,000.00	
Conser. and Economic Dvlpmnt.	13,500.00	13,500.00	6,610.08	6,889.92
Other	3,000.00	3,000.00	2,000.00	1,000.00
Capital Outlay			30,347.00	(30,347.00)
Total Expenditures	1,935,308.80	1,935,308.80	1,556,026.75	379,282.05
Excess (Deficiency) of Revenues Over Expenditures	(59,276.68)	(59,276.68)	229,919.29	289,195.97
Other Financing (Uses):				
Transfers Out			(7,496.01)	(7,496.01)
Net Change in Fund Balances	(59,276.68)	(59,276.68)	222,423.28	281,699.96
Fund Balance - January 1	639,793.14	639,793.14	639,793.14	
Fund Balance - December 31	580,516.46	580,516.46	862,216.42	281,699.96

ADAMS COUNTY
Hettinger, North Dakota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	349,328.88	349,328.88	400,069.01	50,740.13
Licenses, Permits and Fees	1,750.00	1,750.00	7,050.00	5,300.00
Intergovernmental	764,407.00	764,407.00	513,355.44	(251,051.56)
Charges for Services	206,200.00	206,200.00	220,417.29	14,217.29
Miscellaneous	55,250.00	55,250.00	101,564.43	46,314.43
Total Revenues	1,376,935.88	1,376,935.88	1,242,456.17	(134,479.71)
Expenditures:				
Current:				
General Government	879,465.00	879,465.00	836,972.42	42,492.58
Public Safety	720,634.00	720,634.00	364,153.09	356,480.91
Health and Welfare	1,036.00	1,036.00		1,036.00
Conser. and Economic Dvlpmnt.	9,800.00	9,800.00	6,477.03	3,322.97
Other	4,500.00	4,500.00	3,257.07	1,242.93
Capital Outlay			33,530.00	(33,530.00)
Total Expenditures	1,615,435.00	1,615,435.00	1,244,389.61	371,045.39
Excess (Deficiency) of Revenues Over Expenditures	(238,499.12)	(238,499.12)	(1,933.44)	236,565.68
Other Financing Sources (Uses):				
Transfers In			337,053.40	337,053.40
Transfers Out			(6,484.42)	(6,484.42)
Total Other Financing Sources (Uses)			330,568.98	330,568.98
Net Change in Fund Balances	(238,499.12)	(238,499.12)	328,635.54	567,134.66
Fund Balance - January 1	311,157.60	311,157.60	311,157.60	
Fund Balance - December 31	72,658.48	72,658.48	639,793.14	567,134.66

ADAMS COUNTY
Hettinger, North Dakota

Budgetary Comparison Schedule
County Road and Bridge Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	135,701.77	135,701.77	120,203.05	(15,498.72)
Licenses, Permits and Fees			210.00	210.00
Intergovernmental	1,972,452.00	1,972,452.00	2,995,815.05	1,023,363.05
Charges for Services	276,000.00	276,000.00	291,703.12	15,703.12
Miscellaneous			42,534.02	42,534.02
Total Revenues	2,384,153.77	2,384,153.77	3,450,465.24	1,066,311.47
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	3,970,722.00	3,970,722.00	3,943,943.25	26,778.75
Capital Outlay		479,900.00	479,900.00	
Debt Service:				
Principal		90,301.28	117,080.03	(26,778.75)
Total Expenditures	3,970,722.00	4,540,923.28	4,540,923.28	
Excess (Deficiency) of Revenues Over Expenditures	(1,586,568.23)	(2,156,769.51)	(1,090,458.04)	1,066,311.47
<u>Other Financing Sources:</u>				
Transfers In			527,076.73	527,076.73
Proceeds from Capital Leases		479,900.00	479,900.00	
Total Other Financing Sources		479,900.00	1,006,976.73	527,076.73
Net Change in Fund Balances	(1,586,568.23)	(1,676,869.51)	(83,481.31)	1,593,388.20
Fund Balance - January 1	1,838,528.67	1,838,528.67	1,838,528.67	
Fund Balance - December 31	251,960.44	161,659.16	1,755,047.36	1,593,388.20
=====				

