



Bottineau County

Bottineau, North Dakota

Audit Report

For the Year Ended December 31, 2016

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

BOTTINEAU COUNTY
Bottineau, North Dakota

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For the Year Ended December 31, 2016

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BOTTINEAU COUNTY
Bottineau, North Dakota

COUNTY OFFICIALS

At December 31, 2016

Lance Kjelshus

Commissioner - Chairman

Daniel Marquardt
Charlie Adams
LeRoy Rude
Jeff Beyer

Commissioner - Vice-Chairman
Commissioner
Commissioner
Commissioner

Lisa Herbel
Ann Monson
Steve Watson
Bobbi Milbrath
Rhonda Langehaug
A. Swain Benson, Sr.

Auditor
Treasurer
Sheriff
Recorder
Clerk of Court
State's Attorney



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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Bottineau County
Bottineau, North Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

BOTTINEAU COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and notes to the required supplementary information* on pages 32-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2017 on our consideration of Bottineau 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 Bottineau County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

August 7, 2017

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF NET POSITION
December 31, 2016

	Primary Governmental Activities	Component Units
ASSETS:		
Cash and Investments	\$ 9,493,347	\$ 189,898
Intergovernmental Receivable	403,676	44,916
Accounts Receivable	40,998	11,930
Loan Drawdown Receivable	262,220	-
Interest Receivable	7,070	-
Taxes Receivable	82,850	4,606
Road Receivables	299,994	-
Special Assessments Receivable	-	6,668
Long-Term Receivable		
Uncertified Special Assessments Receivable	-	101,039
Capital Assets (not being depreciated):		
Land	155,004	-
Intangibles	174,434	-
Construction in Progress	8,549,754	200,763
Capital Assets (being depreciated):		
Furniture and Equipment	53,185	-
Vehicles and Equipment	2,849,102	309,603
Buildings	1,365,560	-
Infrastructure	37,829,248	1,348,917
Total Capital Assets	<u>\$ 50,976,287</u>	<u>\$ 1,859,283</u>
Total Assets	<u>\$ 61,566,442</u>	<u>\$ 2,218,340</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	<u>\$ 987,094</u>	<u>\$ -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 62,553,536</u>	<u>\$ 2,218,340</u>
LIABILITIES:		
Accounts Payable	\$ 326,424	\$ 237,402
Salaries Payable	8,880	-
Payroll Liability	-	2,123
Grants Received in Advance	318,085	-
Retainages Payable	337,585	13,242
Interest Payable	18,729	-
Long-Term Liabilities:		
Due Within One Year:		
Capital Leases Payable	557,672	-
Compensated Absences Payable	43,232	-
Due After One Year:		
Capital Leases Payable	973,377	-
Loans Payable	1,300,657	1,601,200
Compensated Absences Payable	389,092	-
Net Pension Liability	2,991,478	-
Total Liabilities	<u>\$ 7,265,211</u>	<u>\$ 1,853,967</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	<u>\$ 272,818</u>	<u>\$ -</u>
Total Liabilities and Deferred Intflows of Resources	<u>\$ 7,538,029</u>	<u>\$ 1,853,967</u>
NET POSITION:		
Net investment in capital assets	\$ 48,144,581	\$ -
Restricted for:		
Capital Projects	490,679	-
Highways	5,178,465	-
Culture and Recreation	125,111	-
Conservation of Natural Resources	258,072	364,373
Emergencies	519,626	-
Unrestricted	<u>298,973</u>	<u>-</u>
Total Net Position	<u>\$ 55,015,507</u>	<u>\$ 364,373</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	\$ 3,715,120	\$ 229,080	\$ 118,956	\$ -	\$ (3,367,084)	\$ -
Public Safety	137,600	648,089	-	-	510,489	-
Highways	4,918,487	781,055	2,412,121	5,537,918	3,812,607	-
Flood Repair	3,653	-	84,195	-	80,542	-
Health and Welfare	978,315	515	206,858	-	(770,942)	-
Culture and Recreation	365,404	17,091	109,615	-	(238,698)	-
Conserv. of Natural Resources	345,324	-	-	-	(345,324)	-
Emergency	668	-	-	-	(668)	-
Other	7,375	-	-	-	(7,375)	-
Interest Expense on Long-Term Debt	48,256	-	-	-	(48,256)	-
Total Primary Government	\$ 10,520,202	\$ 1,675,830	\$ 2,931,745	\$ 5,537,918	\$ (374,709)	\$ -
Total Component Units	\$ 616,191	\$ 18,990	\$ 507,507	\$ -	\$ -	\$ (89,694)
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes					\$ 1,634,500	\$ 200,338
Property taxes; levied for special purposes					1,835,026	-
Non Restricted Grants and Contributions					614,761	-
Earnings on Investments					50,193	3,466
Miscellaneous Revenue					156,975	42,276
Total General Revenues					\$ 4,291,455	\$ 246,080
Change in Net Position					\$ 3,916,746	\$ 156,386
Net Position - January 1					\$ 51,315,710	\$ 171,399
Prior Period Adjustment					(216,949)	36,588
Net Position - January 1, as restated					\$ 51,098,761	\$ 207,987
Net Position - December 31					\$ 55,015,507	\$ 364,373

