

AUDIT REPORT

MERCER COUNTY
Stanton, North Dakota

For the Year Ended December 31, 2016

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MERCER COUNTY
Stanton, North Dakota

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MERCER COUNTY
Stanton, North Dakota

COUNTY OFFICIALS

Duane Scheurer	Commission Chairman
Wes Gunsch	Commission Vice Chairman
Dwight Berger	Commissioner
Wayne Entze	Commissioner
Gary Murray	Commissioner
Shana Brost	Auditor
Darbie Berger	Treasurer
Brenda Cook	County Recorder
Wanda Knutson	Clerk of Court
Dean Danzeisen	Sheriff
Jessica Binder	State's Attorney

Rath & Mehler, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehler, CPA
Bryce Fischer, CPA

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

INDEPENDENT AUDITOR'S REPORT

Governing Board
Mercer County
Stanton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Mercer County, Stanton, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mercer County, Stanton, North Dakota, as of December 31, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgeting comparison information on pages 40 through 44, and the schedule of employer's share of net pension liability on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedule of fund activity arising from cash transactions is presented for additional analysis and is 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 schedule 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 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

April 7, 2017

MERCER COUNTY

Management's Discussion and Analysis

December 31, 2016

The Management's Discussion and Analysis (MD&A) of Mercer County's financial performance provides an overall review of the county's financial activities for the fiscal year ended December 31, 2016. 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 prior year 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 \$1,973,243 as a result of the current year's operations. Net position of the governmental activities decreased \$1,735,208 and net position of the business-type activities decreased \$238,035.
- * Governmental net position totaled \$7,505,133 and business-type net position totaled \$426,664.
- * Total revenues from all sources were \$16,208,150 for governmental activities and \$321,058 for business-type activities.
- * Total expenses were \$17,943,358 for governmental activities and \$559,093 for business-type activities.
- * The county's general fund had \$4,885,727 in total revenues and \$5,627,623 in total expenditures. There was a total of \$297,885 received from other financing sources. Overall, the general fund balance decreased by \$444,011 for the year ended December 31, 2016.

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. These statements present information as follows:

- * Governmental activities - this includes most of the county's basic services, which are primarily supported by property taxes, user fees and intergovernmental revenues.
- * Business-type activities - this includes those services which are intended to recover all or a significant part of their costs through user fees.

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. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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 year ended December 31, 2016?"

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 are 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 and business-type 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. Business-type activities are where the county's enterprise services are reported, including but not limited to, landfill and closure and postclosure care costs.

REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental and Proprietary 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 building fund, county road fund and health insurance fund are considered "major governmental funds". The Mercer County landfill fund, landfill loan fund and landfill closure reserve fund are considered "major enterprise funds".

The county's other governmental 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. A comparative analysis of county-wide data is presented for both the current and the prior year.

As indicated in the financial highlights above, the county's net position decreased by \$1,973,243 for the year ended December 31, 2016. 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 \$7,931,797 is segregated into three separate categories. Net investment in capital assets totals \$4,819,590 of the county's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position is \$3,721,815 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 (\$609,608), which includes (\$1,856,979) relating to the reporting of its share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$1,247,371 is available to meet the county's ongoing obligations.

Table I
Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	12,707,190	382,281
Capital Assets (net of accumulated depreciation)	7,912,001	210,091
Total Assets	<u>20,619,191</u>	<u>592,372</u>
Deferred Outflows of Resources	<u>677,664</u>	
<u>Liabilities</u>		
Current Liabilities	433,199	
Long-Term Liabilities	10,391,617	165,708
Net Pension Liability	2,067,230	
Total Liabilities	<u>12,892,047</u>	<u>165,708</u>
Deferred Inflows of Resources	<u>899,675</u>	
<u>Net Position</u>		
Net Investment in Capital Assets	4,609,499	210,091
Restricted	3,601,815	120,000
Unrestricted	(706,181)	96,573
Total Net Position	<u>7,505,133</u> =====	<u>426,664</u> =====

Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Assets		
Current Assets	14,627,575	573,215
Capital Assets (net of accumulated depreciation)	4,273,071	246,158
Total Assets	<u>18,900,646</u>	<u>819,373</u>
Deferred Outflows of Resources	<u>378,975</u>	
Liabilities		
Current Liabilities	262,668	
Long-Term Liabilities	7,060,102	154,674
Net Pension Liability	1,796,439	
Total Liabilities	<u>9,119,209</u>	<u>154,674</u>
Deferred Inflows of Resources	<u>549,172</u>	
Net Position		
Net Investment in Capital Assets	4,139,412	246,158
Restricted	5,199,285	178,484
Unrestricted	(98,356)	240,057
Total Net Position	<u>9,240,341</u>	<u>664,698</u>

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

Table II

Changes in Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
Program Revenues:		
Charges for Services	2,080,950	321,031
Operating Grants and Contributions	7,076,124	
General Revenues:		
Property Taxes	2,545,022	
Other Taxes	2,994,828	
Intergovernmental - Unrestricted	1,185,646	
Interest Earnings and Other Revenue	246,510	27
Gain on Trade-In of Capital Assets	79,069	
Total Revenues	<u>16,208,150</u>	<u>321,058</u>
Expenses		
General Government	4,519,103	
Public Safety	2,642,208	
Highways and Public Improve.	9,085,423	
Health and Welfare	747,439	
Culture and Recreation	11,023	
Conservation and Econ. Dev.	422,564	
Other	250,793	
Interest on Long-Term Debt	264,805	
Landfill		551,559
Closure and Postclosure Care Costs		7,534
Total Expenses	<u>17,943,358</u>	<u>559,093</u>
Net Change in Position	<u>(1,735,208)</u>	<u>(238,035)</u>

Property taxes constituted 15%, other taxes 18%, operating grants and contributions 43%, and charges for services made up 15% of the total revenues of all activities of the county for the fiscal year ended December 31, 2016.

General government constituted 24%, public safety 14%, highways and public improvement 49%, and enterprise 3% of total expenses for all activities during the fiscal year ended December 31, 2016.

