

AUDIT REPORT

SHERIDAN COUNTY
McClusky, North Dakota

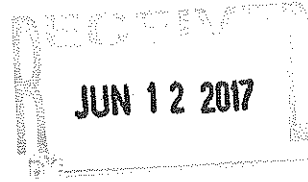
For the Years Ended December 31, 2016 and 2015

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SHERIDAN COUNTY
McClusky, North Dakota

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SHERIDAN COUNTY
McClusky, North Dakota

COUNTY OFFICIALS

Steve Eisenbeisz	Commission Chairman
Michael Axt	Commission Vice Chairman
Howard Erdmann	Commissioner
Shirley A. Murray	Auditor
Lynnette Fox	Treasurer
Kathy Mindt	County Recorder/Clerk of Court
Trent Naser	Sheriff
Ladd Erickson	States Attorney

Rath & Mehler, P.C.

Certified Public Accountants

Jayson Rath, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Sheridan County
McClusky, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Sheridan County, McClusky, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sheridan County, McClusky, North Dakota, as of December 31, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, budgeting comparison information on pages 41 through 51 and the schedule of employer's share of net pension liability on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2017 on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the county's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 26, 2017

SHERIDAN COUNTY

Management's Discussion and Analysis

December 31, 2016 and 2015

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

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

FINANCIAL HIGHLIGHTS

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

- * Net position of the county increased \$28,191 as a result of the current year's operations.
- * Governmental net position as of the end of the fiscal year totaled \$1,111,719.
- * Total revenues from all sources were \$5,170,053.
- * Total expenses were \$5,141,862.
- * The county's general fund had \$1,119,165 in total revenues and \$1,223,439 in total expenditures. There was a total of \$143,686 from other financing sources. Overall, the general fund balance increased by \$39,412 for the year ended December 31, 2016.

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

- * Net position of the county increased \$132,128 as a result of the current year's operations.
- * Governmental net position as of the end of the fiscal year totaled \$1,083,528.
- * Total revenues from all sources were \$2,498,010.
- * Total expenses were \$2,365,882.
- * The county's general fund had \$665,920 in total revenues and \$592,162 in total expenditures. There was a total of \$20,100 from other financing sources. Overall, the general fund balance increased by \$93,858 for the year ended December 31, 2015.

USING THIS ANNUAL REPORT

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

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

REPORTING ON THE COUNTY AS A WHOLE

Statement of Net Position and Statement of Activities

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

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

The Statement of Activities presents information on how the county's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position 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 activities. Governmental activities are the activities where most of the county's programs and services are reported including, but not limited to, general government, public safety, highways and public improvement, health and welfare, culture and recreation, and conservation and economic development.

REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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

As indicated in the financial highlights above, the county's net position increased by \$28,191 and \$132,128 for the years ended December 31, 2016 and 2015, respectively. Changes in net position may serve over time as a useful indicator of the county's financial position.

As of December 31, 2016 the county's net position of \$1,111,719 is segregated into three separate categories. Net investment in capital assets total \$231,070 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 \$810,624 of the county's total 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 \$70,025, which includes (\$385,298) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$455,323 is available to meet the county's ongoing obligations.

As of December 31, 2015 the county's net position of \$1,083,528 is segregated into three separate categories. Net investment in capital assets total \$238,975 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 \$880,192 of the county's total 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 (\$35,639), which includes (\$387,845) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$352,206 is available to meet the county's ongoing obligations.

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

	2016	2015	2014
Assets			
Current Assets	1,598,470	1,618,146	1,460,385
Capital Assets (net of accumulated depreciation)	259,412	289,022	287,692
Total Assets	1,857,882	1,907,168	1,748,077
Deferred Outflows of Resources	109,395	56,093	40,368
Liabilities			
Current Liabilities	14,714	22,503	15,661
Long-Term Liabilities	57,677	66,888	64,270
Net Pension Liability	403,583	371,433	429,596
Total Liabilities	475,974	460,823	509,527
Deferred Inflows of Resources	379,583	418,909	327,518
Net Position			
Net Investment in Capital Assets	231,070	238,975	243,044
Restricted	810,624	880,192	774,792
Unrestricted	70,025	(35,639)	(66,435)
Total Net Position	1,111,719	1,083,528	951,400

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

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

	2016	2015	2014
Revenues			
Program Revenues:			
Charges for Services	124,072	120,057	103,728
Operating Grants and Contributions	3,268,950	555,302	679,313
General Revenues:			
Property Taxes	1,260,556	1,152,982	1,057,133
Other Taxes	20,677	20,259	19,422
Federal Aid - Unrestricted	75,653	74,300	75,170
State Aid - Unrestricted	346,111	499,216	351,235
Interest Earnings and Other Revenue	74,034	75,893	248,917
Total Revenues	5,170,053	2,498,010	2,534,918
Expenses			
General Government	770,975	754,668	812,477
Public Safety	247,294	201,621	220,936
Highways and Public Improve.	3,716,480	1,017,013	1,421,788
Health and Welfare	190,856	184,727	178,071
Culture and Recreation	22,942	22,883	22,818
Conser. and Economic Dvlpmnt.	120,138	129,167	71,785
Other	72,346	54,978	44,792
Interest on Long-Term Debt	831	825	990
Total Expenses	5,141,862	2,365,882	2,773,657
Net Change in Position	28,191	132,128	(238,739)

Property taxes constituted 24%, unrestricted state aid 7%, operating grants and contributions 63%, and charges for services made up 2% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2016.

General government constituted 15%, public safety 5%, highways and public improvement 72%, and health and welfare 4% of total expenses for governmental activities during the fiscal year ended December 31, 2016.

Property taxes constituted 46%, unrestricted state aid 20%, operating grants and contributions 22%, and charges for services made up 5% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2015.

General government constituted 32%, public safety 9%, highways and public improvement 43%, and health and welfare 8% of total expenses for governmental activities during the fiscal year ended December 31, 2015.

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

Table III

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

	Total Cost Year Ended December 31, <u>2016</u>	Total Cost Year Ended December 31, <u>2016</u>
General Government	770,975	734,976
Public Safety	247,294	240,495
Highways and Public Improvement	3,716,480	412,126
Health and Welfare	190,856	190,856
Culture and Recreation	22,942	1,695
Conservation and Economic Dvlpmnt.	120,138	105,842
Other	72,346	62,018
Interest on Long-Term Debt	831	831
	<hr/>	<hr/>
Total Expenses	5,141,862	1,748,840
	=====	=====

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

	Total Cost Year Ended December 31, 2015	Total Cost Year Ended December 31, 2015
General Government	754,668	718,246
Public Safety	201,621	196,295
Highways and Public Improvement	1,017,013	426,333
Health and Welfare	184,727	184,727
Culture and Recreation	22,883	5,556
Conservation and Economic Dvlpmnt.	129,167	112,889
Other	54,978	45,654
Interest on Long-Term Debt	825	825
Total Expenses	2,365,882	1,690,523
	2,365,882	1,690,523

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 \$5,150,376 and expenditures of \$5,131,798 for the year ended December 31, 2016. As of December 31, 2016, the unassigned fund balance of the county's general fund was \$540,389 and total unassigned fund balances for all of the county's governmental funds was \$482,096. The county's governmental funds had total revenue of \$2,507,542 and expenditures of \$2,379,236 for the year ended December 31, 2015. As of December 31, 2015, the unassigned fund balance of the county's general fund was \$500,977 and total unassigned fund balances for all of the county's governmental funds was \$384,161.