ADAMS COUNTY
Hettinger, North Dakota

Budgetary Comparison Schedule
County Road and Bridge Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	5,054.24	5,054.24	13,298.12	8,243.88
Licenses, Permits and Fees	500.00	500.00	1,110.00	610.00
Intergovernmental	2,432,013.00	2,432,013.00	3,599,445.29	1,167,432.29
Charges for Services	315,500.00	315,500.00	1,027,266.98	711,766.98
Miscellaneous			222.77	222.77
Total Revenues	2,753,067.24	2,753,067.24	4,641,343.16	1,888,275.92
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	3,889,229.83	3,889,229.83	3,956,874.87	(67,645.04)
Capital Outlay	25,000.00	25,000.00		25,000.00
Debt Service:				
Principal	47,760.02	47,760.02		47,760.02
Interest	1,110.15	1,110.15		1,110.15
Total Expenditures	3,963,100.00	3,963,100.00	3,956,874.87	6,225.13
Excess (Deficiency) of Revenues Over Expenditures	(1,210,032.76)	(1,210,032.76)	684,468.29	1,894,501.05
<u>Other Financing Sources:</u>				
Transfers In			510,407.19	510,407.19
Net Change in Fund Balances	(1,210,032.76)	(1,210,032.76)	1,194,875.48	2,404,908.24
Fund Balance - January 1	643,653.19	643,653.19	643,653.19	
Fund Balance - December 31	(566,379.57)	(566,379.57)	1,838,528.67	2,404,908.24
	=====	=====	=====	=====

ADAMS COUNTY
Hettinger, North Dakota

Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	125,000.00	125,000.00	31,224.25	(93,775.75)
Expenditures:				
Current:				
Other	100,000.00	100,000.00		100,000.00
Net Change in Fund Balances	25,000.00	25,000.00	31,224.25	6,224.25
Fund Balance - January 1	642,861.63	642,861.63	642,861.63	
Fund Balance - December 31	667,861.63	667,861.63	674,085.88	6,224.25

ADAMS COUNTY
Hettinger, North Dakota

Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	200,000.00	200,000.00	149,572.74	(50,427.26)
<u>Expenditures:</u>				
Current:				
Other	250,000.00	250,000.00	129,761.00	120,239.00
Net Change in Fund Balances	(50,000.00)	(50,000.00)	19,811.74	69,811.74
Fund Balance - January 1	623,049.89	623,049.89	623,049.89	
Fund Balance - December 31	573,049.89	573,049.89	642,861.63	69,811.74

ADAMS COUNTY
Hettinger, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2016 and 2015

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Annually, the board of county commissioners provides each office a department budget. The departments complete their budget and file it with the county auditor. Based upon the departmental budget requests and other financial information, the county auditor prepares the preliminary county budget. The budget is prepared for the general and special revenue funds on the modified accrual basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

The board of county commissioners holds a public hearing where any taxpayer may testify in favor or against any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before the October meeting, the board adopts the final budget and shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. No expenditure shall be made or liability incurred in excess of the total appropriation by fund, except for transfers as authorized by the North Dakota Century Code Section 11-23-07. However, the board of county commissioners may amend the budget, except for property taxes, during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board approved the following amendments to the county's budgets for the years ending:

December 31, 2016

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
<u>Appropriations</u>			
<u>Special Revenue Funds</u>			
Road and Bridge	3,970,722	570,201	4,540,923
Document Preservation	2,400	3,321	5,721

December 31, 2015

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
<u>Appropriations</u>			
<u>Special Revenue Funds</u>			
Farm to Market Roads		89	89
Unorganized Townships		100	100
Extension Education	2,300	32	2,332

ADAMS COUNTY
Hettinger, North Dakota

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

	2015 -----	2016 -----
County's proportion of the net pension liability	0.087468%	0.092483%
County's proportionate share of the net pension liability	555,178	628,869
County's covered-employee payroll	876,709	889,700
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.33%	70.68%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

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

	2015 -----	2016 -----
Statutorily required contribution	57,989	63,276
Contributions in relation to the statutorily required contribution	(57,989)	(63,276)
Contribution deficiency (excess)	0	0
County's covered-employee payroll	876,709	889,700
Contributions as a percentage of covered-employee payroll	6.61%	7.12%

* Complete data for this schedule is not available prior to 2015.

- For changes of assumptions, see Note 16 to the financial statements.