Changes in Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	3,315,159	343,802
Operating Grants and Contributions	4,540,107	
<u>General Revenues:</u>		
Property Taxes	2,096,214	
Other Taxes	2,878,423	
Intergovernmental - Unrestricted	1,481,619	
Interest Earnings and Other Revenue	288,899	216
Gain on Trade-In of Capital Assets	68,328	
Total Revenues	<u>14,668,749</u>	<u>344,018</u>
Expenses		
General Government	3,928,896	
Public Safety	2,555,760	
Highways and Public Improve.	6,654,489	
Health and Welfare	866,034	
Culture and Recreation	15,505	
Conservation and Econ. Dev.	388,060	
Other	167,747	
Interest on Long-Term Debt	86,966	
Landfill		359,914
Closure and Postclosure Care Costs		7,420
Total Expenses	<u>14,663,457</u>	<u>367,334</u>
Net Change in Position	<u>5,292</u>	<u>(23,317)</u>
	=====	=====

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 <u>Dec. 31, 2016</u>	Net Cost Year Ended <u>Dec. 31, 2016</u>
General Government	4,519,103	2,986,330
Public Safety	2,642,208	2,325,537
Highways and Public Improvement	9,085,423	1,874,355
Health and Welfare	747,439	747,439
Culture and Recreation	11,023	11,023
Conservation and Economic Dvlpmnt.	422,564	357,656
Other	250,793	219,139
Interest on Long-Term Debt	264,805	264,805
Total Expenses	<u>17,943,358</u> =====	<u>8,786,284</u> =====

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 \$16,074,724 and expenditures of \$21,573,529 for the year ended December 31, 2016. As of December 31, 2016, the unassigned fund balance of the county's general fund was \$1,673,198.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2016, the county amended the general fund budget. The gross effect of these amendments was to increase appropriations by \$452,330.

Actual revenue for the year ended December 31, 2016 was \$330,023 more than budgeted. Actual expenditures for the year ended December 31, 2016 were equal to the amended budget.

CAPITAL ASSETS

As of December 31, 2016, the county had \$8,122,092 invested in capital assets. The following tables show the balances, for governmental and business-type activities, as of December 31, 2016 and 2015.

Table IV

Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Land	51,000	2,906
Construction in Progress	4,095,700	
Buildings	1,479,770	
Machinery and Vehicles	2,285,531	207,185
 Total (net of depreciation)	 <u>7,912,001</u> =====	 <u>210,091</u> =====

This total represents an increase of \$3,602,863 in capital assets from January 1, 2016. The increase in construction in progress was due to the continuing costs related to the construction of an addition to the county's courthouse building and jail facilities.

Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Land	54,000	2,906
Construction in Progress	665,700	
Buildings	1,513,583	
Machinery and Vehicles	2,039,788	243,252
 Total (net of depreciation)	 <u>4,273,071</u> =====	 <u>246,158</u> =====

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 \$10,928,913 in outstanding debt of which \$371,588 was due within one year.

During fiscal year 2016, the county issued two new long-term debt obligation:

Capital Lease Payable, in the amount of \$161,200. The county obtained funding for the purchase of a John Deere 772G Motorgrader. This lease will have a final payment on February 12, 2022.

General Obligation Bonds Payable, in the amount of \$3,500,000. The county obtained funding for courthouse and jail facility expansion. These bonds will have a final payment on May 1, 2036.

For a detailed breakdown of the long-term debt, readers are referred to Note 10 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 Shana Brost, County Auditor, Mercer County, Stanton, ND 58571.

MERCER COUNTY
Stanton, North Dakota

Statement of Net Position
December 31, 2016

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		Water Resource District
ASSETS:				
Cash, Cash Equivalents and Investments	12,659,763.11	238,452.17	12,898,215.28	782,474.67
Accounts Receivable	3,448.12		3,448.12	
Taxes Receivable	43,978.70		43,978.70	2,203.69
Restricted Assets:				
Cash		143,828.70	143,828.70	
Capital Assets (net of accumulated depreciation):				
Land	51,000.00	2,906.00	53,906.00	
Construction in Progress	4,095,700.00		4,095,700.00	
Buildings	1,479,770.00		1,479,770.00	
Machinery and Vehicles	2,285,531.00	207,185.00	2,492,716.00	
Total Capital Assets	7,912,001.00	210,091.00	8,122,092.00	
Total Assets	20,619,190.93	592,371.87	21,211,562.80	784,678.36
DEFERRED OUTFLOWS OF RESOURCES:				
Changes in Resources Related to Pensions			677,664.00	
LIABILITIES:				
Interest Payable	61,611.71		61,611.71	
Long-Term Liabilities:				
Due Within One Year:				
Capital Lease Payable	930.00		930.00	
General Obligation Bonds Payable	100,000.00		100,000.00	
Coal Impact Loan Payable	270,657.75		270,657.75	
Due After One Year:				
Capital Lease Payable	160,270.00		160,270.00	
General Obligation Bonds Payable	3,400,000.00		3,400,000.00	
Coal Impact Loan Payable	6,359,530.27		6,359,530.27	
Landfill Closure and Postclosure Care Costs		156,852.00	156,852.00	
Compensated Absences Payable	471,816.90	8,856.28	480,673.18	
Net Pension Liability	2,067,230.00		2,067,230.00	
Total Liabilities	12,892,046.63	165,708.28	13,057,754.91	
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	432,262.25		432,262.25	
Changes in Resources Related to Pensions	467,413.00		467,413.00	
Total Deferred Inflows of Resources	899,675.25		899,675.25	
NET POSITION:				
Net Investment in Capital Assets	4,609,498.61	210,091.00	4,819,589.61	
Restricted for:				
Special Purposes	3,601,815.14		3,601,815.14	
Landfill Closure and Postclosure Care Costs		120,000.00	120,000.00	
Unrestricted	(706,180.70)	96,572.59	(609,608.11)	784,678.36
Total Net Position	7,505,133.05	426,663.59	7,931,796.64	784,678.36

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

MERCER COUNTY
Stanton, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
						Water Resource District
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	4,519,102.71	468,625.88	1,064,147.32	(2,986,329.51)	(2,986,329.51)	
Public Safety	2,642,207.88	263,613.20	53,057.24	(2,325,537.44)	(2,325,537.44)	
Highways and Public Improve.	9,085,422.57	1,283,802.40	5,927,265.15	(1,874,355.02)	(1,874,355.02)	
Health and Welfare	747,439.35			(747,439.35)	(747,439.35)	
Culture and Recreation	11,022.81			(11,022.81)	(11,022.81)	
Conservation and Econ. Dev.	422,563.87	64,908.02		(357,655.85)	(357,655.85)	
Other	250,793.22		31,654.57	(219,138.65)	(219,138.65)	
Interest on Long-Term Debt	264,805.23			(264,805.23)	(264,805.23)	
Total Governmental Activities	17,943,357.64	2,080,949.50	7,076,124.28	(8,786,283.86)	(8,786,283.86)	
<u>Business-Type Activities:</u>						
Mercer County Landfill	551,558.67	321,030.95		(230,527.72)	(230,527.72)	
Landfill Loan	7,534.00			(7,534.00)	(7,534.00)	
Total Business-Type Activities	559,092.67	321,030.95		(238,061.72)	(238,061.72)	
Total Primary Government	18,502,450.31	2,401,980.45	7,076,124.28	(8,786,283.86)	(238,061.72)	(9,024,345.58)
<u>Component Unit:</u>						
Water Resource District	108,116.89		5,808.00			(102,308.89)