GENERAL FUND BUDGET HIGHLIGHTS

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

Actual revenue for the year ended December 31, 2016 was \$92,778 less than budgeted. Actual expenditures for the year ended December 31, 2016 were under budget by \$99,835.

Actual revenue for the year ended December 31, 2015 was \$46,537 less than budgeted. Actual expenditures for the year ended December 31, 2015 were over budget by \$25,605.

CAPITAL ASSETS

As of December 31, 2016 and 2015, the county had \$259,412 and \$289,022, respectively, invested in capital assets. Table IV shows the balances as of December 31, 2016, 2015 and 2014.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Buildings	211,408	217,153	222,898
Machinery and Vehicles	48,004	71,869	64,794
Total (net of depreciation)	<u>259,412</u>	<u>289,022</u>	<u>287,692</u>
	=====	=====	=====

As of December 31, 2016, this total represents a decrease of \$29,610 in capital assets from January 1, 2016. As of December 31, 2015, this total represents an increase of \$1,330 in capital assets from January 1, 2015.

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 \$71,665 in outstanding debt, of which \$13,988 was due within one year. As of December 31, 2015, the county had \$88,593 in outstanding debt, of which \$21,705 was due within one year.

During fiscal years 2016 and 2015, the county issued one new long-term debt obligation:

Bank Note Payable in the amount of \$20,100. The county obtained funding for the purchase of a 2016 Ford Expedition. This bank loan will have a final payment on January 20, 2018.

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 Shirley A. Murray, County Auditor, Sheridan County, McClusky, ND 58463.

SHERIDAN COUNTY
McClusky, North Dakota

Statement of Net Position
December 31, 2016

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS:		
Cash and Investments	1,554,446.27	73,352.47
Accounts Receivable	8,009.07	
Taxes Receivable	36,014.20	169.72
Capital Assets (net of accumulated depreciation):		
Buildings	211,408.00	
Machinery and Vehicles	48,004.00	
Total Capital Assets	259,412.00	
Total Assets	1,857,881.54	73,522.19
DEFERRED OUTFLOWS OF RESOURCES:		
Changes in Resources Related to Pensions	109,395.00	
LIABILITIES:		
Interest Payable	725.76	
Long-Term Liabilities:		
Due Within One Year:		
Bank Notes Payable	13,988.00	
Due After One Year:		
Bank Notes Payable	14,354.00	
Compensated Absences Payable	43,323.46	
Net Pension Liability	403,583.00	
Total Liabilities	475,974.22	
DEFERRED INFLOWS OF RESOURCES:		
Unavailable Revenue	288,473.04	
Changes in Resources Related to Pensions	91,110.00	
Total Deferred Inflows of Resources	379,583.04	
NET POSITION:		
Net Investment in Capital Assets	231,070.00	
Restricted for:		
Special Purposes	810,623.80	
Unrestricted	70,025.48	73,522.19
Total Net Position	1,111,719.28	73,522.19

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

SHERIDAN COUNTY
McClusky, North Dakota

Statement of Net Position
December 31, 2015

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS:		
Cash and Investments	1,599,639.38	69,859.25
Accounts Receivable	2,169.61	
Taxes Receivable	16,336.91	79.00
Capital Assets (net of accumulated depreciation):		
Buildings	217,153.00	
Machinery and Vehicles	71,869.00	
Total Capital Assets	289,022.00	
Total Assets	1,907,167.90	69,938.25
DEFERRED OUTFLOWS OF RESOURCES:		
Changes in Resources Related to Pensions	56,093.00	
LIABILITIES:		
Interest Payable	797.57	
Long-Term Liabilities:		
Due Within One Year:		
Bank Notes Payable	21,705.00	
Due After One Year:		
Bank Notes Payable	28,342.00	
Compensated Absences Payable	38,545.87	
Net Pension Liability	371,433.00	
Total Liabilities	460,823.44	
DEFERRED INFLOWS OF RESOURCES:		
Unavailable Revenue	346,404.41	
Changes in Resources Related to Pensions	72,505.00	
Total Deferred Inflows of Resources	418,909.41	
NET POSITION:		
Net Investment in Capital Assets	238,975.00	
Restricted for:		
Special Purposes	880,191.90	
Unrestricted	(35,638.85)	69,938.25
Total Net Position	1,083,528.05	69,938.25

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

SHERIDAN COUNTY
McClusky, North Dakota

Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
				Primary Gov't	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District
Functions/Programs					
Primary Government:					
Governmental Activities:					
General Government	770,974.69	18,946.67	17,052.00	(734,976.02)	
Public Safety	247,293.53	2,421.24	4,377.35	(240,494.94)	
Highways and Public Improve.	3,716,480.27	67,161.77	3,237,192.14	(412,126.36)	
Health and Welfare	190,856.31			(190,856.31)	
Culture and Recreation	22,941.58	21,246.50		(1,695.08)	
Conser. and Economic Dvlpmnt.	120,138.39	14,295.90		(105,842.49)	
Other	72,346.47		10,328.53	(62,017.94)	
Interest on Long-Term Debt	830.72			(830.72)	
Total Governmental Activities	5,141,861.96	124,072.08	3,268,950.02	(1,748,839.86)	

Component Unit:					
Water Resource District	4,038.35	1,000.00			(3,038.35)

General Revenues:					
Taxes:					
Property taxes; levied for general purposes			639,066.70		5,545.54
Property taxes; levied for special purposes			621,489.71		
Emergency 911 taxes			18,895.48		
Homestead tax credit			1,781.56		860.29
Federal aid not restricted to specific program:					
Federal payments in lieu of taxes			75,643.00		
Taylor grazing act			10.24		
State aid not restricted to specific program:					
State aid distribution			346,110.64		
Earnings on investments and other revenue			74,033.76		216.46
Total General Revenues			1,777,031.09		6,622.29
Change in Net Position			28,191.23		3,583.94
Net Position - January 1			1,083,528.05		69,938.25
Net Position - December 31			1,111,719.28		73,522.19

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

SHERIDAN COUNTY
McClusky, North Dakota

Statement of Activities
For the Year Ended December 31, 2015

	Net (Expense) Revenue and Changes in Net Position			
	Program Revenues		Primary Gov't	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
			Water Resource District	
<u>Functions/Programs</u>				
Primary Government:				
<u>Governmental Activities:</u>				
General Government	754,668.09	22,970.49	13,452.00	(718,245.60)
Public Safety	201,620.89	1,369.00	3,957.20	(196,294.69)
Highways and Public Improve.	1,017,013.42	62,111.96	528,568.60	(426,332.86)
Health and Welfare	184,726.95			(184,726.95)
Culture and Recreation	22,883.06	17,327.20		(5,555.86)
Conser. and Economic Dvlpmnt.	129,166.58	16,277.86		(112,888.72)
Other	54,978.48		9,324.41	(45,654.07)
Interest on Long-Term Debt	824.74			(824.74)
Total Governmental Activities	2,365,882.21	120,056.51	555,302.21	(1,690,523.49)