ADAMS COUNTY
Hettinger, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
Major Governmental Funds:						
General Fund	915,371.77	1,692,258.43		7,496.01	1,513,000.22	1,087,133.97
County Road and Bridge	1,946,327.40	3,491,339.66	527,076.73		4,226,493.29	1,738,250.50
Capital Projects	642,861.63	31,224.25				674,085.88
Total Major Governmental Funds	3,504,560.80	5,214,822.34	527,076.73	7,496.01	5,739,493.51	3,499,470.35
Non-Major Governmental Funds:						
Farm to Market Roads	238,267.51	205,942.64		344,000.00		100,210.15
Unorganized Townships	150,107.20	124,221.52		175,580.72		98,748.00
Human Services	194,471.89	503,192.18			441,000.98	256,663.09
Document Preservation	16,531.43	22,284.50			5,765.81	33,050.12
Emergency	136,732.30	376.30				137,108.60
Veterans Service	11,418.76	7,034.99			7,684.76	10,768.99
County Agent	(101,666.58)	51,707.44			76,092.02	(126,051.16)
Extension Education	5,852.05	1,784.04			2,632.50	5,003.59
County Library	109,419.54	34,962.64			45,065.22	99,316.96
Weed Control	118,927.77	20,406.06			58,188.57	81,145.26
Senior Citizens	6,755.35	25,747.00			28,312.74	4,189.61
Job Development	18,417.30	46,265.55			47,761.62	16,921.23
Wireless 911	76,962.96	32,823.22			44,082.99	65,703.19
County Historical Society	4,136.56	9,555.84			10,575.52	3,116.88
Inert Dump	9,214.89	22,508.29			28,510.69	3,212.49
Total Non-Major Governmental Fund	995,548.93	1,108,812.21		519,580.72	795,673.42	789,107.00
Total Governmental Funds	4,500,109.73	6,323,634.55	527,076.73	527,076.73	6,535,166.93	4,288,577.35
Agency Funds:						
Soil Conservation District	11,007.24	27,115.28			29,578.26	8,544.26
Health District	18,585.99	47,973.62			52,581.73	13,977.88
SW Water Authority	5,543.60	14,374.40			15,628.48	4,289.52
State Revenue	5,543.60	13,125.12			14,512.22	4,156.50
Game and Fish	12,872.50	6,133.00			19,005.50	
Estimate Tax	1,871.35	6,589.98			8,358.84	102.49
Mobile Home Tax	6,438.34	4,170.13			5,065.45	5,543.02
Domestic Violence Prevention		525.00			525.00	
County Victim Witness	3,587.32	1,184.75			3,800.00	972.07
State Aid		385,378.80			385,378.80	
Haz. Chem/SARA	2,350.81	662.50			38.28	2,975.03
Treasurer Clearing Account		28,464.61			28,464.61	
Regent Ambulance		2,543.58				2,543.58
Water Resource District	5,525.07	25,365.70			14,437.79	16,452.98
Airport Authority	21,884.89	51,464.64			56,336.15	17,013.38

(continued)

ADAMS COUNTY
Hettinger, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2016
(continued)