<u>General Revenues:</u>			
Taxes:			
Property taxes; levied for general purposes	644,147.22	644,147.22	119,131.65
Property taxes; levied for special purposes	1,900,874.92	1,900,874.92	
Telecommunications tax	1,711.98	1,711.98	
Transmission line taxes	711.31	711.31	
Homestead tax credit	26,643.48	26,643.48	
Coal severance tax	1,713,086.47	1,713,086.47	
Coal conversion tax	1,252,674.92	1,252,674.92	
State aid not restricted to specific program:			
State aid distribution	879,416.95	879,416.95	26,114.39
Federal aid not restricted to specific program:			
Federal mineral royalties	305,609.72	305,609.72	
Flood control	619.67	619.67	
Earnings on investments and other revenue	246,510.42	246,537.24	6,754.08
Gain on trade-in of capital assets	79,069.00	79,069.00	
Total General Revenues	7,051,076.06	7,051,102.88	152,000.12
Change in Net Position	(1,735,207.80)	(238,034.90)	49,691.23
Net Position - January 1	9,240,340.85	664,698.49	734,987.13
Net Position - December 31	7,505,133.05	426,663.59	784,678.36

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

MERCER COUNTY
Stanton, North Dakota

Balance Sheet
Governmental Funds
December 31, 2016

	Major Funds					Total Governmental Funds
	General	County Building	County Road	Health Insurance	Other Governmental Funds	
ASSETS:						
Cash and Investments	1,785,555.39	6,988,885.63	186,986.00	1,391,019.78	2,307,316.31	12,659,763.11
Accounts Receivable			3,448.12			3,448.12
Taxes Receivable	11,029.28		7,911.93		25,037.49	43,978.70
Total Assets	1,796,584.67	6,988,885.63	198,346.05	1,391,019.78	2,332,353.80	12,707,189.93
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Deferred Inflows of Resources:						
Unavailable Revenue	123,387.04		70,848.19		282,005.72	476,240.95
Fund Balances:						
Restricted for:						
General Government				1,391,019.78	68,870.36	1,459,890.14
Public Safety					109,119.97	109,119.97
Highways and Public Improvements			127,497.86		588,211.96	715,709.82
Health and Welfare					38,053.66	38,053.66
Conservation and Economic Development					225,403.07	225,403.07
Emergency Services					144,463.98	144,463.98
Other Purposes					869,187.01	869,187.01
Cemetery					7,038.07	7,038.07
Courthouse/Jail Construction		6,988,885.63				6,988,885.63
Unassigned	1,673,197.63					1,673,197.63
Total Fund Balances	1,673,197.63	6,988,885.63	127,497.86	1,391,019.78	2,050,348.08	12,230,948.98
Total Deferred Inflows of Resources and Fund Balances	1,796,584.67	6,988,885.63	198,346.05	1,391,019.78	2,332,353.80	12,707,189.93

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

MERCER COUNTY
Stanton, 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 12,230,948.98

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	11,477,164.00	
Less Accumulated Depreciation	(3,565,163.00)	
	<hr/>	
Net Capital Assets		7,912,001.00

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. 43,978.70

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	677,664.00	
Total Deferred Inflows of Resources	(467,413.00)	
	<hr/>	
Net Deferred Outflows/Inflows of Resources		210,251.00

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:

Interest Payable	(61,611.71)	
Capital Lease Payable	(161,200.00)	
General Obligation Bonds Payable	(3,500,000.00)	
Coal Impact Loan Payable	(6,630,188.02)	
Compensated Absences Payable	(471,816.90)	
Net Pension Liability	(2,067,230.00)	
	<hr/>	
Total Long-Term Liabilities		(12,892,046.63)

Total Net Position of Governmental Activities 7,505,133.05

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

MERCER COUNTY
Stanton, North Dakota

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

Major Funds

	General	County Building	County Road	Health Insurance	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	638,910.87		463,599.13		1,437,905.50	2,540,415.50
Licenses, Permits and Fees	37,274.00		96,657.95		71,609.69	205,541.64
Intergovernmental	3,594,135.88		5,008,790.14		1,594,695.44	10,197,621.46
Charges for Services	536,190.62		1,187,144.45		152,072.79	1,875,407.86
Miscellaneous	79,215.84	9,988.00	116,664.25	979,939.09	69,929.86	1,255,737.04
Total Revenues	4,885,727.21	9,988.00	6,872,855.92	979,939.09	3,326,213.28	16,074,723.50
Expenditures:						
Current:						
General Government	3,054,717.66	50.44		1,327,087.87	3,100.38	4,384,956.35
Public Safety	1,882,320.66				666,261.22	2,548,581.88
Highways and Public Improve.			8,712,421.57			8,712,421.57
Health and Welfare	59,234.83				686,471.52	745,706.35
Culture and Recreation					11,022.81	11,022.81
Conser. and Economic Dvlpmnt.					417,248.87	417,248.87
Other	165,488.06				85,305.16	250,793.22
Capital Outlay		3,430,000.00	529,491.00		77,445.00	4,036,936.00
Debt Service:						
Principal	262,668.44					262,668.44
Interest	203,193.52					203,193.52
Total Expenditures	5,627,623.17	3,430,050.44	9,241,912.57	1,327,087.87	1,946,854.96	21,573,529.01
Excess (Deficiency) of Revenues Over Expenditures	(741,895.96)	(3,420,062.44)	(2,369,056.65)	(347,148.78)	1,379,358.32	(5,498,805.51)
Other Financing Sources (Uses):						
Transfers In	1,036,640.75	100,000.00	2,025,063.05	334,218.83	652,755.45	4,148,678.08
Transfers Out	(738,755.45)				(3,409,922.63)	(4,148,678.08)
Proceeds from Capital Lease			161,200.00			161,200.00
G.O. Bonds Issued		3,500,000.00				3,500,000.00
Premium on G.O. Bonds Issued		49,750.70				49,750.70
Total Other Financing Sources (Uses)	297,885.30	3,649,750.70	2,186,263.05	334,218.83	(2,757,167.18)	3,710,950.70
Net Change in Fund Balances	(444,010.66)	229,688.26	(182,793.60)	(12,929.95)	(1,377,808.86)	(1,787,854.81)
Fund Balance - January 1	2,117,208.29	6,759,197.37	310,291.46	1,403,949.73	3,428,156.94	14,018,803.79
Fund Balance - December 31	1,673,197.63	6,988,885.63	127,497.86	1,391,019.78	2,050,348.08	12,230,948.98