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	Major Funds						2016 Certificate Fund	Other Governmental Funds	Total Governmental Funds
	General	Farm to Market Blacktop	County Road & Bridge	Misc. Road	Oil Impact	FEMA			
ASSETS									
Cash and Investments	\$ 1,411,079	\$ 2,079,462	\$ 1,133,311	\$ 1,360,929	\$ -	\$ 318,085	\$ 492,424	\$ 2,698,057	\$ 9,493,347
Intergovernmental Receivable	111,468	-	121,857	-	59,008	-	-	111,343	403,676
Accounts Receivable	36,388	-	-	-	-	-	-	4,610	40,998
Loan Drawdown Receivable	-	-	-	-	-	-	262,220	-	262,220
Interest Receivable	-	-	-	-	-	-	-	7,070	7,070
Taxes Receivable	37,677	13,045	326	-	-	-	-	31,802	82,850
Road Receivables	-	-	299,994	-	-	-	-	-	299,994
Due from Other Funds	77,564	-	-	-	-	-	-	-	77,564
Total Assets	\$ 1,674,176	\$ 2,092,507	\$ 1,555,488	\$ 1,360,929	\$ 59,008	\$ 318,085	\$ 754,644	\$ 2,852,882	\$ 10,667,719
LIABILITIES, FUND BALANCE, AND DEFERRED INFLOWS OF RESOURCES									
Liabilities:									
Accounts Payable	\$ 1,084	\$ -	\$ 28,385	\$ -	\$ -	\$ -	\$ 263,965	\$ 32,990	\$ 326,424
Salaries Payable	1,732	-	7,148	-	-	-	-	-	8,880
Grants Received in Advance	-	-	-	-	-	318,085	-	-	318,085
Due to Other Funds	-	-	-	-	59,008	-	-	18,556	77,564
Total Liabilities	\$ 2,816	\$ -	\$ 35,533	\$ -	\$ 59,008	\$ 318,085	\$ 263,965	\$ 51,546	\$ 730,953
Deferred Inflows of Resources:									
Taxes Receivable	\$ 37,677	\$ 13,045	\$ 326	\$ -	\$ -	\$ -	\$ -	\$ 31,802	\$ 82,850
Road Receivables	-	-	299,994	-	-	-	-	-	299,994
Total Deferred Inflows of Resources	\$ 37,677	\$ 13,045	\$ 300,320	\$ -	\$ -	\$ -	\$ -	\$ 31,802	\$ 382,844
Total Liabilities and Deferred Inflows of Resources	\$ 40,493	\$ 13,045	\$ 335,853	\$ -	\$ 59,008	\$ 318,085	\$ 263,965	\$ 83,348	\$ 1,113,797
Fund Balances:									
Restricted for:									
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,908	\$ 181,908
Highways	-	2,079,462	1,219,635	-	-	-	-	1,160,161	4,459,258
Health and Welfare	-	-	-	-	-	-	-	109,497	109,497
Culture and Recreation	-	-	-	-	-	-	-	177,158	177,158
Conservation of Natural Resources	-	-	-	-	-	-	-	277,425	277,425
Emergency	-	-	-	-	-	-	-	532,005	532,005
General Government	-	-	-	-	-	-	-	349,936	349,936
Capital Projects	-	-	-	-	-	-	490,679	-	490,679
Committed for:									
Highways & Public Improvement	-	-	-	1,360,929	-	-	-	-	1,360,929
Unassigned	1,633,683	-	-	-	-	-	-	(18,556)	1,615,127
Total Fund Balances	\$ 1,633,683	\$ 2,079,462	\$ 1,219,635	\$ 1,360,929	\$ -	\$ -	\$ 490,679	\$ 2,769,534	\$ 9,553,922
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,674,176	\$ 2,092,507	\$ 1,555,488	\$ 1,360,929	\$ 59,008	\$ 318,085	\$ 754,644	\$ 2,852,882	\$ 10,667,719

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

BOTTINEAU COUNTY
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2016

Total *Fund Balances* for Governmental Funds \$ 9,553,922

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	\$ 72,157,879	
Less: Accumulated Depreciation	<u>(21,181,592)</u>	50,976,287

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resource in the funds. 82,850

Road receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds. 299,994

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

Deferred Outflows Related to Pensions	\$ 987,094	
Deferred Inflows Related to Pensions	<u>(272,818)</u>	714,276

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

Capital Leases Payable	\$ (1,531,049)	
Loans Payable	(1,300,657)	
Interest Payable	(18,729)	
Retainage Payable	(432,324)	
Compensated Absences	(337,585)	
Net Pension Liability	<u>(2,991,478)</u>	<u>(6,611,822)</u>

Total Net Position of Governmental Activities \$ 55,015,507

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Major Funds						2016 Certificate Fund	Other Governmental Funds	Total Governmental Funds
	General	Farm to Market Blacktop	County Road & Bridge	Misc. Road	Oil Impact	FEMA			
Revenues:									
Taxes	\$ 1,615,693	\$ 538,305	\$ 18,919	\$ -	\$ -	\$ -	\$ -	\$ 1,294,249	\$ 3,467,166
Intergovernmental	965,809	40,166	580,065	-	5,622,587	84,195	85,400	1,810,701	9,188,923
Charges for Services	617,513	-	-	675,024	-	-	-	208,753	1,501,290
Licenses, Permits and Fees	5,688	-	-	-	-	-	-	-	5,688
Interest Income	-	-	-	-	-	-	-	50,193	50,193
Miscellaneous	110,749	-	4,679	11,058	-	-	-	30,489	156,975
Total Revenues	\$ 3,315,452	\$ 578,471	\$ 603,663	\$ 686,082	\$ 5,622,587	\$ 84,195	\$ 85,400	\$ 3,394,385	\$ 14,370,235
Expenditures:									
Current:									
General Government	\$ 2,123,727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,538,692	\$ 3,662,419
Public Safety	1,156,588	-	-	-	-	-	-	363,658	1,520,246
Highways	-	12,059	1,652,023	264,840	5,596,060	-	-	1,416,544	8,941,526
Flood Repair	-	-	-	-	-	3,653	-	-	3,653
Health and Welfare	-	-	-	-	-	-	-	972,574	972,574
Culture and Recreation	192,299	-	-	-	-	-	-	154,200	346,499
Conserv. of Natural Resources	78,325	-	-	-	-	-	-	265,050	343,375
Emergency	-	-	-	-	-	-	-	533	533
Capital Projects	-	-	-	-	-	-	1,309,978	-	1,309,978
Other	7,375	-	-	-	-	-	-	-	7,375
Debt Service:									
Principal	-	-	358,161	85,652	-	-	-	-	443,813
Interest & Service Charges	-	-	34,761	5,090	-	-	-	-	39,851
Total Expenditures	\$ 3,558,314	\$ 12,059	\$ 2,044,945	\$ 355,582	\$ 5,596,060	\$ 3,653	\$ 1,309,978	\$ 4,711,251	\$ 17,591,842
Excess (Deficiency) of Revenues Over Expenditures	\$ (242,862)	\$ 566,412	\$ (1,441,282)	\$ 330,500	\$ 26,527	\$ 80,542	\$ (1,224,578)	\$ (1,316,866)	\$ (3,221,607)
Other Financing Sources (Uses):									
Transfers In	\$ 663,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 414,600	\$ 27,500	\$ 1,106,047
Loan Proceeds	-	-	-	-	-	-	1,300,657	-	1,300,657
Lease Financing	-	-	537,192	-	-	-	-	-	537,192
Transfers Out	-	-	-	-	-	-	-	(1,106,047)	(1,106,047)
Total Other Financing Sources and Uses	\$ 663,947	\$ -	\$ 537,192	\$ -	\$ -	\$ -	\$ 1,715,257	\$ (1,078,547)	\$ 1,837,849
Net Change in Fund Balances	\$ 421,085	\$ 566,412	\$ (904,090)	\$ 330,500	\$ 26,527	\$ 80,542	\$ 490,679	\$ (2,395,413)	\$ (1,383,758)
Fund Balance - January 1	\$ 1,212,598	\$ 1,513,050	\$ 2,123,725	\$ 1,030,429	\$ (26,527)	\$ (80,542)	\$ -	\$ 5,164,947	\$ 10,937,680
Fund Balance - December 31	\$ 1,633,683	\$ 2,079,462	\$ 1,219,635	\$ 1,360,929	\$ -	\$ -	\$ 490,679	\$ 2,769,534	\$ 9,553,922

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

BOTTINEAU COUNTY
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ (1,383,758)

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

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

Current Year Capital Outlay	\$ 3,591,819	
Current Year Capital Contribution	5,537,918	
Current Year Depreciation Expense	<u>(2,150,371)</u>	6,979,366

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the loss on the capital assets sold. (113,471)

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement 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 that debt issuance exceeded the repayment of debt.