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
<hr/>						
<u>Agency Funds (continued):</u>						
Total Cities	40,453.13	84,790.40			103,291.04	21,952.49
Total Park Districts	31,013.97	59,037.39			73,706.67	16,344.69
Total School Districts	461,674.31	944,125.14			1,036,023.47	369,775.98
Total Townships	36,261.80	75,256.37			83,858.77	27,659.40
Total Fire Districts	28,372.24	68,751.45			73,378.43	23,745.26
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Total Agency Funds	692,986.16	1,847,031.86			2,003,969.49	536,048.53
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Total Primary Government	5,193,095.89	8,170,666.41	527,076.73	527,076.73	8,539,136.42	4,824,625.88
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<u>Discretely Presented</u>						
<u>Component Units:</u>						
Airport Authority	71,700.36	3,069,250.56			3,100,899.99	40,050.93
Water Resource District	112,494.25	16,740.36			42,505.00	86,729.61
<hr/>						
Total Discretely Presebted Component Units	184,194.61	3,085,990.92			3,143,404.99	126,780.54
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Total Reporting Entity	5,377,290.50	11,256,657.33	527,076.73	527,076.73	11,682,541.41	4,951,406.42
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ADAMS COUNTY
Hettinger, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
Major Governmental Funds:						
General Fund	422,012.99	1,412,853.07	337,053.40	6,484.42	1,250,063.27	915,371.77
County Road and Bridge	602,283.63	4,615,534.98	510,407.19		3,781,898.40	1,946,327.40
Capital Projects	623,049.89	149,572.74			129,761.00	642,861.63
Total Major Governmental Funds	1,647,346.51	6,177,960.79	847,460.59	6,484.42	5,161,722.67	3,504,560.80
Non-Major Governmental Funds:						
Farm to Market Roads	211,834.49	222,238.12		195,715.78	89.32	238,267.51
Unorganized Townships	191,694.93	181,416.58		222,903.88	100.43	150,107.20
Human Services	83,658.64	388,468.94	223,994.95		501,650.64	194,471.89
Emergency Poor	46,724.06	102,657.88		149,298.22	83.72	
Abandoned Cemeteries	2,035.45			1,498.40	537.05	
Jail Facilities	116,555.48	78,432.59	7,872.29	117,279.00	85,581.36	
Document Preservation	11,272.15	5,671.75			412.47	16,531.43
County Fair	2,554.07	5,556.17		83.64	8,026.60	
Emergency	117,430.06	19,302.24				136,732.30
Veterans Service	11,350.00	7,015.76			6,947.00	11,418.76
Social Security	118,736.94	263,915.54		270,271.87	112,380.61	
County Agent	(94,251.35)	55,673.65	9,496.55		72,585.43	(101,666.58)
Pesticide	2,512.54			2,512.54		
Extension Education	3,748.68	1,923.06	2,512.54		2,332.23	5,852.05
County Library	110,880.10	43,564.79			45,025.35	109,419.54
Weed Control	115,521.34	61,345.15			57,938.72	118,927.77
Senior Citizens	4,461.24	25,714.93			23,420.82	6,755.35
Insurance Reserve	34,480.52	49,740.91		26,919.85	57,301.58	
Comprehensive Health Insurance	30,917.68	68,038.81		98,911.82	44.67	
Job Development	11,130.53	43,062.09			35,775.32	18,417.30
Wireless 911	81,525.25	32,553.12	542.50		37,657.91	76,962.96
County Historical Society	2,469.76	9,438.66			7,771.86	4,136.56
Inert Landfill	17,522.22	22,804.00			31,111.33	9,214.89
Total Non-Major Governmental Fund	1,234,764.78	1,688,534.74	244,418.83	1,085,395.00	1,086,774.42	995,548.93
Total Governmental Funds	2,882,111.29	7,866,495.53	1,091,879.42	1,091,879.42	6,248,497.09	4,500,109.73
Agency Funds:						
Soil Conservation District	3,917.50	21,339.12			14,249.38	11,007.24
Health District	13,594.40	54,735.67			49,744.08	18,585.99
SW Water Authority	3,917.50	15,875.48			14,249.38	5,543.60
State Revenue	3,917.50	14,155.69			12,529.59	5,543.60
Game and Fish	10,447.00	25,998.50			23,573.00	12,872.50
Estimate Tax	1,788.35	6,284.86			6,201.86	1,871.35
Mobile Home Tax	5,472.21	5,126.44			4,160.31	6,438.34
Domestic Violence Prevention		490.00			490.00	

(continued)

ADAMS COUNTY
Hettinger, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2015
(continued)

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
Agency Funds (continued):						
County Victim Witness	4,837.32	1,650.00			2,900.00	3,587.32
Dakota Packing Loan	250.55				250.55	
State Aid	1,706.01	461,814.85			463,520.86	
County Technology	27.15				27.15	
Uniform Commercial Code	2,975.13				2,975.13	
Haz. Chem/SARA	1,774.67	612.50			36.36	2,350.81
FEMA						
Road and Bridge Trust	23,294.00				23,294.00	
Treasurer Clearing Account		32,331.28			32,331.28	
Water Resource District	3,829.12	14,052.18			12,356.23	5,525.07
Airport Authority	7,833.06	39,129.62			25,077.79	21,884.89
Total Cities	26,250.24	106,469.67			92,266.78	40,453.13
Total Park Districts	18,228.71	74,963.04			62,177.78	31,013.97
Total School Districts	320,687.79	1,032,229.16			891,242.64	461,674.31
Total Townships	28,266.00	87,770.08			79,774.28	36,261.80
Total Fire Districts	21,678.08	74,163.51			67,469.35	28,372.24
Total Agency Funds	504,692.29	2,069,191.65			1,880,897.78	692,986.16
Total Primary Government	3,386,803.58	9,935,687.18	1,091,879.42	1,091,879.42	8,129,394.87	5,193,095.89
Discretely Presented						
Component Units:						
Airport Authority	52,929.30	422,352.09			403,581.03	71,700.36
Water Resource District	110,957.87	13,997.71			12,461.33	112,494.25
Total Discretely Presented	163,887.17	436,349.80			416,042.36	184,194.61
Total Reporting Entity	3,550,690.75	10,372,036.98	1,091,879.42	1,091,879.42	8,545,437.23	5,377,290.50