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

MERCER COUNTY
Stanton, 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 (1,787,854.81)

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	4,036,936.00	
Current Year Depreciation Expense	(477,075.00)	3,559,861.00

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	(3,661,200.00)	
Repayment of Debt	262,668.44	(3,398,531.56)

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	(41,903.36)	
Net Increase in Interest Payable	(61,611.71)	
Net Increase to Pension Expense	(88,843.00)	(192,358.07)

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		4,606.64
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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, the result of this transaction has no effect on financial resources. Thus, the net effect on financial resources, (i.e., sales, trade-ins,) is to increase net position.

79,069.00

Change in Net Position of Governmental Activities		(1,735,207.80)
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The accompanying notes are an integral part of these financial statements.

MERCER COUNTY
Stanton, North Dakota

Statement of Net Position
Proprietary Funds
December 31, 2016

	Major Enterprise Funds			Total Enterprise Funds
	Mercer County Landfill	Landfill Loan	Landfill Closure Reserve	
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	238,452.17			238,452.17
<u>Restricted Assets:</u>				
Cash		23,828.70	120,000.00	143,828.70
Total Current Assets	238,452.17	23,828.70	120,000.00	382,280.87
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depr):				
Land	2,906.00			2,906.00
Machinery and Vehicles	207,185.00			207,185.00
Total Noncurrent Assets	210,091.00			210,091.00
Total Assets	448,543.17	23,828.70	120,000.00	592,371.87
<u>LIABILITIES</u>				
<u>Noncurrent Liabilities:</u>				
Landfill Closure and Postclosure Care Costs		156,852.00		156,852.00
Compensated Absences	8,856.28			8,856.28
Total Liabilities	8,856.28	156,852.00		165,708.28
<u>NET POSITION:</u>				
Net Investment in Capital Assets	210,091.00			210,091.00
Restricted			120,000.00	120,000.00
Unrestricted	229,595.89	(133,023.30)		96,572.59
Total Net Position	439,686.89	(133,023.30)	120,000.00	426,663.59

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

MERCER COUNTY
Stanton, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

For the Year Ended December 31, 2016

	Major Enterprise Funds			Total Enterprise Funds
	Mercer County Landfill	Landfill Loan	Landfill Closure Reserve	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Landfill Fees	310,532.55			310,532.55
Miscellaneous Charges	10,498.40			10,498.40
Total Operating Revenues	321,030.95			321,030.95
<u>Operating Expenses:</u>				
Landfill Operating	254,184.38			254,184.38
Depreciation	36,839.00			36,839.00
Closure and Postclosure Care Costs	260,535.29	7,534.00		268,069.29
Total Operating Expenses	551,558.67	7,534.00		559,092.67
Operating Income (Loss)	(230,527.72)	(7,534.00)		(238,061.72)
<u>Non-Operating Revenues:</u>				
Interest		26.82		26.82
Income (Loss) Before Transfers	(230,527.72)	(7,507.18)		(238,034.90)
Transfers In		8,000.00	8,000.00	16,000.00
Transfers Out	(16,000.00)			(16,000.00)
Change in Net Position	(246,527.72)	492.82	8,000.00	(238,034.90)
Net Position - January 1	686,214.61	(133,516.12)	112,000.00	664,698.49
Net Position - December 31	439,686.89	(133,023.30)	120,000.00	426,663.59

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

MERCER COUNTY
Stanton, North Dakota

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Major Enterprise Funds			Total Enterprise Funds
	Mercer County Landfill	Landfill Loan	Landfill Closure Reserve	
<u>Cash flows from operating activities:</u>				
Receipts from customers	310,532.55			310,532.55
Other operating revenues	10,498.40			10,498.40
Payments to suppliers and employees	(511,219.65)			(511,219.65)
Net cash provided (used) by operating activities	(190,188.70)			(190,188.70)
<u>Cash flows from noncapital financing activities:</u>				
Transfers in		8,000.00	8,000.00	16,000.00
Transfers out	(16,000.00)			(16,000.00)
Net cash provided (used) by noncapital financing activities	(16,000.00)	8,000.00	8,000.00	
<u>Cash flows from capital and related financing activities:</u>				
Purchase of fixed assets	(772.00)			(772.00)
<u>Cash flows from investing activities:</u>				
Interest income		26.82		26.82
Net increase in cash and cash equivalents	(206,960.70)	8,026.82	8,000.00	(190,933.88)
Cash and cash equivalents, January 1	445,412.87	15,801.88	112,000.00	573,214.75
Cash and cash equivalents, December 31	238,452.17	23,828.70	120,000.00	382,280.87
=====				
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>				
Operating (loss)	(230,527.72)	(7,534.00)		(238,061.72)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Increase in compensated absences	3,500.02			3,500.02
Depreciation expense	36,839.00			36,839.00
Provision for closure and postclosure care costs		7,534.00		7,534.00
Total adjustments	40,339.02	7,534.00		47,873.02
Net cash provided (used) by operating activities	(190,188.70)	-0-	-0-	(190,188.70)
=====				

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

MERCER COUNTY
Stanton, North Dakota

Statement of Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2016

	Agency Funds
<u>Assets:</u>	
Cash and Investments	1,122,473.04 =====
<u>Liabilities:</u>	
Due to Other Governments	1,122,473.04 =====

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

MERCER COUNTY
Stanton, North Dakota

Notes to the Financial Statements
December 31, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mercer 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 Mercer County.

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

Discretely Presented Component Unit: The component unit's column in the basic financial statements include the financial data of the county's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the county.

Mercer County Water Resource District: The Mercer 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 the discretely presented component unit are presented in the basic financial statements. Additional information may be obtained from the Mercer County Auditor, 1021 Arthur Street, Stanton, ND 58571.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, Mercer County and its component unit. 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. These statements distinguish between the governmental and business-type activities of the county. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

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, proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each displayed in a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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 Building. This fund accounts for the proceeds from a coal impact loan, general obligation bonds and other funds set-aside for the construction of a new addition to the county's courthouse and jail facilities.