Lease Repayment	\$ 443,813	
Loan Issuance	(1,300,657)	
Capital Lease Issuance	<u>(496,405)</u>	(1,353,249)

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

Increase in Net Pension Liability	\$ (856,964)	
Increase in Deferred Outflows of Resources Related to Pensions	805,443	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>30,660</u>	(20,861)

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. This consists of the following:

Decrease in Compensated Absences	\$ 190	
Increase in Retainage Payable	(249,779)	
Increase in Interest Payable	<u>(8,405)</u>	(257,994)

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

Increase in Taxes Receivable	\$ 2,360	
Increase in Road Receivables	<u>64,353</u>	<u>66,713</u>

Change in Net Position of Governmental Activities \$ 3,916,746

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

BOTTINEAU COUNTY WATER RESOURCE DISTRICT
Bottineau, North Dakota

COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
December 31, 2016

	Bottineau Co. Water Resource Dist.	Boundary Creek Water Resource Dist.	Oak Creek Water Resource Dist.	Total
ASSETS:				
Cash and Investments	\$ 62,914	\$ 32,568	\$ 94,416	\$ 189,898
Intergovernmental Receivable	44,916	-	-	44,916
Accounts Receivable	11,930	-	-	11,930
Taxes Receivable	2,775	146	1,685	4,606
Special Assessments Receivable	6,668	-	-	6,668
Uncertified Special Assessments Receivable	101,039	-	-	101,039
Capital Assets (not being depreciated):				
Construction in Progress	200,763	-	-	200,763
Capital Assets (being depreciated):				
Vehicles and Machinery	309,603	-	-	309,603
Infrastructure	1,348,917	-	-	1,348,917
Total Capital Assets	<u>\$ 1,859,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,859,283</u>
Total Assets	<u>\$ 2,089,525</u>	<u>\$ 32,714</u>	<u>\$ 96,101</u>	<u>\$ 2,218,340</u>
LIABILITIES:				
Accounts Payable	\$ 234,959	\$ -	\$ 2,443	\$ 237,402
Payroll Liability	2,123	-	-	2,123
Retainages Payable	13,242	-	-	13,242
Long-Term Liabilities:				
Due After One Year:				
Loans Payable	1,601,200	-	-	1,601,200
Total Liabilities	<u>\$ 1,851,524</u>	<u>\$ -</u>	<u>\$ 2,443</u>	<u>\$ 1,853,967</u>
NET POSITION:				
<u>Restricted</u>				
Conservation of Natural Resources	\$ 238,001	\$ 32,714	\$ 93,658	\$ 364,373
Total Net Position	<u>\$ 238,001</u>	<u>\$ 32,714</u>	<u>\$ 93,658</u>	<u>\$ 364,373</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Bottineau County WRD	Boundary Creek WRD	Oak Creek WRD	Total
<u>Component Units:</u>							
Bottineau Co. WRD	\$ 528,697	\$ 18,990	\$ 482,138	\$ (27,569)	\$ -	\$ -	\$ (27,569)
Boundary Creek WRD	18,214	-	-	-	(18,214)	-	(18,214)
Oak Creek WRD	69,280	-	25,369	-	-	(43,911)	(43,911)
Total Component Units	\$ 616,191	\$ 18,990	\$ 507,507	\$ (27,569)	\$ (18,214)	\$ (43,911)	\$ (89,694)
<u>General Revenues:</u>							
Taxes:							
Property Taxes;							
Levied for General Purposes				\$ 112,706	\$ 14,717	\$ 72,915	\$ 200,338
Earnings on Investments				3,034	91	341	3,466
Miscellaneous Revenue				41,742	2	532	42,276
Total General Revenues				\$ 157,482	\$ 14,810	\$ 73,788	\$ 246,080
Change in Net Position				\$ 129,913	\$ (3,404)	\$ 29,877	\$ 156,386
Net Position - January 1				\$ 71,500	\$ 36,118	\$ 63,781	\$ 171,399
Prior Period Adjustment				36,588	-	-	36,588
Net Position - January 1, as restated				\$ 108,088	\$ 36,118	\$ 63,781	\$ 207,987
Net Position - December 31				\$ 238,001	\$ 32,714	\$ 93,658	\$ 364,373

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

BOTTINEAU COUNTY
Bottineau, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
AGENCY FUNDS
December 31, 2016

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 2,888,802</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>\$ 2,888,802</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

COMPONENT UNITS

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity of the government-wide statements as 'aggregate' discretely presented component units.

Aggregate Discretely Presented Component Units: The component units' column in the combined government-wide financial statements includes the financial data of the county's three component units aggregated. These component units are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the county. Additionally, combining statements for the individual water resource districts are also shown for the component units following the fund financial statements.

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

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

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

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Component Unit Financial Statements: Complete financial statements of the Bottineau County Water Resource District can be obtained from their administrative office. Financial statements of the Oak Creek Water Resource District and Boundary Creek Water Resource District are included with these financial statements.

Administrative Office:

Bottineau County Water Resource District
411 Sinclair Street
Bottineau, North Dakota 58318

BLENDED COMPONENT UNIT

Blended component units, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government's funds and activities.

Bottineau County Park Board – The activities of the park board have been blended in the activities of the county park fund reported in other governmental funds in the primary government's fund financial statements, as well as in applicable areas in the primary government's activities. The park board does not have the right to sue in its own name without recourse to the county. Therefore it is reported as if it were part of the county's operations.

B. Government-wide and Fund Financial Statements

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Bottineau County and the component units aggregated. 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, charges for services, and other non-exchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar item are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

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.

Farm to Market Blacktop Fund. This fund accounts for repair and improvement of the farm to market road that are legally restricted from tax and grant funds. The major source of revenues are restricted State/Federal project reimbursements.

County Road and Bridge Fund. This fund accounts for the maintenance and repair of county roads within the county. The major source of revenue is restricted State/Federal grants/reimbursements.

Miscellaneous Road Fund. This fund accounts for private road work performed by the highway department. The major source of revenue is committed charges for services.