Component Unit:				
Water Resource District				(4,109.69)

<u>General Revenues:</u>				
Taxes:				
Property taxes; levied for general purposes			171,350.87	4,861.30
Property taxes; levied for special purposes			981,631.61	
Emergency 911 taxes			18,406.25	
Homestead tax credit			1,852.84	744.08
Federal aid not restricted to specific program:				
Federal payments in lieu of taxes			74,292.00	
Taylor grazing act			8.17	
State aid not restricted to specific program:				
State aid distribution			499,216.33	
Earnings on investments and other revenue			75,892.99	220.57
Total General Revenues			1,822,651.06	5,825.95
Change in Net Position			132,127.57	1,716.26
Net Position - January 1			1,340,628.48	68,221.99
Prior Period Adjustment, See Note 16			(389,228.00)	
Net Position - January 1, as restated			951,400.48	68,221.99
Net Position - December 31			1,083,528.05	69,938.25
=====				

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

SHERIDAN COUNTY
McClusky, North Dakota

Balance Sheet
Governmental Funds
December 31, 2016

Major Funds

	General	Highway Tax Distribution	Farm to Market Road	Road and Bridge - Unorganized	Social Security	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash	627,131.44	152,236.86	102,209.17	299,785.83		373,082.97	1,554,446.27
Accounts Receivable						8,009.07	8,009.07
Taxes Receivable	15,080.97		4,112.57	5,501.99	929.68	10,388.99	36,014.20
Interfund Receivable	53,759.44						53,759.44
Total Assets	695,971.85	152,236.86	106,321.74	305,287.82	929.68	391,481.03	1,652,228.98
=====							
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Interfund Payable					50,388.98	3,370.46	53,759.44
Deferred Inflows of Resources:							
Unavailable Revenue	155,582.65		41,521.55	31,831.70	929.68	94,621.66	324,487.24
Total Liabilities and Deferred Inflows of Resources	155,582.65		41,521.55	31,831.70	51,318.66	97,992.12	378,246.68

<u>Fund Balances:</u>								
Restricted for:								
General Government						17,618.14		17,618.14
Public Safety						2,787.97		2,787.97
Highways and Public Improve.	152,236.86	64,800.19	273,456.12			42,428.39		532,921.56
Health and Welfare						29,506.14		29,506.14
Culture and Recreation						72.68		72.68
Conserv. and Econ. Dvlpmnt						76,345.69		76,345.69
Emergency Purposes						126,069.18		126,069.18
Other Purposes						6,565.31		6,565.31
Unassigned	540,389.20				(50,388.98)	(7,904.59)		482,095.63
Total Fund Balances	540,389.20	152,236.86	273,456.12	64,800.19	(50,388.98)	293,488.91		1,273,982.30
<hr/>								
Total Liabilities, Deferred Inflows of Resources and Fund Balances	695,971.85	152,236.86	106,321.74	305,287.82	929.68	391,481.03		1,652,228.98
	=====							

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

SHERIDAN COUNTY
McClusky, North Dakota

Balance Sheet
Governmental Funds
December 31, 2015

Major Funds

	General	Highway Tax Distribution	Farm to Market Road	Road and Bridge - Unorganized	Social Security	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash	604,407.96	181,979.77		338,906.56		474,345.09	1,599,639.38
Accounts Receivable						2,169.61	2,169.61
Taxes Receivable	2,281.13		1,957.73	2,338.45	2,644.00	7,115.60	16,336.91
Interfund Receivable	72,747.81						72,747.81
Total Assets	679,436.90	181,979.77	1,957.73	341,245.01	2,644.00	483,630.30	1,690,893.71
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Interfund Payable			14,861.34		54,103.29	3,783.18	72,747.81
Deferred Inflows of Resources:							
Unavailable Revenue	178,459.66		44,461.60	31,911.97	2,644.00	105,264.09	362,741.32
Total Liabilities and Deferred Inflows of Resources	178,459.66		59,322.94	31,911.97	56,747.29	109,047.27	435,489.13

<u>Fund Balances:</u>					
Restricted for:					
General Government				33,945.92	33,945.92
Public Safety				7,673.86	7,673.86
Highways and Public Improve.		181,979.77	309,333.04	154,078.96	645,391.77
Health and Welfare				1,486.87	1,486.87
Culture and Recreation				13.72	13.72
Conserv. and Econ. Dvlpmnt				66,340.10	66,340.10
Emergency Purposes				113,564.88	113,564.88
Other Purposes				2,826.63	2,826.63
Unassigned		500,977.24	(57,365.21)	(5,347.91)	384,160.83
Total Fund Balances		500,977.24	181,979.77	(57,365.21)	374,583.03
			309,333.04	(54,103.29)	1,255,404.58
<hr/>					
Total Liabilities, Deferred Inflows					
of Resources and Fund Balances		679,436.90	181,979.77	1,957.73	341,245.01
				2,644.00	483,630.30
					1,690,893.71

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

SHERIDAN COUNTY
McClusky, 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	1,273,982.30
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Total net position reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	933,586.00	
Less Accumulated Depreciation	(674,174.00)	
		259,412.00

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.	36,014.20
---	-----------

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	109,395.00	
Total Deferred Inflows of Resources	(91,110.00)	
		18,285.00

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:

Bank Notes Payable	(28,342.00)	
Interest Payable	(725.76)	
Compensated Absences	(43,323.46)	
Net Pension Liability	(403,583.00)	
		(475,974.22)

Total Net Position of Governmental Activities	1,111,719.28
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The accompanying notes are an integral part of these financial statements.

SHERIDAN COUNTY
McClusky, North Dakota

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

Total Fund Balances for Governmental Funds	1,255,404.58
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Total net position reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	933,586.00	
Less Accumulated Depreciation	(644,564.00)	
		289,022.00
Net Capital Assets		

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.	16,336.91
---	-----------

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	56,093.00	
Total Deferred Inflows of Resources	(72,505.00)	
		(16,412.00)
Total Deferred Outflows/Inflows of Resources		

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

Bank Notes Payable	(50,047.00)	
Interest Payable	(797.57)	
Compensated Absences Payable	(38,545.87)	
Net Pension Liability	(371,433.00)	
		(460,823.44)
Total Long-Term Liabilities		

Total Net Position of Governmental Activities	1,083,528.05
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The accompanying notes are an integral part of these financial statements.