County Road. This fund accounts for a special levy used to pay for road crew salaries and major road construction costs for maintaining county roads.

Health Insurance. This fund accounts for county contributions used for the purpose of providing employee health insurance.

The county reports the following major enterprise funds:

Landfill. This fund accounts for the activities of the county's landfill site.

Landfill Loan. The county is required to maintain this fund to accumulate resources to account for the closure and postclosure care costs of the landfill site.

Landfill Closure Reserve. The county is required to maintain this fund to accumulate resources to account for the closure and postclosure care costs of the landfill site.

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, Proprietary and Fiduciary Fund Financial Statements: The government-wide, proprietary 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, Cash Equivalents and Investments

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

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 and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund 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 construction phase of capital assets is not capitalized.

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

Buildings	75 years
Machinery and Vehicles	5 to 10 years

F. Compensated Absences

Vested or accumulated vacation and sick leave is reported in the government-wide statement of net position. Compensation for unused vacation and sick leave will be granted to all full-time employees upon termination of employment with the county.

Compensated Absences. The county pays employees for any unused vacation and 25% of sick leave accumulated at their current rate of pay upon termination. Compensated absences represents the liability of the county for these employee benefits.

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 and proprietary 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 \$14,164,517 and the bank balance was \$14,410,114. Of the bank balance, \$600,013 was covered by Federal Depository Insurance. Of this remaining balance, \$4,769,276 was collateralized with securities held by the pledging financial institution's agent in the government's name and \$9,040,825 was deposited with the Bank of North Dakota, which does not provide FDIC coverage or security pledges.

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 \$3,065,360, 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 RESTRICTED CASH

Certain assets of the Mercer County landfill loan fund and landfill closure reserve fund are classified as restricted because their use is restricted by various agreements. This amount consists of cash held by the county at the Union State Bank.

Note 4 ACCOUNTS RECEIVABLE

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

Note 5 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 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2016:

Primary Government

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	54,000		3,000	51,000
Construction in Progress	665,700	3,430,000		4,095,700
Total	<u>719,700</u>	<u>3,430,000</u>	<u>3,000</u>	<u>4,146,700</u>
<i>Capital assets being depreciated:</i>				
Buildings	2,536,000			2,536,000
Machinery & Vehicles	4,570,188	929,086	704,810	4,794,464
Total	<u>7,106,188</u>	<u>929,086</u>	<u>704,810</u>	<u>7,330,464</u>
<i>Less accumulated depreciation for:</i>				
Buildings	1,022,417	33,813		1,056,230
Machinery & Vehicles	2,530,400	443,262	464,729	2,508,933
Total	<u>3,552,817</u>	<u>477,075</u>	<u>464,729</u>	<u>3,565,163</u>
Total capital assets being depreciated, net	<u>3,553,371</u>	<u>452,011</u>	<u>240,081</u>	<u>3,765,301</u>
Governmental Activities Capital Assets, Net	<u>4,273,071</u>	<u>3,882,011</u>	<u>243,081</u>	<u>7,912,001</u>
<hr/>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	2,906			2,906
<i>Capital assets being depreciated:</i>				
Buildings	226,344			226,344
Machinery & Vehicles	551,816	772		552,588
Total	<u>778,160</u>	<u>772</u>		<u>778,932</u>
<i>Less accumulated depreciation for:</i>				
Buildings	226,344			226,344
Machinery & Vehicles	308,564	36,839		345,403
Total	<u>534,908</u>	<u>36,839</u>		<u>571,747</u>
Total capital assets being depreciated, net	<u>243,252</u>	<u>(36,067)</u>		<u>207,185</u>
Governmental Activities Capital Assets, Net	<u>246,158</u>	<u>(36,067)</u>	<u>-0-</u>	<u>210,091</u>

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

<u>Governmental Activities:</u>	
General Government	3,400
Public Safety	93,626
Highways and Public Improve.	373,001
Health and Welfare	1,733
Conserv. and Econ. Development	5,315
Total Depreciation Expense	<u>477,075</u> =====
<u>Business-type Activities:</u>	
Mercer County Landfill	36,839 =====

Note 7 INTEREST PAYABLE

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

Note 8 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.

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

Note 9 CAPITAL LEASE PAYABLE

The county has entered into the following lease agreement.

Lease-purchase of JD 772D motor grader due in annual installments of \$5,584.53, which includes interest at 2.5% through February 12, 2021 and a balloon payment of \$157,800.00 on February 12, 2022.	161,200.00 =====
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This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this capital lease, and the net present value of the minimum lease payments at December 31, 2016;

<u>Year Ending December 31</u>	<u>Payments</u>
2017	5,584.53
2018	5,584.53
2019	5,584.53
2020	5,584.53
2021	5,584.53
2022	157,800.00
Total minimum lease payments	<u>185,722.65</u>
Less: amount representing interest	(24,522.65)
Present value of future minimum lease payments	<u>161,200.00</u> =====

Note 10 LONG-TERM 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 of the county:

Governmental Activities:

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Lease		161,200		161,200	930
General Obligation Bonds		3,500,000		3,500,000	100,000
Coal Impact Loan	6,892,856		262,668	6,630,188	270,658
Compensated Absences *	429,914	41,903		471,817	
Total	<u>7,322,770</u>	<u>3,703,103</u>	<u>262,668</u>	<u>10,763,205</u>	<u>371,588</u>

Business-Type Activities (Proprietary Funds):

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences *	5,356	3,500	-0-	8,856	-0-

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

Outstanding debt at December 31, 2016 consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2016, is as follows:

General Obligation Bonds. The county has issued general obligation bonds to provide funds for the purpose of courthouse and jail expansion. General obligation bonds outstanding at December 31, 2016 are as follows:

\$3,500,000.00 General Obligation Correction Center Bonds, Series 2016 due in annual installments of \$100,000.00 to \$235,000.00 through May 1, 2036; interest is at 2% to 3%.	3,500,000.00 =====
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The annual requirements to amortize the outstanding general obligation bonds are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	100,000	137,755
2018	140,000	89,275
2019	145,000	86,425
2020	145,000	83,525
2021	150,000	80,575
2022-2026	800,000	352,713
2027-2031	925,000	235,125
2032-2036	1,095,000	84,375
Total	<u>3,500,000</u>	<u>1,149,768</u>

Coal Impact Loan. The county has entered into a coal impact loan to provide funding for the construction of a new addition to the county courthouse office building and jail facilities. Payments are withheld from the county's share of coal severance taxes.