Oil Impact Fund. This fund accounts for the maintenance and repair of roads within the county due to the impact of oil and gas development within the county. The major source of revenue is restricted oil impact revenue from the state and federal governments.

FEMA Fund. This fund accounts for state and federal grants related for flood disaster repairs and the related disbursements. The major source of revenue is restricted grants (reimbursements) for disaster related repair expenditures/projects.

2016 Certificate Fund. This fund accounts for loan proceeds and construction costs of the jail project.

Additionally, the county reports the following fund type:

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

D. Cash and Investments

Cash includes amounts in demand deposits, money market accounts, and certificates of deposit with a maturity of 3 months or less. Investments consist of certificates of deposit with a maturity of more than 3 months.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

ASSETS	YEARS
Buildings	30-50
Infrastructure	5-99
Furniture and Equipment	5-20
Vehicles and Machinery	5-20

F. Compensated Absences

Full time employees are granted vacation benefits from one to two days per month depending on tenure with the County. Upon termination of employment, employees will be paid for vacation benefits that have accrued. Sick leave benefits accrue at the rate of one day per month. Unused sick leave benefits are allowed to accumulate up to an unlimited amount. Upon termination of employment or retirement unused sick leave will be paid for Social Service employees at a rate of 15% of unused days up to a maximum of 144 hours, while other employees will be paid for 15% of unused days up to a maximum of 120 days. Severance pay for both County employees and Social Service employees will be provided to employees who have completed 10 consecutive years of service with the County. The employee will receive 10 days severance pay at his/her current salary level.

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.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

H. Pension

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

I. 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.

J. Fund Balances / Net Position

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

Fund Balance Spending Policy:

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

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (farm to market blacktop, county road and bridge, oil impact, miscellaneous road, and FEMA funds) are disclosed in more detail in Note 1B.

Fund Balance Reporting and Governmental Fund Type Definitions:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.

TABLE CONTINUED ON NEXT PAGE.....

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

CLASSIFICATION	DEFINITION	EXAMPLES
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the county auditor.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Bottineau County reports amounts in the restricted, committed, and unassigned fund balances in the balance sheet at December 31, 2016.

Restricted Fund Balances – consist of the following items at December 31, 2016:

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

Restricted & Committed Fund Balances – Special Revenue Funds:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
 - Restricted tax levies (enabling legislation) – includes fund balances for various tax levies other than the general fund, including the road and bridge fund, farm to market road fund, and various other tax levy funds reported in other governmental funds.
 - Restricted grants/reimbursements – primarily includes amounts in farm to market blacktop, county road and bridge, oil impact, courthouse building and improvement, and FEMA fund.
- (b) Committed fund balances (special revenue fund) – committed by governing board county commission action
 - Committed in special revenue funds for road work and snow removal performed for cities, townships, and private citizens reported in other governmental funds.

Unassigned fund balances – reported in the general fund and for negative fund balances at year end.

Net Position:

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

Unrestricted net position is primarily unrestricted amounts related to general fund governmental activities, and is the portion of net position that is not restricted or reported as net investment in capital assets. The unrestricted net position is available to meet the district's ongoing obligations.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Restricted net position is also shown by primary function and is restricted for capital projects, highways, culture & recreation, conservation of natural resources, and emergencies.

NOTE 2: DEPOSITS

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

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

Primary Government:

At the year ended December 31, 2016, the county's carrying amount of deposits was \$12,379,957, and the bank balances were \$11,984,823. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance. The remaining balances was collateralized with securities held by the pledging financial institution's agent in the government's name.

Aggregate Discretely Presented Component Units:

At the year ended December 31, 2016, the Bottineau County Water Resource District's carrying amount of deposits was \$62,914, and the bank balances were \$66,062, all of which was covered by Federal Depository Insurance.

At the year ended December 31, 2016, the Oak Creek Water Resource District's carrying amount of deposits was \$94,416 and the bank balances were \$111,369, all of which was covered by Federal Depository Insurance.

At year ended December 31, 2016, the Boundary Creek Water Resource District's carrying amount of deposits was \$32,568 and the bank balances were \$33,843, all of which was covered by Federal Depository Insurance.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Credit Risk:

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

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

As of December 31, 2016, the county held certificates of deposit in the amount of \$2,630,437, which are all considered deposits.

The aggregate discretely presented component units had the following certificates of deposit on hand at December 31, 2016, which are considered deposits:

Discretely Presented Component Units:	2016
Oak Creek Water Resource District	\$ 36,194
Boundary Creek Water Resource District	23,089

Concentration of Credit Risk:

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

NOTE 3: TAXES RECEIVABLE

Taxes receivable represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

NOTE 4: UNCERTIFIED SPECIAL ASSESSMENTS RECEIVABLE

Uncertified special assessments receivable in the component units represent the amount of uncertified special assessments to be certified in upcoming years for various projects for the Bottineau County Water Resource District.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due for contract policing and 911 fees.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of reimbursements due for expenses in the operation various welfare, road and emergency management programs. These amounts consist of a mix of state and federal dollars.

NOTE 7: ROAD ACCOUNTS RECEIVABLE

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

NOTE 8: LOAN DRAWDOWN RECEIVABLE

Loan drawdown receivable represents amount owed for jail construction costs at year-end.

NOTE 9: CAPITAL ASSETS

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

	Balance January 1	Increases	Decreases	Transfers	Balance December 31
Primary Government:					
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 155,004	\$ -	\$ -	\$ -	\$ 155,004
Intangibles	174,434	-	-	-	174,434
Construction Progress	4,954,141	8,231,609	-	(4,635,996)	8,549,754
Total Capital Assets, not being depreciated	\$ 5,283,579	\$ 8,231,609	\$ -	\$ (4,635,996)	\$ 8,879,192
<i>Capital assets being depreciated:</i>					
Furniture and Equipment	\$ 665,190	\$ 10,975	\$ 85,170	\$ -	\$ 590,995
Vehicles and Machinery	6,485,901	857,761	550,322	-	6,793,340
Buildings	3,524,458	29,392	-	-	3,553,850
Infrastructure	47,704,506	-	-	4,635,996	52,340,502
Total Capital Assets, Being Depreciated	\$ 58,380,055	\$ 898,128	\$ 635,492	\$ 4,635,996	\$ 63,278,687
<i>Less Accumulated Depreciation for:</i>					
Furniture and Equipment	\$ 592,841	\$ 30,139	\$ 85,170	\$ -	\$ 537,810
Vehicles and Machinery	3,648,806	732,283	436,851	-	3,944,238
Buildings	2,107,147	81,143	-	-	2,188,290
Infrastructure	13,204,448	1,306,806	-	-	14,511,254
Total Accumulated Depreciation	\$ 19,553,242	\$ 2,150,371	\$ 522,021	\$ -	\$ 21,181,592
Total Capital Assets Being Depreciated, Net	\$ 38,826,813	\$ (1,252,243)	\$ 113,471	\$ 4,635,996	\$ 42,097,095
Governmental Activities- Capital Assets, Net	\$ 44,110,392	\$ 6,979,366	\$ 113,471	\$ -	\$ 50,976,287