SHERIDAN COUNTY
McClusky, North Dakota

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

Major Funds

	General	Highway Tax Distribution	Farm to Market Road	Road and Bridge - Unorganized	Social Security	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	626,266.86		150,146.60	109,557.61	3,745.92	370,057.61	1,259,774.60
Licenses, Permits and Fees	22,209.00					4,087.50	26,296.50
Intergovernmental	331,256.43	212,731.82	2,968,383.26	165,479.03	39.14	15,293.49	3,693,183.17
Charges for Services	77,640.22					20,135.36	97,775.58
Miscellaneous	61,792.52	177.33	6,030.60	3,616.37		1,729.23	73,346.05
Total Revenues	1,119,165.03	212,909.15	3,124,560.46	278,653.01	3,785.06	411,303.19	5,150,375.90
Expenditures:							
Current:							
General Government	763,709.47					3,434.63	767,144.10
Public Safety	190,747.55					38,609.98	229,357.53
Highways and Public Improve.	165,552.91	242,652.06	3,065,622.46	181,245.96		55,377.88	3,710,451.27
Health and Welfare						190,856.31	190,856.31
Culture and Recreation	18,118.99					3,068.59	21,187.58
Conser. and Economic Dvlpmnt.	21,469.52					96,377.87	117,847.39
Other	41,232.73				70.75	31,042.99	72,346.47
Debt Service:							
Principal	21,705.00						21,705.00
Interest	902.53						902.53
Total Expenditures	1,223,438.70	242,652.06	3,065,622.46	181,245.96	70.75	418,768.25	5,131,798.18
Excess (Deficiency) of Revenues Over Expenditures	(104,273.67)	(29,742.91)	58,938.00	97,407.05	3,714.31	(7,465.06)	18,577.72
Other Financing Sources (Uses):							
Transfers In	152,685.63		63,227.40			9,000.00	224,913.03
Transfers Out	(9,000.00)			(133,283.97)		(82,629.06)	(224,913.03)
Total Other Financing Sources (Uses)	143,685.63		63,227.40	(133,283.97)		(73,629.06)	
Net Change in Fund Balances	39,411.96	(29,742.91)	122,165.40	(35,876.92)	3,714.31	(81,094.12)	18,577.72
Fund Balance - January 1	500,977.24	181,979.77	(57,365.21)	309,333.04	(54,103.29)	374,583.03	1,255,404.58
Fund Balance - December 31	540,389.20	152,236.86	64,800.19	273,456.12	(50,388.98)	293,488.91	1,273,982.30

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

SHERIDAN COUNTY
McClusky, North Dakota

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

Major Funds

	General	Highway Tax Distribution	Farm to Market Road	Road and Bridge - Unorganized	Social Security	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	173,221.77		141,065.59	127,472.90	201,041.90	538,119.22	1,180,921.38
Licenses, Permits and Fees	1,455.88					23,267.95	24,723.83
Intergovernmental	415,715.17	239,997.13	65,815.28	236,146.95	359.32	91,657.83	1,049,691.68
Charges for Services	16,942.86					78,389.82	95,332.68
Miscellaneous	58,584.40	20.50	7,314.00	81,642.69	886.40	8,424.87	156,872.86
Total Revenues	665,920.08	240,017.63	214,194.87	445,262.54	202,287.62	739,859.69	2,507,542.43
Expenditures:							
Current:							
General Government	416,399.96				205,553.35	128,275.29	750,228.60
Public Safety	86,737.22					96,945.67	183,682.89
Highways and Public Improve.		241,416.79	303,380.00	189,019.17		277,168.46	1,010,984.42
Health and Welfare						184,726.95	184,726.95
Culture and Recreation						21,129.06	21,129.06
Conser. and Economic Dvlpmnt.	18,047.92					108,827.66	126,875.58
Other	24,347.64					30,630.84	54,978.48
Capital Outlay	30,942.00						30,942.00
Debt Service:							
Principal	14,701.00						14,701.00
Interest	986.67						986.67
Total Expenditures	592,162.41	241,416.79	303,380.00	189,019.17	205,553.35	847,703.93	2,379,235.65
Excess (Deficiency) of Revenues Over Expenditures	73,757.67	(1,399.16)	(89,185.13)	256,243.37	(3,265.73)	(107,844.24)	128,306.78
Other Financing Sources (Uses):							
Transfers In			26,164.00			78,144.16	104,308.16
Transfers Out				(104,308.16)			(104,308.16)
Proceeds from Bank Note	20,100.00						20,100.00
Total Other Financing Sources (Uses)	20,100.00		26,164.00	(104,308.16)		78,144.16	20,100.00
Net Change in Fund Balances	93,857.67	(1,399.16)	(63,021.13)	151,935.21	(3,265.73)	(29,700.08)	148,406.78
Fund Balance - January 1	407,119.57	183,378.93	5,655.92	157,397.83	(50,837.56)	404,283.11	1,106,997.80
Fund Balance - December 31	500,977.24	181,979.77	(57,365.21)	309,333.04	(54,103.29)	374,583.03	1,255,404.58

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

SHERIDAN COUNTY
McClusky, 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 18,577.72

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

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(29,610.00)	(29,610.00)

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

Debt Proceeds	0.00	
Repayment of Debt	21,705.00	21,705.00

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 Decrease in Interest Payable	71.81	
Net Increase in Compensated Absences Payable	(4,777.59)	
Net Decrease to Pension Expense	2,547.00	(2,158.78)

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		19,677.29

Change in Net Position of Governmental Activities		28,191.23

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

SHERIDAN COUNTY
McClusky, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds 148,406.78

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	30,942.00	
Current Year Depreciation Expense	(29,612.00)	1,330.00

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	(20,100.00)	
Repayment of Debt	14,701.00	(5,399.00)

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 Decrease in Interest Payable	161.93	
Net Increase in Compensated Absences Payable	(4,222.49)	
Net Decrease to Pension Expense	1,383.00	(2,677.56)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Decrease in Taxes Receivable		(9,532.65)

Change in Net Position of Governmental Activities		132,127.57

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

SHERIDAN COUNTY
McClusky, North Dakota

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

	Agency Funds
<u>Assets:</u>	
Cash	375,965.38
	=====
<u>Liabilities:</u>	
Due to Other Governments	375,965.38
	=====

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

SHERIDAN COUNTY
McClusky, North Dakota

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

	Agency Funds
<u>Assets:</u>	
Cash	377,365.28
	=====
<u>Liabilities:</u>	
Due to Other Governments	377,365.28
	=====

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

SHERIDAN COUNTY
McClusky, North Dakota

Notes to the Financial Statements
December 31, 2016 and 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Sheridan 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 Sheridan 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 includes 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.

Sheridan County Water Resource District: The Sheridan 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 Sheridan County Auditor, 215 East 2nd Street, McClusky, ND 58463.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, Sheridan 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The county reports the following major governmental funds:

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

Highway Tax Distribution. This fund accounts for the highway tax distribution from the State of North Dakota to be used for the maintenance and repair of roads within the county.

Farm to Market Road. This fund accounts for a special levy and all financial resources related to the maintenance and repair of federal aid farm to market roads within the county.

Road & Bridge - Unorganized. This fund accounts for a special levy and various state funding used for the maintenance and repair of township roads within the county.

Social Security. This fund accounts for taxes levied for the purpose of paying the county's share of social security and medicare taxes. This levy has been discontinued as required by the North Dakota century code.

The county reports the following fund type:

Agency Funds. These funds account for assets held by the county in a custodial capacity as an agent on behalf of others. The county's agency funds are used to account for various deposits of other governments.

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

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the county as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of capital assets is not capitalized.