\$7,000,000.00 loan dated August 1, 2015 with
 monthly payments of \$38,821.83 through
 July 1, 2035, which include interest at 3%. 6,630,188.02
 =====

The annual requirements to amortize the outstanding coal impact loan are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	270,658	195,204
2018	278,890	186,972
2019	287,373	178,489
2020	296,113	169,748
2021	305,120	160,742
2022-2026	1,670,584	658,726
2027-2031	1,940,578	388,731
2032-2035	1,580,871	88,467
Total	<u>6,630,188</u> =====	<u>2,027,080</u> =====

Note 11 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2016:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
County Road	2,025,063.05	
Unorganized Road		500,000.00
State Highway		975,063.05
Aid to Secondary Roads		550,000.00
911 Equipment	10,000.00	
County 911		10,000.00
Weed Control Special	4,000.00	
Weed Control		4,000.00
Health Insurance	334,218.83	
Comprehensive Health Care		334,218.83
General	1,036,640.75	
Social Security		316,508.94
County Corrections		720,131.81
County Building	100,000.00	
Special Vehicle	37,557.08	
Search and Rescue	95,406.46	
NNCNTF Drug Restitution	367,922.21	
Social Services	100,000.00	
County Agent	37,869.70	
General		738,755.45

To subsidize expenditures.

Landfill Loan	8,000.00	
Landfill		8,000.00

To subsidize the expenses related to the closure and postclosure care costs related to the county's landfill.

Landfill Closure Reserve	8,000.00	
Mercer County Landfill		8,000.00

To fund landfill closure reserve.

Note 12 CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the county to place a final cover on its county landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care cost will be paid only near or after the date the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$156,852 reported as landfill closure and postclosure care liability at December 31, 2016, represents the cumulative amounts reported to date based on the use of 55 percent of the estimated capacity of the landfill. The county will recognize the remaining estimated cost of closure and postclosure care of \$112,548 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. The county expects to close the landfill in the year 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The county is required by state and federal laws and regulations to make annual contributions to a separate fund to finance closure and postclosure care. The county is in compliance with these requirements, and, at December 31, 2016, cash of \$143,829 is held for this purpose. This is reported as restricted assets on the statement of net position. The county expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Note 13 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the Mercer County Historical Society and Commission on Aging. However, the county's accountability for these entities does not extend beyond levying the tax. During the year ending December 31, 2016, the county remitted \$11,022.81 to the Historical Society and \$63,923.98 to the Commission on Aging.

Note 14 RISK MANAGEMENT

Mercer 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 \$3,880,399 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 15 PENSION PLANS

1. Defined Contribution Pension Plans

The county provides benefits for all of its full-time employees through a defined contribution plan with a choice of the following three plans; CUNA, Investment Center and Nationwide Retirement Solutions. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The county matches the employee's contribution to the plan up to a maximum of 10% of the employee's salary. The county's contributions to CUNA for the fiscal years ending December 31, 2016, 2015 and 2014 were \$3,919, \$3,754 and \$8,911, respectively. Contributions to Investment Center for the fiscal years ending December 31, 2016, 2015 and 2014 were \$6,093, \$7,186 and \$6,870, respectively. Contributions to Nationwide for the fiscal years ending December 31, 2016, 2015 and 2014 were \$18,696, \$22,610 and \$23,360, respectively.

2. 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, Mercer County reported a liability of \$2,067,230 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 .304012 percent, which was an increase of .020984 from its proportion measured as of June 30, 2014.

For the year ended December 31, 2016 the county recognized pension expense of \$222,812. 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	59,973	
Changes in assumptions		184,180
Net difference between projected and actual earnings on pension plan investments	238,865	282,504
Changes in proportion and differences between employer contributions and proportionate share of contributions	128,973	729
County contributions subsequent to the measurement date (see below)	249,853	
Total	----- 677,664 -----	----- 467,413 -----

\$249,853 reported as deferred outflows of resources related to pensions resulting from city 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	(30,220)
2018	(30,220)
2019	(30,220)
2020	59,955
2021	(8,899)
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 Morality 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 county'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	3,169,993	2,067,230	1,164,970

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

MERCER COUNTY
Stanton, 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	700,500.00	700,500.00	638,910.87	(61,589.13)
Licenses, Permits and Fees	12,900.00	12,900.00	37,274.00	24,374.00
Intergovernmental	3,411,043.96	3,411,043.96	3,594,135.88	183,091.92
Charges for Services	419,928.00	419,928.00	536,190.62	116,262.62
Miscellaneous	11,332.00	11,332.00	79,215.84	67,883.84
Total Revenues	4,555,703.96	4,555,703.96	4,885,727.21	330,023.25
Expenditures:				
Current:				
General Government	2,638,168.55	3,090,498.21	3,054,717.66	35,780.55
Public Safety	1,897,836.00	1,897,836.00	1,882,320.66	15,515.34
Health and Welfare	65,100.00	65,100.00	59,234.83	5,865.17
Other	108,327.00	108,327.00	165,488.06	(57,161.06)
Debt Service:				
Principal	262,668.44	262,668.44	262,668.44	
Interest	203,193.52	203,193.52	203,193.52	
Total Expenditures	5,175,293.51	5,627,623.17	5,627,623.17	
Excess (Deficiency) of Revenues Over Expenditures	(619,589.55)	(1,071,919.21)	(741,895.96)	330,023.25
Other Financing Sources (Uses):				
Transfers In	1,325,000.00	1,325,000.00	1,036,640.75	(288,359.25)
Transfers Out	(754,000.00)	(754,000.00)	(738,755.45)	15,244.55
Total Other Financing Sources (Uses)	571,000.00	571,000.00	297,885.30	(273,114.70)
Net Change in Fund Balances	(48,589.55)	(500,919.21)	(444,010.66)	56,908.55
Fund Balance - January 1	2,117,208.29	2,117,208.29	2,117,208.29	
Fund Balance - December 31	2,068,618.74	1,616,289.08	1,673,197.63	56,908.55