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

Governmental Activities:	Amounts
General Government	\$ 52,159
Public Safety	58,268
Highways and Bridges	2,019,716
Culture and Recreation	17,966
Conservation of Natural Resources	2,262
Total Depreciation Expense-Governmental Activities	\$ 2,150,371

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Bottineau County Water Resource District:

The following is a summary of changes in capital assets for the Bottineau County WRD, a discretely presented component unit of Bottineau County, for the year ended December 31, 2016:

Bottineau County Water Resource District:	Balance January 1	Increases	Decreases	Transfers	Balance December 31
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Construction Progress	\$1,085,930	\$ 498,338	\$ -	\$ (1,383,505)	\$ 200,763
<i>Capital assets being depreciated:</i>					
Vehicles and Machinery	\$ 423,470	\$ -	\$ -	\$ -	\$ 423,470
Infrastructure	-	-	-	1,383,505	1,383,505
Total Capital Assets, Being Depreciated	\$ 423,470	\$ -	\$ -	\$ 1,383,505	\$ 1,806,975
<i>Less Accumulated Depreciation for:</i>					
Vehicles and Machinery	\$ 60,934	\$ 52,933	\$ -	\$ -	\$ 113,867
Infrastructure	-	34,588	-	-	34,588
Total Accumulated Depreciation	\$ 60,934	\$ 87,521	\$ -	\$ -	\$ 148,455
Total Capital Assets Being Depreciated, Net	\$ 362,536	\$ (87,521)	\$ -	\$ 1,383,505	\$ 1,658,520
Governmental Activities- Capital Assets, Net	\$1,448,466	\$ 410,817	\$ -	\$ -	\$ 1,859,283

NOTE 10: ACCOUNTS PAYABLE

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

NOTE 11: SALARIES PAYABLE

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

NOTE 12: GRANTS RECEIVED IN ADVANCE

Grants received in advance is a liability consisting of funds received in the FEMA fund where the cash has been received but the eligibility requirements have not been met at December 31, 2016.

NOTE 13: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources on the statement of net position represent pension items for the net difference between projected and actual earnings on pension plan investments, changes of assumptions, and changes in proportion and differences between employer contributions as a proportionate share of contributions.

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

NOTE 14: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long term debt outstanding at December 31, 2016.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

NOTE 15: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in long-term liabilities for Bottineau County and the component unit:

Governmental Activities	Bal. Jan. 1 Adjusted	Increases	Decreases	Balance December 31	Due Within One Year
Capital Leases	\$ 1,478,457	\$ 496,405	\$ 443,813	\$ 1,531,049	\$ 557,672
Loan Payable	-	1,300,657	-	1,300,657	-
Compensated Absences *	432,514	-	190	432,324	43,232
Net Pension Liability *	2,134,514	856,964	-	2,991,478	-
Total Governmental Activities	\$ 4,045,485	\$ 2,654,026	\$ 444,003	\$ 6,255,508	\$ 600,904

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

Capital Leases Payable:

Motor Grader Lease #3 – due in annual installments of \$86,893 through January 2017, interest at 2.75%.	\$ 84,485
Caterpillar Hydraulic Thumb – due in annual installments of \$3,849 through June 2017, interest at 4.75%.	3,674
Motor Grader Lease #4 – due in annual installments of \$88,228 through August 2017, interest at 2.65%.	85,951
Dozer Lease – due in annual installments of \$68,619 through August 2017, interest at 2.65%.	66,847
Motor Grader Leases (2) – due in annual installments of \$85,978 through September 2019, interest at 2.70%	244,607
Motor Grader Lease (\$268,455 financed) – due in annual installments of \$45,966 through July 15, 2020, interest at 2.8%	171,682
Motor Grader Lease (\$268,455 financed) – due in annual installments of \$45,950 through July 15, 2020, interest at 2.8%	171,621
Excavator Lease (\$178,513 financed) – due in annual installments of \$37,737 through March 15, 2019, interest at 2.85%	107,052
Tractor Lease (\$96,616 financed) – due in annual installments of \$20,443 through February 3, 2019, interest at 2.9%	57,938
Motor Grader Lease (\$268,596 financed) – due in annual installments of \$58,315 through September 1, 2021, interest at 2.8%	268,596
Motor Grader Lease (\$268,596 financed) – due in annual installments of \$58,315 through September 1, 2021, interest at 2.8%	<u>268,596</u>
Total Capital Leases Payable	<u>\$ 1,531,049</u>

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2016 were as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Leases Payable	
	Principal	Interest
2016	\$ 557,672	\$ 42,621
2017	325,539	27,165
2018	334,610	18,094
2019	199,776	8,770
2020	113,453	3,177
Totals	\$ 1,531,049	\$ 99,827

DISCRETELY PRESENTED COMPONENT UNIT:

Bottineau County Water Resource District:

Changes in Long-Term Liabilities – During the year ended December 31, 2016, the following changes occurred in governmental activities long-term liabilities for the Bottineau County Water Resource District:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	\$ 1,613,061	\$ 342,000	\$ 353,861	\$ 1,601,200	\$ -

NOTE 16: TRANSFERS

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

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 663,947	\$ -
2016 Certificate Fund	414,600	-
Nonmajor Special Revenue Funds:		
Health Care Insurance	-	233,683
Social Security/Rtmt/Tech	-	217,929
Property Insurance Reserve	-	143,870
Advertising	-	30,532
Library	-	27,500
Library Building	27,500	-
Courthouse Building Imp. & Equip.	-	414,600
County Park	-	37,933
Total Transfers	\$ 1,106,047	\$ 1,106,047

The purpose of the transfer from the general fund to the courthouse building improvement and equipment fund is for courthouse improvements and for equipment purchases.

NOTE 17: PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

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

Death and Disability Benefits

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

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

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

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

At December 31, 2016, Bottineau County reported a liability of \$2,991,478 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the Employer's proportion was .306945 percent, which was a decrease of .006962 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Employer recognized pension expense of \$374,690. At December 31, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 44,938	\$ 27,699
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	96,502
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	417,354	-
Changes of Assumptions	275,776	148,617
District Contributions Subsequent to the Measurement Date	249,026	-
Total	\$ 987,094	\$ 272,818

\$249,026 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

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

2017	\$ 101,224
2018	101,224
2019	192,269
2020	123,272
2021	43,764

Actuarial Assumptions

The total pension liability in the July 1, 2016 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 Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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 of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

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 und benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's Proportionate Share of the Net Pension Liability	\$ 4,243,354	\$ 2,991,478	\$ 1,936,708

Pension Plan Fiduciary Net Position

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

NOTE 18: RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Bottineau County pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and auto coverage and \$5,102,289 for public assets (mobile equipment and portable property) coverage.