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

Buildings	30 to 100 years
Machinery and Vehicles	5 to 10 years

F. Compensated Absences

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

No liability is recorded for nonvesting accumulating rights to receive sick pay 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 city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

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

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

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

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

- * Committed
- * Assigned
- * Unassigned

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

J. Interfund Transactions

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

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

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

K. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2016 the county's carrying amount of deposits was \$1,929,905 and the bank balance was \$1,970,840. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$1,470,840 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2015 the county's carrying amount of deposits was \$1,976,268 and the bank balance was \$2,051,879. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$1,551,879 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

Concentration of Credit Risk

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

Note 3 ACCOUNTS RECEIVABLE

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

Note 4 TAXES RECEIVABLE

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

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

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

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

Note 5 INTERFUND RECEIVABLES/PAYABLES

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

	<u>Receivable</u> <u>Fund</u>	<u>Payable</u> <u>Fund</u>
<u>December 31, 2016</u>		
General Fund	53,759.44	
Social Security		50,388.98
County Park		1,556.75
Emergency 911		1,813.71
<u>December 31, 2015</u>		
General Fund	72,747.81	
Farm to Market		14,861.34
Social Security		54,103.29
County Park		1,742.70
Emergency 911		2,040.48

Note 6 CAPITAL ASSETS

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

December 31, 2016

	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings	407,508			407,508
Machinery & Vehicles	526,078			526,078
Total	933,586			933,586
<i>Less accumulated depreciation for:</i>				
Buildings	190,355	5,745		196,100
Machinery & Vehicles	454,209	23,865		478,074
Total	644,564	29,610		674,174
Governmental Activities Capital Assets, Net	289,022	(29,610)	-0-	259,412

December 31, 2015

	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings	407,508			407,508
Machinery & Vehicles	495,136	30,942		526,078
Total	902,644	30,942		933,586
<i>Less accumulated depreciation for:</i>				
Buildings	184,610	5,745		190,355
Machinery & Vehicles	430,342	23,867		454,209
Total	614,952	29,612		644,564
Governmental Activities Capital Assets, Net	287,692	1,330	-0-	289,022

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

	2016	2015
General Government	1,600	1,600
Public Safety	17,936	17,938
Highways and Public Improve.	6,029	6,029
Culture and Recreation	1,754	1,754
Conservation & Economic Dev.	2,291	2,291
Total Depreciation Expense	29,610	29,612

Note 7 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to December 31, 2016 and 2015.

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 and include taxes receivable and prepaid property taxes.

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

Note 9 OPERATING LEASES

The county has entered into rental agreements with RDO Equipment Co. for (4) 772G motor graders. These agreements are considered, for accounting purposes, to be operating leases. Lease expenditures were \$102,380.94 for the years ending December 31, 2016 and 2015. The future lease payments are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2017	102,380.94
2018	55,972.80
Total Payments	<u>158,353.74</u> =====

Note 10 LONG-TERM DEBT

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

	<u>2016</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Bank Notes	50,047		21,705	28,342	13,988
Comp. Absences *	38,546	4,777		43,323	
Total	<u>88,593</u>	<u>4,777</u>	<u>7,045</u>	<u>71,665</u>	<u>13,988</u>
	=====	=====	=====	=====	=====

	<u>2015</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Bank Notes	44,648	20,100	14,701	50,047	21,705
Comp. Absences *	34,323	4,223		38,546	
Total	<u>78,971</u>	<u>24,323</u>	<u>14,701</u>	<u>88,593</u>	<u>21,705</u>
	=====	=====	=====	=====	=====

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

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:

Bank Notes Payable. The county has taken out bank notes to provide funds for the purchase of a 2014 Ford Expedition and a 2016 Ford Expedition.

\$29,760.00 note payable with North Country Bank, due in annual installments of \$7,830.73 through January 15, 2018 interest is at 2.5%.	15,093.00
\$20,100.00 note payable with North Country Bank, due in annual installments of \$6,919.86 through January 20, 2018 interest is at 2.9%.	13,249.00
Total Bank Notes Payable	<u>28,342.00</u> =====

The annual requirements to amortize the outstanding bank notes payable are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	13,988.00	762.59
2018	14,354.00	396.59
Total	<u>28,342.00</u> =====	<u>1,159.18</u> =====

Note 11 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2016</u>		
General Fund	19,401.66	
Health Insurance		12,909.31
Insurance Reserve		3,064.23
Advertising		3,428.12

To consolidate funds with discontinued levies.

General Fund	133,283.97	
Road & Bridge - Unorganized		133,283.97

To reimburse for roadwork done on unorganized township roads.

Farm to Market Roads	63,227.40	
County Road and Bridge		63,227.40
Civil Defense	4,000.00	
Emergency 911	5,000.00	
General Fund		9,000.00

To subsidize expenditures.

December 31, 2015

Farm to Market Roads	26,164.00	
County Road and Bridge	78,144.16	
Road & Bridge - Unorganized		104,308.16

To subsidize expenditures.

Note 12 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31:

	<u>2016</u>	<u>2015</u>
<u>Special Revenue Funds</u>		
Farm to Market Road		(57,365.21)
Social Security	(50,388.98)	(54,103.29)
County Agent	(4,534.13)	(1,564.73)
County Park	(1,556.75)	(1,742.70)
Emergency 911	(1,813.71)	(2,040.48)
<u>Agency Fund</u>		
MHMP Grant Expenses	(18,600.00)	
BCI		(24,358.77)

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

Note 13 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the Sheridan County Senior Citizens and Sheridan County Historical Society. However, the county's accountability for these entities does not extend beyond levying the tax. In 2016 and 2015, the county remitted \$22,811.31 and \$21,178.54 to the senior citizens and \$3,066.52 and \$2,733.61 to the historical society, respectively.

Note 14 RISK MANAGEMENT

Sheridan 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, \$1,000,000 for automobile and \$1,477,231 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 PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At December 31, 2016, Sheridan County reported a liability of \$403,583 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 .059352 percent, which was an increase of .000833 from its proportion measured as of June 30, 2014.

For the year ended December 31, 2016 the county recognized pension expense of \$39,965. 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	11,708	
Changes in assumptions		35,957
Net difference between projected and actual earnings on pension plan investments	46,633	55,153
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,433	
County contributions subsequent to the measurement date (see below)	43,621	
Total	----- 109,395 -----	----- 91,110 -----

\$43,621 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

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

Year ended June 30: -----	
2017	(9,434)
2018	(9,434)
2019	(9,434)
2020	8,170
2021	(5,192)
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 city's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the county's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
	-----	-----	-----
The county's proportionate share of the net pension liability	618,875	403,583	227,436

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

Note 16 PRIOR PERIOD ADJUSTMENT

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

SHERIDAN COUNTY
McClusky, 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	630,484.98	630,484.98	626,266.86	(4,218.12)
Licenses, Permits and Fees	13,900.00	13,900.00	22,209.00	8,309.00
Intergovernmental	414,818.00	414,818.00	331,256.43	(83,561.57)
Charges for Services	93,500.00	93,500.00	77,640.22	(15,859.78)
Miscellaneous	59,239.92	59,239.92	61,792.52	2,552.60
Total Revenues	1,211,942.90	1,211,942.90	1,119,165.03	(92,777.87)
Expenditures:				
Current:				
General Government	762,522.87	762,522.87	763,709.47	(1,186.60)
Public Safety	220,928.33	220,928.33	190,747.55	30,180.78
Highways and Public Improve.	122,900.00	122,900.00	165,552.91	(42,652.91)
Health and Welfare	25,000.00	25,000.00		25,000.00
Culture and Recreation	12,584.00	12,584.00	18,118.99	(5,534.99)
Conser. and Economic Dvlpmnt.	27,188.70	27,188.70	21,469.52	5,719.18
Other	17,150.00	17,150.00	41,232.73	(24,082.73)
Capital Outlay	135,000.00	135,000.00		135,000.00
Debt Service:				
Principal			21,705.00	(21,705.00)
Interest			902.53	(902.53)
Total Expenditures	1,323,273.90	1,323,273.90	1,223,438.70	99,835.20
Excess (Deficiency) of Revenues Over Expenditures	(111,331.00)	(111,331.00)	(104,273.67)	7,057.33
Other Financing Sources (Uses):				
Transfers In	124,331.00	124,331.00	152,685.63	28,354.63
Transfers Out	(13,000.00)	(13,000.00)	(9,000.00)	4,000.00
Total Other Financing Sources (Uses)	111,331.00	111,331.00	143,685.63	32,354.63
Net Change in Fund Balances			39,411.96	39,411.96
Fund Balance - January 1	500,977.24	500,977.24	500,977.24	
Fund Balance - December 31	500,977.24	500,977.24	540,389.20	39,411.96