ADAMS COUNTY
Hettinger, North Dakota

Schedule of Expenditures of Federal Awards
For the Years Ended December 31, 2016 and 2015

Federal Grantor	Federal		Expenditures	
Pass-Through Grantor	CFDA	Grant		
Program Title	Number	Number	2016	2015
<u>U.S. Department of the Interior</u>				
Passed Through State Game and Fish Department:				
Sport Fish Restoration	15.605		1,125.00	1,125.00
Wildlife Restoration and Basic Hunter Education	15.611		10,209.40	
Total U.S. Department of the Interior			11,334.40	1,125.00
<u>U.S. Department of Transportation</u>				
Direct Program:				
Airport Improvement Program	20.106	3-38-0026-012-2014	13,443.80	182,098.00
		3-38-0026-013-2015	2,714,946.00	114,991.00
Total Airport Improvement Program			2,728,389.80	297,089.00
Passed Through State Department of Transportation:				
Alcohol Traffic Safety Incentive Grant	20.601			5,081.64
National Priority Safety Programs	20.616		2,142.00	1,411.00
Total Passed Through State Department of Transportation			2,142.00	6,492.64
Total U.S. Department of Transportation			2,730,531.80	303,581.64
<u>U.S. Department of Health and Human Services</u>				
Passed Through State Dept. of Human Services:				
Promoting Safe and Stable Families	93.556			61.29
Temporary Assistance for Needy Families	93.558		7,614.95	15,873.62
Child Care Mandatory and Matching Funds	93.596		2,193.92	2,199.64
Child Welfare Services - State Grant	93.645		1,310.51	810.75
Foster Care - Title IV-E	93.658		15,788.55	26,064.77
Adoption Assistance	93.659		394.96	294.79
Medical Assistance Program	93.778			603.90
Maternal & Child Health Services Block Grant	93.994		371.13	360.41
Total U.S. Department of Health and Human Services			27,674.02	46,269.17

(continued)

ADAMS COUNTY
Hettinger, North Dakota

Schedule of Expenditures of Federal Awards
For the Years Ended December 31, 2016 and 2015
(continued)

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Expenditures	
			2016	2015
<u>U.S. Department of Homeland Security</u>				
Passed Through State Department of Emergency Services:				
Emergency Management Performance Grants	97.042		13,742.10	15,735.53
Homeland Security Grant Program	97.067		115,560.48	7,342.00
Total U.S. Department of Homeland Security			129,302.58	23,077.53
Total Expenditures of Federal Awards			2,898,842.80	374,053.34

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

The de minimus indirect cost rate was not used.

Rath & Mehrer, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Adams County
Hettinger, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Adams County, Hettinger, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated May 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the 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 the county's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the county's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 5, 2017

Rath & Mehrer, P.C.

Certified Public Accountants

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
Adams County
Hettinger, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Adams County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the county's major federal programs for the years ended December 31, 2016 and 2015. The county's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the county's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major federal program. However, our audits do not provide a legal determination of the county's compliance.

Opinion on Each Major Federal Program

In our opinion, the county complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2016 and 2015.

Report on Internal Control Over Compliance

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

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

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

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 5, 2017

ADAMS COUNTY
Hettinger, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2016 and 2015

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

* Material weakness(es) identified? ☐ Yes ☒ No

* Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Noncompliance Material to financial
statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

* Material weakness(es) identified? ☐ Yes ☒ No

* Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Type of auditor's report issued on
compliance for major program(s):

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516 (a)?

☐ Yes ☒ No

Identification of major program(s):

<u>CFDA Number</u>	<u>Name of Federal Program</u>
--------------------	--------------------------------

20.106

Airport Improvement Program

Dollar threshold used to distinguish
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II - FINANCIAL STATEMENT FINDINGS:

No matters were reported

SECTION III - FEDERAL AWARD FINDINGS AND RESPONSES

No matters were reported