Bottineau County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Bottineau County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides Bottineau County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees and provides Bottineau County Water Resource District, a discretely presented component unit of Bottineau County, with blanket fidelity bond coverage in the amount of \$68,000. The State Bonding Fund does not currently charge any premium for this coverage.

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Bottineau County has workers compensation with the North Dakota 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 years.

NOTE 19: DEFICIT FUND BALANCES

Bottineau County had the following deficit cash balances at December 31, 2016:

Fund	2016
Oil Impact	\$ (59,008)
Homeland Security	(1,208)
Law Enforcement Block Grant	(17,348)

The amounts above were reported as a due to general fund totaling \$77,564 consisting of due from oil impact fund (\$59,008), and due from other governmental funds (\$18,556).

The deficits will be relieved by future revenues and transfers from the General Fund and reimbursements as applicable for the grant funds.

NOTE 20: COMMITMENTSCommitments:

At December 31, 2016, Bottineau County had commitments for remaining project costs related to road projects. As of December 31, 2016, the remaining construction commitments are as follows:

Project - County	Original Contract	Change Orders	Total Contract	Total Completed	Retainage	Remaining Balance
COIB 0527 (054)	\$ 1,369,550	\$ -	\$ 1,369,550	\$ 1,342,159	\$ 27,391	\$ 54,782
COIB 0530 (053)	3,911,554	-	3,911,554	3,810,435	76,209	177,328
Jail	4,846,944	6,256	4,853,200	2,339,849	233,985	2,747,336
Total	\$ 10,128,048	\$ 6,256	\$ 10,134,304	\$ 7,492,443	\$ 337,585	\$ 2,979,446

At December 31, 2016, the Bottineau County Water Resource District had commitments for remaining project costs relate to a coulee project. At December 31 2016, the remaining construction commitment is as follows:

Project - WRD	Original Contract	Change Orders	Total Contract	Total Completed	Retainage	Remaining Balance
Tacoma Bitz	\$ 286,210	\$ -	\$ 286,210	\$ 132,420	\$ 13,242	\$ 167,032

NOTE 21: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2016, has been restated to include capital leases balances that were not included in prior years.

The effect of the prior period adjustments to beginning Net Position is as follows:

Governmental Activities:	Amounts
Beginning Net Position, as previously reported	\$ 51,315,710
Adjustments to restate the January 1, 2015 Net Position:	
Capital Leases	(216,949)
Net Position January 1, as restated	\$ 51,098,761

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

Additionally, prior period adjustments were necessary for the Bottineau County Water Resource District for the beginning balance of long-term uncertified special assessments receivable.

Bottineau County Water Resource District:	Amounts
Beginning Net Position, as previously reported	\$ 71,500
Adjustments to restate the January 1, 2015 Net Position:	
Uncertified Special Assessments	36,588
Net Position January 1, as restated	\$ 108,088

NOTE 22: TAX ABATEMENTS

Bottineau County and political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Bottineau County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2016.

Bottineau County will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business:

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the County Governing Body will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

Exemption Criteria:

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, Year 5 — 25%.

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$8,172

Single Family Residence:

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

BOTTINEAU COUNTY

Notes to the Financial Statements – Continued

General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all the following conditions are met:

- a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.

- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

2016 Reduction in Taxes – Other Entities:
Total Program Reduction in taxes – \$4,934

Public Charity Exemption:

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Exemption Criteria:

Property exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

2016 Reduction in Taxes – Other Entities:
Total program reduction in taxes – \$33,626

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,653,700	\$ 1,653,700	\$ 1,615,693	\$ (38,007)
Intergovernmental	1,437,009	1,437,009	965,809	(471,200)
Charges for Services	622,802	622,802	617,513	(5,289)
Licenses, Permits and Fees	5,150	5,150	5,688	538
Miscellaneous	86,650	86,650	110,749	24,099
Total Revenues	\$ 3,805,311	\$ 3,805,311	\$ 3,315,452	\$ (489,859)
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,246,748	\$ 2,246,748	\$ 2,123,727	\$ 123,021
Public Safety	1,242,117	1,242,117	1,156,588	85,529
Culture and Recreation	205,434	205,434	192,299	13,135
Conser. of Natural Resources	103,000	103,000	78,325	24,675
Other	13,000	13,000	7,375	5,625
Total Expenditures	\$ 3,810,299	\$ 3,810,299	\$ 3,558,314	\$ 251,985
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,988)	\$ (4,988)	\$ (242,862)	\$ (237,874)
<u>Other Financig Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 663,947	\$ 663,947
Net Change in Fund Balance	\$ (4,988)	\$ (4,988)	\$ 421,085	\$ 426,073
Fund Balance - January 1	\$ 1,212,598	\$ 1,212,598	\$ 1,212,598	\$ -
Fund Balance - December 31	\$ 1,207,610	\$ 1,207,610	\$ 1,633,683	\$ 426,073

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET BLACKTOP FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 555,000	\$ 555,000	\$ 538,305	\$ (16,695)
Intergovernmental	62,530	62,530	40,166	(22,364)
Total Revenues	<u>\$ 617,530</u>	<u>\$ 617,530</u>	<u>\$ 578,471</u>	<u>\$ (39,059)</u>
<u>Expenditures:</u>				
Current:				
Highways	<u>\$ 1,010,000</u>	<u>\$ 1,010,000</u>	<u>\$ 12,059</u>	<u>\$ 997,941</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (392,470)</u>	<u>\$ (392,470)</u>	<u>\$ 566,412</u>	<u>\$ 958,882</u>
Fund Balance - January 1	<u>\$ 1,513,050</u>	<u>\$ 1,513,050</u>	<u>\$ 1,513,050</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,120,580</u>	<u>\$ 1,120,580</u>	<u>\$ 2,079,462</u>	<u>\$ 958,882</u>