MERCER COUNTY
Stanton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Miscellaneous			9,988.00	9,988.00
<u>Expenditures:</u>				
Current:				
General Government			50.44	(50.44)
Capital Outlay	6,112,942.00	6,112,942.00	3,430,000.00	2,682,942.00
Total Expenditures	6,112,942.00	6,112,942.00	3,430,050.44	2,682,891.56
Excess (Deficiency) of Revenues Over Expenditures	(6,112,942.00)	(6,112,942.00)	(3,420,062.44)	2,692,879.56
<u>Other Financing Sources:</u>				
Transfers In			100,000.00	100,000.00
G.O. Bonds Issued		3,500,000.00	3,500,000.00	
Premium on G.O. Bonds Issued		49,750.70	49,750.70	
Total Other Financing Sources (Uses)		3,549,750.70	3,649,750.70	100,000.00
Net Change in Fund Balances	(6,112,942.00)	(2,563,191.30)	229,688.26	2,792,879.56
Fund Balance - January 1	6,759,197.37	6,759,197.37	6,759,197.37	
Fund Balance - December 31	646,255.37	4,196,006.07	6,988,885.63	2,792,879.56

MERCER COUNTY
Stanton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	475,450.00	475,450.00	463,599.13	(11,850.87)
Licenses, Permits and Fees	60,000.00	60,000.00	96,657.95	36,657.95
Intergovernmental	239,575.00	239,575.00	5,008,790.14	4,769,215.14
Charges for Services			1,187,144.45	1,187,144.45
Miscellaneous	120,000.00	120,000.00	116,664.25	(3,335.75)
Total Revenues	895,025.00	895,025.00	6,872,855.92	5,977,830.92
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	3,271,969.00	3,271,969.00	8,712,421.57	(5,440,452.57)
Capital Outlay			529,491.00	(529,491.00)
Total Expenditures	3,271,969.00	3,271,969.00	9,241,912.57	(5,969,943.57)
Excess (Deficiency) of Revenues Over Expenditures	(2,376,944.00)	(2,376,944.00)	(2,369,056.65)	7,887.35
<u>Other Financing Sources:</u>				
Transfers in	2,200,000.00	2,200,000.00	2,025,063.05	(174,936.95)
Proceeds from Capital Lease	161,200.00	161,200.00	161,200.00	
Total Other Financing Sources (Uses)	2,361,200.00	2,361,200.00	2,186,263.05	(174,936.95)
Net Change in Fund Balances	(15,744.00)	(15,744.00)	(182,793.60)	(167,049.60)
Fund Balance - January 1	310,291.46	310,291.46	310,291.46	
Fund Balance - December 31	294,547.46	294,547.46	127,497.86	(167,049.60)

MERCER COUNTY
Stanton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Miscellaneous	106,000.00	106,000.00	979,939.09	873,939.09
<u>Expenditures:</u>				
<u>Current:</u>				
General Government	1,400,000.00	1,400,000.00	1,327,087.87	72,912.13
Excess (Deficiency) of Revenues Over Expenditures	(1,294,000.00)	(1,294,000.00)	(347,148.78)	946,851.22
<u>Other Financing Sources:</u>				
Transfers In	780,000.00	780,000.00	334,218.83	(445,781.17)
Net Change in Fund Balances	(514,000.00)	(514,000.00)	(12,929.95)	501,070.05
Fund Balance - January 1	1,403,949.73	1,403,949.73	1,403,949.73	
Fund Balance - December 31	889,949.73	889,949.73	1,391,019.78	501,070.05

MERCER COUNTY
Stanton, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2016

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 year ending December 31, 2016:

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
	<u>Appropriations</u>		
General Fund	5,175,294	452,330	5,627,624
<u>Special Revenue Funds</u>			
Special Vehicle	64,000	20,606	84,606
Search and Rescue	10,000	160,995	170,995

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the year ending December 31, 2016:

<u>Special Revenue Funds</u>	
County Road	5,969,943.57
* Cemetery	299.00

* A budget was not prepared for this fund.

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

MERCER COUNTY
Stanton, 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	0.283028%	0.304012%
County's proportionate share of the net pension liability	1,796,439	2,067,230
County's covered-employee payroll	2,495,429	2,876,444
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.99%	71.87%
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	165,532	204,803
Contributions in relation to the statutorily required contribution	(165,532)	(204,803)
Contribution deficiency (excess)	0	0
County's covered-employee payroll	2,495,429	2,876,444
Contributions as a percentage of covered-employee payroll	6.63%	7.12%

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

- For changes of assumptions, see Note 15 to the financial statements.

MERCER COUNTY
Stanton, 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	2,271,276.81	4,378,154.49	1,036,640.75	738,755.45	5,161,761.21	1,785,555.39
County Building	6,759,197.37	3,559,738.70	100,000.00		3,430,050.44	6,988,885.63
County Road	363,001.58	6,879,633.94	2,025,063.05		9,080,712.57	186,986.00
Health Insurance	1,403,949.73	979,939.09	334,218.83		1,327,087.87	1,391,019.78
Total Major Governmental Funds	10,797,425.49	15,797,466.22	3,495,922.63	738,755.45	18,999,612.09	10,352,446.80
Non-Major Governmental Funds						
Building	555,658.82	3,333.95				558,992.77
Sinking & Interest		38,887.95				38,887.95
Document Preservation	33,471.72	23,348.90			2,740.97	54,079.65
Special Vehicle	30,212.16	16,836.44	37,557.08		84,605.68	
Search and Rescue	61,359.15	14,229.85	95,406.46		170,995.46	
Township Roads	206,824.91	83,715.75				290,540.66
MMCNTF Drug Restitution	(15,411.73)	14,000.00	367,922.21		366,510.48	
Unorganized Road	157,992.25	431,439.92		500,000.00		89,432.17
State Highway		975,063.05		975,063.05		
Aid to Secondary Roads	383,538.03	461,410.25		550,000.00		294,948.28
Social Services	99,055.50	616,164.12	100,000.00		686,471.52	128,748.10
Comprehensive Health Care	334,218.83	1,882.31		334,218.83		1,882.31
Historical Society	1,997.06	10,828.92			11,022.81	1,803.17
Commission on Aging	11,572.59	95,489.89			63,923.98	43,138.50
Emergency	144,463.98					144,463.98
County 911	43,190.38	135,469.56		10,000.00	112,529.60	56,130.34
911 Equipment Fund	41,401.99		10,000.00			51,401.99
Veterans Service	17,993.38	16,947.08			21,081.19	13,859.27
Social Security	316,508.94	10,511.89		316,508.94		10,511.89
Advertising	2,755.92				359.41	2,396.51
County Agent	23,862.57	98,473.90	37,869.70		146,810.62	13,395.55
Weed Control	271,871.92	196,885.26		4,000.00	279,503.25	185,253.93
Weed Control Special	52,183.60	183.14	4,000.00			56,366.74
CD Interest	153,382.16	15,373.13				168,755.29
Passbook Savings Interest	85,485.85	8,215.70				93,701.55
County Corrections	720,131.81	1,587.64		720,131.81		1,587.64
Cemetery	7,338.06				299.99	7,038.07
Total Non-Major Governmental Funds	3,741,059.85	3,270,278.60	652,755.45	3,409,922.63	1,946,854.96	2,307,316.31
Total Governmental Funds	14,538,485.34	19,067,744.82	4,148,678.08	4,148,678.08	20,946,467.05	12,659,763.11
Major Enterprise Funds						
Landfill	445,412.87	321,030.95		16,000.00	511,991.65	238,452.17
Landfill Closure Reserve	112,000.00		8,000.00			120,000.00
Landfill Loan	15,801.88	26.82	8,000.00			23,828.70
Total Major Enterprise Funds	573,214.75	321,057.77	16,000.00	16,000.00	511,991.65	382,280.87

