

GRANT COUNTY
CARSON, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

GRANT COUNTY

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GRANT COUNTY
LIST OF OFFICIALS
DECEMBER 31, 2016

Commissioners: Donny Roth
Keith Payne
Alton Zenker

Auditor/Treasurer Lynn Mutschelknaus

Sheriff: John Foss

County Recorder: Joyce Stern

States Attorney: Grant Walker

Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

County Commission
Grant County
Carson, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and aggregate remaining fund information of Grant County as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grant County as of December 31, 2016, and the changes in modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Matters

Management has omitted the management discussion and analysis and budgetary comparison information 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Grant County's basic financial statements. The Schedule of Activity is presented for purposes of additional analysis and is not a required part of the basis financial statements.

The Schedule of Activity is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basis 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 my opinion, the Schedule of Activity is fairly stated, in all material respects, in relation to the basis financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated October 1, 2017, on my considerations of the County's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.



West Fargo, North Dakota
October 1, 2017

PO Box 816 West Fargo, ND 58078 Phone (701)281-0483 Cell 212-3908

GRANT COUNTY
 STATEMENT OF NET POSITION- MODIFIED CASH BASIS
 DECEMBER 31, 2016

	PRIMARY GOVERNMENTAL ACTIVITIES	COMPONENT UNITS
ASSETS		
Current assets		
Cash and investments	2,305,436.32	248,013.67
Non-current assets		
Capital assets (net of accumulated depreciation)	4,259,887.44	
Total Assets	6,565,323.76	248,013.67
LIABILITIES		
Current liabilities		
Long-term liabilities:		
Due within one year:		
Bonds payable		
Notes payable	180,000.00	
Due after one year:		
Bonds payable		
Notes payable	212,185.08	
Total liabilities	392,185.08	-
NET POSITION		
Net investment in capital assets	3,867,702.36	
Restricted for:		
Capital projects		
Debt service		
Unrestricted	2,305,436.32	248,013.67
Total net position	6,173,138.68	248,013.67

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

GRANT COUNTY
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016

		Program Revenues		Net (expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities	Component units
Governmental Activities:					
General government	1,116,881.63			(1,116,881.63)	35,849.92
Public safety	381,953.69	-		(381,953.69)	-
Health and welfare	399,126.87	42,228.59	52,121.95	(304,776.33)	
Highways	2,291,135.28	115,509.09	935,109.23	(1,240,516.96)	
Economic development	-			-	-
Weed control	193,467.63	96,787.83	37,360.38	(59,319.42)	
Capital outlays	-			-	33,932.25
Interest expense	-			-	
Depreciation- Unallocated	230,183.37			(230,183.37)	
Total Governmental Activities	4,612,748.47	254,525.51	1,024,591.56	(3,333,631.40)	69,782.17
General Revenues					
Taxes:					
Property taxes, levied for general purposes				1,940,560.90	69,575.26
Charges for services				91,053.26	-
State aid not restricted to specific program				1,112,485.18	-
Interest income				6,428.76	-
Licenses and permits				4,969.90	
Other revenue				186,385.46	2,646.23
Total General revenues				3,341,883.46	72,221.49
Change in Net Position				8,252.06	2,439.32
Net Position- January 1				6,164,886.62	245,574.35
Net Position- December 31				6,173,138.68	248,013.67

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

GRANT COUNTY
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 DECEMBER 31, 2016

	GENERAL	HIGHWAY FUNDS	SOCIAL SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	1,001,149.25	561,177.44	160,310.79	582,798.84	2,305,436.32
Total Assets	1,001,149.25	561,177.44	160,310.79	582,798.84	2,305,436.32
LIABILITIES					
Total liabilities	-	-	-	-	-
FUND BALANCE					
Restricted for Capital Projects					-
Restricted for other purposes		561,177.44	160,310.79	582,798.84	1,304,287.07
Unassigned	1,001,149.25			-	1,001,149.25
Total fund balance	1,001,149.25	561,177.44	160,310.79	582,798.84	2,305,436.32
Total liabilities and fund balan	1,001,149.25	561,177.44	160,310.79	582,798.84	2,305,436.32

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

GRANT COUNTY
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2016

Total Fund Balances for Governmental Funds	2,305,436.32
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Total net position reported for governmental 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 governmental funds

Cost of capital assets	7,135,425.05	
Less accumulated depreciation	2,875,537.61	
Net capital assets		4,259,887.44

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. All liabilities- both current and long-term are reported in the statement of net assets.

Notes payable	(392,185.08)
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Total Net Position of Governmental Activities	6,173,138.68
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The accompanying notes are an integral part of these financial statements.