SHERIDAN COUNTY
McClusky, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	196,392.50	196,392.50	173,221.77	(23,170.73)
Licenses, Permits and Fees	1,012.00	1,012.00	1,455.88	443.88
Intergovernmental	434,653.76	434,653.76	415,715.17	(18,938.59)
Charges for Services	19,700.00	19,700.00	16,942.86	(2,757.14)
Miscellaneous	60,698.96	60,698.96	58,584.40	(2,114.56)
Total Revenues	712,457.22	712,457.22	665,920.08	(46,537.14)
Expenditures:				
Current:				
General Government	409,576.57	409,576.57	416,399.96	(6,823.39)
Public Safety	112,010.65	112,010.65	86,737.22	25,273.43
Health and Welfare	10,000.00	10,000.00		10,000.00
Conser. and Economic Dvlpmnt.	19,100.00	19,100.00	18,047.92	1,052.08
Other	15,870.00	15,870.00	24,347.64	(8,477.64)
Capital Outlay			30,942.00	(30,942.00)
Debt Service:				
Principal			14,701.00	(14,701.00)
Interest			986.67	(986.67)
Total Expenditures	566,557.22	566,557.22	592,162.41	(25,605.19)
Excess (Deficiency) of Revenues Over Expenditures	145,900.00	145,900.00	73,757.67	(72,142.33)
Other Financing Sources (Uses):				
Transfers In	145,000.00	145,000.00		(145,000.00)
Transfers Out	(113,000.00)	(113,000.00)		113,000.00
Proceeds from Bank Note			20,100.00	20,100.00
Total Other Financing Sources (Uses)	32,000.00	32,000.00	20,100.00	(11,900.00)
Net Change in Fund Balances	177,900.00	177,900.00	93,857.67	(84,042.33)
Fund Balance - January 1	407,119.57	407,119.57	407,119.57	
Fund Balance - December 31	585,019.57	585,019.57	500,977.24	(84,042.33)

SHERIDAN COUNTY
McClusky, North Dakota

Budgetary Comparison Schedule
Highway Tax Distribution Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	263,278.00	263,278.00	212,731.82	(50,546.18)
Miscellaneous	10.00	10.00	177.33	167.33
Total Revenues	263,288.00	263,288.00	212,909.15	(50,378.85)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	264,000.00	264,000.00	242,652.06	21,347.94
Net Change in Fund Balances	(712.00)	(712.00)	(29,742.91)	(29,030.91)
Fund Balance - January 1	181,979.77	181,979.77	181,979.77	
Fund Balance - December 31	181,267.77	181,267.77	152,236.86	(29,030.91)

SHERIDAN COUNTY
McClusky, North Dakota

Budgetary Comparison Schedule
Highway Tax Distribution Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	251,298.00	251,298.00	239,997.13	(11,300.87)
Miscellaneous	10.00	10.00	20.50	10.50
Total Revenues	251,308.00	251,308.00	240,017.63	(11,290.37)
Expenditures:				
Current:				
Highways and Public Improve.	263,750.00	263,750.00	241,416.79	22,333.21
Net Change in Fund Balances	(12,442.00)	(12,442.00)	(1,399.16)	11,042.84
Fund Balance - January 1	183,378.93	183,378.93	183,378.93	
Fund Balance - December 31	170,936.93	170,936.93	181,979.77	11,042.84

SHERIDAN COUNTY
McClusky, North Dakota

Budgetary Comparison Schedule
Farm to Market Road Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	179,750.00	179,750.00	150,146.60	(29,603.40)
Intergovernmental	2,920,013.00	2,920,013.00	2,968,383.26	48,370.26
Miscellaneous	20,000.00	20,000.00	6,030.60	(13,969.40)
Total Revenues	3,119,763.00	3,119,763.00	3,124,560.46	4,797.46
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	3,026,245.00	3,065,545.00	3,065,622.46	(77.46)
Excess (Deficiency) of Revenues Over Expenditures	93,518.00	54,218.00	58,938.00	4,720.00
<u>Other Financing Sources:</u>				
Transfers In	40,000.00	40,000.00	63,227.40	23,227.40
Net Change in Fund Balances	133,518.00	94,218.00	122,165.40	27,947.40
Fund Balance - January 1	(57,365.21)	(57,365.21)	(57,365.21)	
Fund Balance - December 31	76,152.79	36,852.79	64,800.19	27,947.40

SHERIDAN COUNTY
McClusky, North Dakota

Budgetary Comparison Schedule
Farm to Market Road Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	364,850.00	364,850.00	141,065.59	(223,784.41)
Intergovernmental	1,837,757.00	1,837,757.00	65,815.28	(1,771,941.72)
Miscellaneous			7,314.00	7,314.00
Total Revenues	2,202,607.00	2,202,607.00	214,194.87	(1,988,412.13)
Expenditures:				
Current:				
Highways and Public Improve.	2,202,607.00	2,202,607.00	303,380.00	1,899,227.00
Excess (Deficiency) of Revenues Over Expenditures			(89,185.13)	(89,185.13)
Other Financing Sources:				
Tansfers In	40,000.00	40,000.00	26,164.00	(13,836.00)
Net Change in Fund Balances	40,000.00	40,000.00	(63,021.13)	(103,021.13)
Fund Balance - January 1	5,655.92	5,655.92	5,655.92	
Fund Balance - December 31	45,655.92	45,655.92	(57,365.21)	(103,021.13)

SHERIDAN COUNTY
McClusky, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	146,850.00	146,850.00	109,557.61	(37,292.39)
Intergovernmental	178,150.00	178,150.00	165,479.03	(12,670.97)
Miscellaneous			3,616.37	3,616.37
Total Revenues	325,000.00	325,000.00	278,653.01	(46,346.99)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	325,000.00	325,000.00	181,245.96	143,754.04
Excess (Deficiency) of Revenues Over Expenditures			97,407.05	97,407.05
<u>Other Financing (Uses):</u>				
Transfers Out	(120,000.00)	(120,000.00)	(133,283.97)	(13,283.97)
Net Change in Fund Balances	(120,000.00)	(120,000.00)	(35,876.92)	84,123.08
Fund Balance - January 1	309,333.04	309,333.04	309,333.04	
Fund Balance - December 31	189,333.04	189,333.04	273,456.12	84,123.08