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 13,750	\$ 13,750	\$ 18,919	\$ 5,169
Intergovernmental	1,631,755	1,631,755	580,065	(1,051,690)
Total Revenues	\$ 1,645,505	\$ 1,645,505	\$ 603,663	\$ (1,041,842)
<u>Expenditures:</u>				
Current:				
Highways	\$ 2,239,055	\$ 2,239,055	\$ 1,114,831	\$ 1,124,224
Debt Service:				
Principal	360,000	360,000	358,161	1,839
Interest	35,000	35,000	34,761	239
Total Expenditures	\$ 2,634,055	\$ 2,634,055	\$ 1,507,753	\$ 1,126,302
Excess (Deficiency) of Revenues Over Expenditures	\$ (988,550)	\$ (988,550)	\$ (904,090)	\$ 84,460
Fund Balance - January 1	\$ 2,123,725	\$ 2,123,725	\$ 2,123,725	\$ -
Fund Balance - December 31	\$ 1,135,175	\$ 1,135,175	\$ 1,219,635	\$ 84,460

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS ROAD FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Charges for Services	\$ 590,000	\$ 590,000	\$ 675,024	\$ 85,024
Miscellaneous	26,000	26,000	11,058	(14,942)
Total Revenues	\$ 616,000	\$ 616,000	\$ 686,082	\$ 70,082
<u>Expenditures:</u>				
Current:				
Highways	\$ 580,000	\$ 580,000	\$ 264,840	\$ 315,160
Debt Service:				
Principal	90,000	90,000	85,652	4,348
Interest	-	-	5,090	(5,090)
Total Expenditures	\$ 670,000	\$ 670,000	\$ 355,582	\$ 314,418
Excess (Deficiency) of Revenues Over Expenditures	\$ (54,000)	\$ (54,000)	\$ 330,500	\$ 384,500
Fund Balance - January 1	\$ 1,030,429	\$ 1,030,429	\$ 1,030,429	\$ -
Fund Balance - December 31	\$ 976,429	\$ 976,429	\$ 1,360,929	\$ 384,500

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
OIL IMPACT FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 6,417,768	\$ 6,417,768	\$ 5,622,587	\$ (795,181)
<u>Expenditures:</u>				
Current:				
Highways	\$ 6,417,768	\$ 6,417,768	\$ 5,596,060	\$ 821,708
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 26,527	\$ 26,527
Fund Balance - January 1	\$ (26,527)	\$ (26,527)	\$ (26,527)	\$ -
Fund Balance - December 31	\$ (26,527)	\$ (26,527)	\$ -	\$ 26,527

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

BOTTINEAU COUNTY
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 84,195	\$ 84,195
<u>Expenditures:</u>				
<u>Current:</u>				
Flood Repair	\$ -	\$ 22	\$ 3,653	\$ (3,631)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (22)	\$ 80,542	\$ 80,564
Fund Balance - January 1	\$ (80,542)	\$ (80,542)	\$ (80,542)	\$ -
Fund Balance - December 31	\$ (80,542)	\$ (80,564)	\$ -	\$ 80,564

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

BOTTINEAU COUNTY
Bottineau, North Dakota

PENSION SCHEDULES
For the Year Ended December 31, 2016

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

	2016	2015	2014
District's proportion of the net pension liability (asset)	0.306945%	0.313907%	0.324856%
District's proportionate share of the net pension liability (asset)	\$ 2,991,478	\$ 2,134,514	\$ 2,061,930
District's covered-employee payroll	\$ 3,093,286	\$ 2,796,533	\$ 2,736,516
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

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

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

	2016	2015	2014
Statutorily required contribution	\$ 223,949	\$ 212,419	\$ 194,840
Contributions in relation to the statutorily required contribution	\$ 224,529	\$ 211,280	\$ 194,840
Contribution deficiency (excess)	\$ (580)	\$ 1,139	\$ -
District's covered-employee payroll	\$ 3,093,286	\$ 2,796,533	\$ 2,736,516
Contributions as a percentage of covered-employee payroll	7.26%	7.60%	7.12%

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

BOTTINEAU COUNTY
Bottineau, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS - COUNTY

The board of county commissioners amended the county budget for 2016 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds</u>			
FEMA	\$ -	\$ 22	\$ 22
<u>Non Major Funds:</u>			
Highway Distribution	1,163,520	7,679	1,171,199
911	162,243	94,887	257,130
Weed	242,776	14,838	257,614
Courhous Building	1,410,400	127,698	1,538,098
Document Preservation	5,000	2,437	7,437

BOTTINEAU COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 3: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2016, Bottineau County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
Special Revenue Funds:			
FEMA	\$ 22	\$ 3,653	\$ 3,631
911	257,130	300,319	43,189
Law Enforcement Block Grant	-	50,307	50,307

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

NOTE 4: BUDGET TO ACTUAL AMOUNTS – ROAD & BRIDGE

The county entered into a lease for motor graders in 2016. The lease financing and corresponding expenditures were reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds, but were not reported on the budgetary comparison schedule in the road and bridge fund. The county didn't budget for these funds and these transactions were not recorded on the county's general ledger. The differences are as follows:

	Combined Statement	Adjustment	Budget to Actual
Expenditures	\$ 2,044,945	\$ (537,192)	\$ 1,507,753
Lease Financing	537,192	(537,192)	-