(continued)

MERCER COUNTY
Stanton, 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
<u>Agency Funds</u>						
Drug Grant Restitution	(338.95)	338.95				
Mercer Oliver Youth Bureau	(1,365.67)	159,244.34			157,188.00	690.67
MMCNTF Drug Asset Forfeiture	(1,515.73)	11,042.23			8,447.95	1,078.55
County Library	29,809.53	185,356.62			185,584.25	29,581.90
Water Resource District	26,351.29	145,834.29			145,505.18	26,680.40
Custer Health District	25,227.94	140,598.14			139,374.16	26,451.92
Ambulance	32,897.36	182,317.66			181,822.51	33,392.51
Regional Airport	18,711.35	106,979.49			105,281.91	20,408.93
State Revenue	8,678.56				1,948.35	6,730.21
County Court Trust	8,602.68	320.00				8,922.68
County 24/7 Program	26,921.46	31,211.90			30,669.32	27,464.04
Domestic Violence	105.00	910.00			910.00	105.00
Real Estate		10,491,035.05			10,491,035.05	
Mobile Homes		138,128.10			138,128.10	
Tax Estimate		108.00			108.00	
Game and Fish	44,334.00	1,535.50			42,729.50	3,140.00
Veterans Memorial	393.89	462.00				855.89
Hazardous Chemical	6,340.44	1,350.00			791.48	6,898.96
Government Appreciation Week	441.66				411.55	30.11
Jeans Day	1,020.50	362.00			188.00	1,194.50
County Fair	98.01	408.05			479.37	26.69
Soil Conservation District	8,657.70	20,400.50			22,366.58	6,691.62
Southwest Water Authority	8,678.51	34,242.76			36,223.40	6,697.87
County Agent/Pesticide	17,202.06	2,976.66			1,594.11	18,584.61
Cities	438,572.02	1,503,170.90			1,618,532.19	323,210.73
Park Districts	97,411.18	296,389.08			318,725.07	75,075.19
School Districts	642,499.20	2,330,952.79			2,495,997.86	477,454.13
Fire Districts	25,167.75	94,636.12			99,481.84	20,322.03
Fort Clark Irrigation District	717.60	18,593.90			18,527.60	783.90
Total Agency Funds	1,465,619.34	15,898,905.03			16,242,051.33	1,122,473.04
Total Primary Government	16,577,319.43	35,287,707.62	4,164,678.08	4,164,678.08	37,700,510.03	14,164,517.02
<u>Discretely Presented</u>						
<u>Component Unit:</u>						
Water Resource District	732,797.58	157,793.98			108,116.89	782,474.67
Total Reporting Entity	17,310,117.01	35,445,501.60	4,164,678.08	4,164,678.08	37,808,626.92	14,946,991.69

MERCER COUNTY
Stanton, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of the Interior</u>			
Direct Program:			
Payments in Lieu of Taxes (PILT)	15.226		19,170.00
Passed Through ND State Treasurer:			
Flood Control Act Lands	15.433		1,293.33
Mineral Leasing Act	15.437		764,024.28
Total Passed Through ND State Treasurer			765,317.61
Passed Through State Game and Fish Department:			
Boating Safety Financial Assistance	15.611		9,250.00
Total U.S. Department of the Interior			793,737.61
<u>U.S. Department of Transportation</u>			
Passed Through State Department of Emergency Services:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		244.98
<u>U.S. Department of Homeland Security</u>			
Passed Through State Game and Fish Department:			
Boating Safety Financial Assistance	97.012		2,517.11
Passed Through State Department of Emergency Services:			
Hazard Mitigation Grant	97.039		15,000.00
Emergency Management Performance Grants	97.042		23,424.00
Homeland Security Grant Program	97.067		564.00
Total U.S. Department of Homeland Security			41,505.11
Total Expenditures of Federal Awards			835,487.70

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 minimis indirect cost rate was not used.

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
Bryce Fischer, CPA

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

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
Mercer County
Stanton, 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, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Mercer County, Stanton, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated April 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

April 7, 2017

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
Bryce Fischer, CPA

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

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
Mercer County
Stanton, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Mercer 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 year ended December 31, 2016. 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 audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does 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 year ended December 31, 2016.

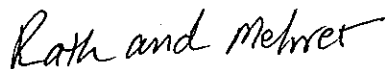
Report on Internal Control Over Compliance

Management of Mercer County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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

April 7, 2017

MERCER COUNTY
Stanton, North Dakota

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

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

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

Internal control over financial reporting:

* Material weakness(es) identified?	_____ Yes	_____ X No
* Significant deficiency(ies) identified?	_____ Yes	_____ X None Reported
Noncompliance Material to financial statements noted?	_____ Yes	_____ X No

Federal Awards

Internal control over major program(s):

* Material weakness(es) identified?	_____ Yes	_____ X No
* Significant deficiency(ies) identified?	_____ Yes	_____ X None Reported

Type of auditor's report issued on compliance for major program(s):	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	_____ Yes	_____ X No
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Identification of major program(s):

<u>CFDA Number</u>	<u>Name of Federal Program</u>
15.437	Mineral Leasing Act

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	_____ Yes	_____ X No
--	-----------	------------

SECTION II - FINANCIAL STATEMENT FINDINGS:

No matters were reported

SECTION III - FEDERAL AWARD FINDINGS AND RESPONSES

No matters were reported