SHERIDAN COUNTY
McClusky, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	198,900.00	198,900.00	127,472.90	(71,427.10)
Intergovernmental	386,100.00	386,100.00	236,146.95	(149,953.05)
Miscellaneous			81,642.69	81,642.69
Total Revenues	585,000.00	585,000.00	445,262.54	(139,737.46)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	440,000.00	440,000.00	189,019.17	250,980.83
Excess (Deficiency) of Revenues Over Expenditures	145,000.00	145,000.00	256,243.37	111,243.37
<u>Other Financing (Uses):</u>				
Transfers Out	(145,000.00)	(145,000.00)	(104,308.16)	40,691.84
Net Change in Fund Balances			151,935.21	151,935.21
Fund Balance - January 1	157,397.83	157,397.83	157,397.83	
Fund Balance - December 31	157,397.83	157,397.83	309,333.04	151,935.21

SHERIDAN COUNTY
McClusky, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	203,357.46	203,357.46	201,041.90	(2,315.56)
Intergovernmental	240.00	240.00	359.32	119.32
Miscellaneous			886.40	886.40
Total Revenues	203,597.46	203,597.46	202,287.62	(1,309.84)
<u>Expenditures:</u>				
Current:				
General Government	233,597.46	233,597.46	205,553.35	28,044.11
Excess (Deficiency) of Revenues Over Expenditures	(30,000.00)	(30,000.00)	(3,265.73)	26,734.27
<u>Other Financing Sources:</u>				
Transfers In	30,000.00	30,000.00		(30,000.00)
Net Change in Fund Balances			(3,265.73)	(3,265.73)
Fund Balance - January 1	(50,837.56)	(50,837.56)	(50,837.56)	
Fund Balance - December 31	(50,837.56)	(50,837.56)	(54,103.29)	(3,265.73)

SHERIDAN COUNTY
McClusky, North Dakota

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

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

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

December 31, 2016

	Original Budget	Amendment	Amended Budget
	<u>Appropriations</u>		
<u>Special Revenue Funds</u>			
Farm to Market Road	3,026,245	39,300	3,065,545
Emergency 911	21,146	2,554	23,700

December 31, 2015

	Original Budget	Amendment	Amended Budget
	<u>Appropriations</u>		
<u>Special Revenue Fund</u>			
County Agent	39,069	1,806	40,875

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31:

	<u>2016</u>	<u>2015</u>
General Fund		25,605.19
<u>Special Revenue Funds</u>		
Farm to Market Road	77.46	
Highway Tax Distribution		
Unorganized Road & Bridge		
+ Social Security	70.75	
+ County Road and Bridge	171.39	
+ Advertising	.95	
County Agent		6.53
+ County Park	2.07	
Senior Citizens Services	4,811.31	4,178.54
+ Insurance Reserve	11.39	
+ Health Insurance	30.63	
+ County Corrections	7,082.96	
* Document Preservation	3,422.29	2,170.18
* 2011 FEMA	55,206.49	58,655.91
* 2013 FEMA		47,093.74

* A budget was not prepared for these funds for the years ended December 31, 2016 and 2015.

+ A budget was not prepared for this fund for the year ending December 31, 2016 as the county had discontinued the levy during the prior year.

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

SHERIDAN COUNTY
McClusky, 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	0.058519%	0.059352%
County's proportionate share of the net pension liability	371,433	403,583
County's covered-employee payroll	549,243	603,119
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.63%	66.92%
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	36,413	42,942
Contributions in relation to the statutorily required contribution	(36,413)	(42,942)
Contribution deficiency (excess)	0	0
County's covered-employee payroll	549,243	603,119
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.

SHERIDAN COUNTY
McClusky, 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	677,155.77	1,083,488.18	152,685.63	9,000.00	1,223,438.70	680,890.88
Highway Tax Distribution	181,979.77	212,909.15			242,652.06	152,236.86
Farm to Market Road	(14,861.34)	3,119,465.57	63,227.40		3,065,622.46	102,209.17
Road and Bridge - Unorganized	338,906.56	275,409.20		133,283.97	181,245.96	299,785.83
Social Security	(54,103.29)	3,785.06			70.75	(50,388.98)
Total Major Governmental Funds	1,129,077.47	4,695,057.16	215,913.03	142,283.97	4,713,029.93	1,184,733.76
Non-Major Governmental Funds:						
County Road and Bridge	63,227.40	1,115.25		63,227.40	171.39	943.86
Human Services	63,542.49	210,149.35			191,002.61	82,689.23
Emergency Fund	117,106.86	12,088.57			8.82	129,186.61
Veteran's Service Officer	6,097.60	11,230.48			8,045.93	9,282.15
Advertising	3,428.12	52.29		3,428.12	0.95	51.34
County Agent	11,965.68	46,668.24			51,290.68	7,343.24
Weed Control	77,002.45	53,181.53			45,087.19	85,096.79
Grasshopper	601.14					601.14
Civil Defense	611.54	4,720.40	4,000.00		7,858.31	1,473.63
County Park	(1,742.70)	188.02			2.07	(1,556.75)
Senior Citizens Services	3,600.51	22,417.10			22,811.31	3,206.30
Insurance Reserve	3,064.23	631.12		3,064.23	11.39	619.73
Health Insurance	12,909.31	1,768.23		12,909.31	30.63	1,737.60
Emergency 911	(2,040.48)	18,895.48	5,000.00		23,668.71	(1,813.71)
County Corrections	7,062.32	1,334.98			7,082.96	1,314.34
Document Preservation	14,544.26	4,087.50			3,422.29	15,209.47
Historical Society	899.23	3,019.37			3,066.52	852.08
2011 FEMA	55,206.49				55,206.49	
2013 FEMA	33,475.46					33,475.46
Total Non-Major Governmental Funds	470,561.91	391,547.91	9,000.00	82,629.06	418,768.25	369,712.51
Total Governmental Funds	1,599,639.38	5,086,605.07	224,913.03	224,913.03	5,131,798.18	1,554,446.27
Agency Funds:						
State Tax	3,555.21	12,232.79			12,623.22	3,164.78
Garrison Diversion Conservancy	3,555.21	31,564.14			31,954.56	3,164.79
Taxes Paid Under Protest	676.09	4,415.34			2,889.60	2,201.83
Payroll Deductions	2,359.66				1,202.70	1,156.96
Game and Fish	1,327.00	1,138.00			2,465.00	
Mobile Home Tax	1,358.36	1,310.30			2,668.66	
Childrens Services	1,688.31	8,997.62			6,109.58	4,576.35
Tax Estimate Deposits	1,773.03	2,101.68			3,874.71	

(continued)