NOTE 5: PENSIONS - CHANGES OF ASSUMPTIONS

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

BOTTINEAU COUNTY
Bottineau, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-16
Major Funds:							
General Fund	\$ 1,080,187.81	\$ 3,324,183.38	\$ 663,947.19	\$ -	\$ -	\$ 3,579,674.31	\$ 1,488,644.07
Farm to Market Blacktop	1,500,134.32	591,385.97	-	-	-	12,058.50	2,079,461.79
County Road & Bridge	2,037,821.68	605,108.35	-	-	-	1,509,619.42	1,133,310.61
Miscellaneous Road	1,040,180.96	686,082.72	-	-	-	365,334.23	1,360,929.45
Oil Impact	(26,526.94)	5,563,579.30	-	-	-	5,596,060.15	(59,007.79)
FEMA	293,580.32	28,157.87	-	-	-	3,653.32	318,084.87
2016 Certificate Fund	-	85,399.80	414,600.20	1,038,437.37	-	1,046,012.75	492,424.62
Total Major Funds	\$ 5,925,378.15	\$ 10,883,897.39	\$ 1,078,547.39	\$ 1,038,437.37	\$ -	\$ 12,112,412.68	\$ 6,813,847.62
Nonmajor Funds:							
Highway Tax Distribution	\$ 904,001.38	\$ 840,661.82	\$ -	\$ -	\$ -	\$ 1,171,198.81	\$ 573,464.39
County Road Repair	108,482.60	295,821.09	-	-	-	229,355.69	174,948.00
Township Road Construction	85,860.25	-	-	-	-	-	85,860.25
Social Service	512,129.60	847,340.47	-	-	-	928,692.14	430,777.93
Emergency	446,947.66	84,176.67	-	-	-	532.64	530,591.69
9-1-1	188,264.70	216,941.16	-	-	-	300,318.83	104,887.03
Veteran Service Officer	3,751.88	50,001.54	-	-	-	43,953.11	9,800.31
Health Care Insurance	233,683.02	-	-	-	233,683.02	-	-
Social Security/Rtmt/Tech	217,928.79	-	-	-	-	217,928.79	-
Property Insurance Reserve	143,870.25	-	-	-	143,870.25	-	-
Advertising	30,531.83	-	-	-	30,531.83	-	-
Library	157,515.34	197,842.90	-	-	27,500.00	152,943.25	174,914.99
Library Building	143,023.79	1,115.31	27,500.00	-	-	1,256.81	170,382.29
Weed Control Fund	156,249.60	251,727.66	-	-	-	257,613.79	150,363.47
Multi-Hazard Mitigation	-	11,475.00	-	-	-	11,475.00	-
Hazardous Chemical	21,726.05	7,625.00	-	-	-	1,556.58	27,794.47
Homeland Security	(1,207.87)	-	-	-	-	-	(1,207.87)
Courthouse Building Imp. & Equip.	1,501,087.62	593,767.03	-	-	414,600.20	1,538,097.60	142,156.85
County Park	37,933.10	-	-	-	37,933.10	-	-
County Zoning	13,944.66	1,650.00	-	-	-	523.88	15,070.78
Document Preservation	97,388.55	17,091.00	-	-	-	7,436.58	107,042.97
Law Enforcement Block Grant	(3,638.76)	36,598.17	-	-	-	50,307.49	(17,348.08)
Total Nonmajor Funds	\$ 4,999,474.04	\$ 3,453,834.82	\$ 27,500.00	\$ -	\$ 1,106,047.19	\$ 4,695,262.20	\$ 2,679,499.47
Total Government Funds	\$ 10,924,852.19	\$ 14,337,732.21	\$ 1,106,047.39	\$ 1,038,437.37	\$ 1,106,047.19	\$ 16,807,674.88	\$ 9,493,347.09
Agency Funds:							
Flexible Benefits Plan	\$ 10,912.89	\$ 48,586.72	\$ -	\$ -	\$ -	\$ 50,097.72	\$ 9,401.89
Airport Authority	178.14	47,652.55	-	-	-	47,649.86	180.83
NDSU Extension	100,304.60	117,633.40	-	-	-	106,142.25	111,795.75
Jobs Development Authority	737.18	238,060.56	-	-	-	238,027.27	770.47
Senior Citizens Fund	186.76	107,694.25	-	-	-	107,688.06	192.95
State Tax	186.76	54,442.51	-	-	-	54,436.32	192.95
Game and Fish Licenses	799.30	64,513.55	-	-	-	64,362.50	950.35
Protest	-	3,938.06	-	-	-	3,938.06	-
County Health-1st District	10,018.10	138,354.44	-	-	-	147,923.96	448.58
Garrison Diversion	186.76	58,621.64	-	-	-	58,615.45	192.95
Safe Communities	1,868.97	-	-	-	-	695.40	1,173.57
County Historical Society	76.50	14,884.48	-	-	-	14,871.73	89.25
Unlocatable Mineral Owners	13,092.04	1,230.18	-	-	-	-	14,322.22
Trust Fund	2,145,262.37	2,573,164.16	-	-	-	2,186,099.78	2,532,326.75
County Fair	186.76	-	-	-	-	186.76	-
County Fair Bldg. & Improvements	93.34	-	-	-	-	93.34	-
ND Income Tax	7,264.74	30,824.12	-	-	-	29,438.14	8,650.72
Domestic Violence Prevention	70.00	735.00	-	-	-	805.00	-
Coalition Domestic Violence	325.00	3,435.44	-	-	-	3,535.44	225.00
Cheer-Social Service	341.38	-	-	-	-	-	341.38
24/7 Sobriety Program	1,341.00	11,220.00	-	-	-	10,870.00	1,691.00
Total Water Management Districts	2,068.10	383,919.03	-	-	-	383,551.27	2,435.86
Total Ambulance Districts	370.91	117,722.64	-	-	-	117,707.56	385.99
Total Cities	2,366.02	820,097.82	-	-	-	820,170.56	2,293.28
Total Park Districts	2,234.26	730,565.85	-	-	-	730,424.62	2,375.49
Total School Districts	13,818.17	4,390,701.27	-	-	-	4,389,436.49	15,082.95
Total Townships	175,806.56	1,873,657.90	-	-	-	1,867,779.20	181,685.26
Total Fire Districts	975.89	271,916.88	-	-	-	271,715.49	1,177.28
Total Soil Conservation Districts	407.86	124,869.89	-	-	-	124,858.87	418.88
Total Agency Funds	\$ 2,491,480.36	\$ 12,228,442.34	\$ -	\$ -	\$ -	\$ 11,831,121.10	\$ 2,888,801.60
Total Primary Government	\$ 13,416,332.55	\$ 26,566,174.55	\$ 1,106,047.39	\$ 1,038,437.37	\$ 1,106,047.19	\$ 28,638,795.98	\$ 12,382,148.69

Continued on next page....

BOTTINEAU COUNTY
Bottineau, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12-31-16
CONTINUED....							
<u>Component Units:</u>							
Bottineau County WRD	\$ 130,405.31	\$ 705,603.60	\$ -	\$ -	\$ -	\$ 773,094.88	\$ 62,914.03
Boundary Creek WRD	35,858.58	14,923.23	-	-	-	18,213.89	32,567.92
Oak Creek WRD	62,503.85	98,748.34	-	-	-	66,836.39	94,415.80
Total Discretely Presented Component Units	\$ 228,767.74	\$ 819,275.17	\$ -	\$ -	\$ -	\$ 858,145.16	\$ 189,897.75
Total Reporting Entity	\$ 13,645,100.29	\$ 27,385,449.72	\$ 1,106,047.39	\$ 1,038,437.37	\$ 1,106,047.19	\$ 29,496,941.14	\$ 12,572,046.44



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

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

Independent Auditor's Report

Board of County Commissioners
Bottineau County
Bottineau, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County, Bottineau, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Bottineau County's basic financial statements, and have issued our report thereon dated August 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bottineau 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 Bottineau County's internal control. Accordingly, we do not express an opinion on the effectiveness of Bottineau County's internal control.

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

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

BOTTINEAU COUNTY

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

Compliance and Other Matters

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
August 7, 2017

BOTTINEAU COUNTY
Bottineau, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X None Noted

Significant deficiencies identified not considered to be
material weaknesses? _____ Yes X None Noted

Noncompliance material to financial statements
noted? _____ Yes X None Noted

Section II – Financial Statement Findings

No matters reported.

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or by contacting the
Division of Local Government Audit

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

(701) 328-2220