SHERIDAN COUNTY
McClusky, 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
Agency Funds (cont.):						
Domestic Violence		245.00			245.00	
Soil Conservation District	6,231.34	23,045.67			23,416.62	5,860.39
Automation Trust	5,980.14	1,250.00				7,230.14
Gravel Royalties	60.80	2,160.00			2,172.00	48.80
Victim Witness	225.00	775.00			850.00	150.00
Sheriff Forfeitures	11,787.07					11,787.07
Asset Forfeiture Distribution	49,062.56	645.60				49,708.16
District Health Unit	3,008.09	27,108.02			28,028.73	2,087.38
E Dispatches		2,268.00			1,134.00	1,134.00
MHMP Grant Expenses					18,600.00	(18,600.00)
BCI	(24,358.77)	48,401.69			748.00	23,294.92
24/7 Fees	1,028.60	900.00			684.20	1,244.40
City Share of Health Insurance	715.16	9,988.52			9,880.32	823.36
Hazardous Chem. Prep & Response	1,010.88					1,010.88
County Extension	3,496.89	883.50			4,380.39	
County Extension Fees		8,687.20			5,050.08	3,637.12
Veteran's Van Service		7,475.80			7,460.75	15.05
Total Cities	13,151.84	48,217.33			52,884.75	8,484.42
Total City Park Districts	3,860.94	16,152.70			17,624.37	2,389.27
Total School Districts	240,954.95	873,671.95			901,570.42	213,056.48
Total Townships	17,217.39	221,976.40			222,927.81	16,265.98
Water Resource District	1,798.87	6,122.34			6,319.39	1,601.82
Total Rural Fire Districts	16,421.77	66,259.83			67,663.96	15,017.64
McClusky Ambulance District	9,418.89	35,556.96			29,522.46	15,453.39
Total Agency Funds	377,365.28	1,463,551.38			1,464,951.28	375,965.38
Total Primary Government	1,977,004.66	6,550,156.45	224,913.03	224,913.03	6,596,749.46	1,930,411.65
Discretely Presented						
Component Unit:						
Water Resource District	69,859.25	7,531.57			4,038.35	73,352.47
Total Reporting Entity	2,046,863.91	6,557,688.02	224,913.03	224,913.03	6,600,787.81	2,003,764.12

SHERIDAN COUNTY
McClusky, North Dakota

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

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
Major Governmental Funds:						
General Fund	453,512.57	795,705.61			572,062.41	677,155.77
Highway Tax Distribution	183,378.93	240,017.63			241,416.79	181,979.77
Farm to Market Road	46,772.41	215,582.25	26,164.00		303,380.00	(14,861.34)
Road and Bridge - Unorganized	187,472.25	444,761.64		104,308.16	189,019.17	338,906.56
Social Security	7,890.47	143,559.59			205,553.35	(54,103.29)
Total Major Governmental Funds	879,026.63	1,839,626.72	26,164.00	104,308.16	1,511,431.72	1,129,077.47
Non-Major Governmental Funds:						
County Road and Bridge	68,133.26	88,368.79	78,144.16		171,418.81	63,227.40
Human Services	56,543.45	191,781.15			184,782.11	63,542.49
Emergency Fund	105,066.25	12,044.13			3.52	117,106.86
Veteran's Service Officer	4,959.16	10,505.81			9,367.37	6,097.60
Advertising	5,392.76	1,912.80			3,877.44	3,428.12
County Agent	17,510.31	35,336.90			40,881.53	11,965.68
Weed Control	83,189.69	61,758.89			67,946.13	77,002.45
Grasshopper	601.14					601.14
Civil Defense	4,331.40	4,209.90			7,929.76	611.54
County Park	(4,921.83)	21,574.58			18,395.45	(1,742.70)
Senior Citizens Services	3,562.05	21,217.00			21,178.54	3,600.51
Insurance Reserve	10,207.84	27,562.72			34,706.33	3,064.23
Health Insurance	38,372.74	62,084.16			87,547.59	12,909.31
Emergency 911	4,464.47	18,406.25			24,911.20	(2,040.48)
County Corrections	27,118.35	44,048.68			64,104.71	7,062.32
Document Preservation	10,773.69	5,940.75			2,170.18	14,544.26
Historical Society	821.96	2,810.88			2,733.61	899.23
2011 FEMA	67,345.79	46,516.61			58,655.91	55,206.49
2013 FEMA	49,649.04	30,920.16			47,093.74	33,475.46
Total Non-Major Governmental Funds	553,121.52	687,000.16	78,144.16		847,703.93	470,561.91
Total Governmental Funds	1,432,148.15	2,526,626.88	104,308.16	104,308.16	2,359,135.65	1,599,639.38
Agency Funds:						
State Tax	3,506.00	12,036.78			11,987.57	3,555.21
Garrison Diversion Conservancy	3,503.37	16,991.52			16,939.68	3,555.21
Taxes Paid Under Protest		3,782.81			3,106.72	676.09
Payroll Deductions	1,584.21	775.45				2,359.66
Game and Fish	5,020.00	10,057.00			13,750.00	1,327.00
Mobile Home Tax	1,253.82	1,258.57			1,154.03	1,358.36
Childrens Services	2,263.87	3,472.70			4,048.26	1,688.31
Tax Estimate Deposits	2,752.97	1,741.31			2,721.25	1,773.03
Domestic Violence		105.00			105.00	

(continued)

SHERIDAN COUNTY
McClusky, North Dakota

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

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
Agency Funds (cont.):						
Soil Conservation District	6,305.84	23,348.84			23,423.34	6,231.34
Automation Trust	5,247.64	1,736.00			1,003.50	5,980.14
Gravel Royalties	72.00	712.80			724.00	60.80
Victim Witness	75.00	1,015.00			865.00	225.00
Sheriff Forfeitures	11,407.07	380.00				11,787.07
Asset Forfeiture Distribution	13,122.40	71,965.46			36,025.30	49,062.56
District Health Unit	3,397.33	26,674.90			27,064.14	3,008.09
E Dispatches	(283.50)	2,551.50			2,268.00	
Policing Services	(310.00)	350.00			40.00	
BCI	(22,729.34)	56,975.14			58,604.57	(24,358.77)
24/7 Fees		2,580.00			1,551.40	1,028.60
City Share of Health Insurance	69.24	11,168.88			10,522.96	715.16
Hazardous Chem. Prep & Response	1,531.18	212.50			732.80	1,010.88
County Extension	3,705.74	3,012.31			3,221.16	3,496.89
Total Cities	11,053.76	55,559.80			53,461.72	13,151.84
Total City Park Districts	3,794.64	17,147.24			17,080.94	3,860.94
Total School Districts	242,382.63	870,940.17			872,367.85	240,954.95
Total Townships	16,182.08	308,578.11			307,542.80	17,217.39
Water Resource District	1,678.19	5,785.00			5,664.32	1,798.87
Total Rural Fire Districts	16,841.82	67,725.66			68,145.71	16,421.77
McClusky Ambulance District	9,491.88	27,715.04			27,788.03	9,418.89
Total Agency Funds	342,919.84	1,606,355.49			1,571,910.05	377,365.28
Total Primary Government	1,775,067.99	4,132,982.37	104,308.16	104,308.16	3,931,045.70	1,977,004.66
Discretely Presented						
Component Unit:						
Water Resource District	68,085.71	5,883.23			4,109.69	69,859.25
Total Reporting Entity	1,843,153.70	4,138,865.60	104,308.16	104,308.16	3,935,155.39	2,046,863.91

Rath & Mehrer, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Sheridan County
McClusky, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit each major fund and the aggregate remaining fund information of Sheridan County, McClusky, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated May 26, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 26, 2017

SHERIDAN COUNTY
McClusky, North Dakota

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

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Major Governmental 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

SECTION II - FINANCIAL STATEMENT FINDINGS:

No matters were reported