GRANT COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2016

	GENERAL	HIGHWAY FUNDS	SOCIAL SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	1,006,392.09	348,587.49	367,257.02	218,324.30	1,940,560.90
Intergovernmental	276,778.94	935,109.23	52,894.99	872,293.58	2,137,076.74
Charges for services	-	115,509.09		230,069.68	345,578.77
Interest and other	133,185.01	5,471.65	42,228.59	16,898.87	197,784.12
Total Revenues	1,416,356.04	1,404,677.46	462,380.60	1,337,586.43	4,621,000.53
Current:					
General government	944,072.23			172,809.40	1,116,881.63
Public safety	281,878.54			100,075.15	381,953.69
Health and welfare			399,126.87	-	399,126.87
Highways		2,391,977.79		372,193.83	2,764,171.62
Economic development				-	-
Weed control				193,467.63	193,467.63
Capital outlay				-	-
Total Expenditures	1,225,950.77	2,391,977.79	399,126.87	838,546.01	4,855,601.44
Excess revenues (expenditures)	190,405.27	(987,300.33)	63,253.73	499,040.42	(234,600.91)
Other Financing Sources (Uses):					
Transfers in	138,901.87	2,020,482.99	5,633.45	-	2,165,018.31
Transfers out	(11,135.71)	(809,079.95)	(773.04)	(1,344,029.61)	(2,165,018.31)
Bond proceeds				-	-
Total other financing sources a	127,766.16	1,211,403.04	4,860.41	(1,344,029.61)	-
Net change in fund balances	318,171.43	224,102.71	68,114.14	(844,989.19)	(234,600.91)
Fund balance- beginning	682,977.82	337,074.73	92,196.65	1,427,788.03	2,540,037.23
Fund balance- ending	1,001,149.25	561,177.44	160,310.79	582,798.84	2,305,436.32

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

GRANT COUNTY
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balances- Total Governmental Funds (234,600.91)

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

Governmental funds report capital outlay 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 exceeded depreciation in the current year.

Current year capital outlay	291,508.08	
Current year depreciation expense	230,183.37	61,324.71

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 181,528.26

Change in Net Position of Governmental Activities 8,252.06

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

GRANT COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2016

AGENCY
FUNDS

ASSETS

Cash and investments	1,006,722.22
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Total Assets	1,006,722.22
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LIABILITIES

Prepaid taxes	973,733.77
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Due to Other Groups	32,988.45
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Total liabilities	1,006,722.22
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The accompanying notes are an integral part of these financial statements.

GRANT COUNTY
 COMBINING STATEMENT OF NET POSITION- COMPONENT UNITS
 DECEMBER 31, 2016

	WATER RESOURCE		TOTAL
ASSETS			
Cash and investments	248,013.67	-	248,013.67
			-
			-
			-
			-
Total Assets	248,013.67	-	248,013.67
 LIABILITIES			
			-
			-
			-
			-
			-
			-
Total liabilities	-	-	-
 NET POSITION			
			-
			-
			-
Unrestricted	248,013.67	-	248,013.67
Total net position	248,013.67	-	248,013.67

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

GRANT COUNTY
 COMBINING STATEMENT OF ACTIVITIES- COMPONENT UNITS
 YEAR ENDED DECEMBER 31, 2016

	WATER RESOURCE		TOTAL
Expenditures			
General government	35,849.92		35,849.92
Public safety			-
Highways and streets			-
Economic development			-
Other capital outlays	33,932.25		33,932.25
Total Expenditures	69,782.17	-	69,782.17
Revenue			
Property taxes	69,575.26		69,575.26
Intergovernmental	-		-
Charges for services			-
Miscellaneous	1,358.32		1,358.32
Interest income	1,287.91		1,287.91
Total Revenues	72,221.49	-	72,221.49
Change in Net Position	2,439.32	-	2,439.32
Net Position- January 1	245,574.35		245,574.35
Net Position- December 31	248,013.67	-	248,013.67

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

GRANT COUNTY
CARSON, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which the County is financially accountable and other organizations for which the nature and significance of their relationships with the County such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

Based on these criteria, there are two component units: Water Resource District and Job Development Authority.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

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

GRANT COUNTY

Notes to Financial Statements- Continued

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

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

The County reports the following major governmental fund:

General Fund. The General Fund is the primary operating fund of the County and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Highway- The Highway fund is used to account for highway activity for the County. Primary revenue sources are taxes and state aid.

Social service- The Social Service fund is used to account for health and welfare activity for the County. Primary revenue sources are taxes and state aid.

The County also reports the following fund types:

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

GRANT COUNTY
Notes to Financial Statements- Continued

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

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

GRANT COUNTY

Notes to Financial Statements- Continued

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

D. Budgets

Based upon available financial information and requests by the department heads, the commission and auditor prepares the County budget. The budget is prepared for the general, special revenue, and debt service funds on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

County taxes are levied by the county commission on or before the October meeting. 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.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the County during the year ended December 31, 2016 consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

GRANT COUNTY
Notes to Financial Statements- Continued

F. 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. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2004. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. 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 of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

Permanent Buildings	50
Equipment	10

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 assets. 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.

GRANT COUNTY
Notes to Financial Statements- Continued

H. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the County council-the County's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the County's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the County's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed. The Commission has not set any minimum fund balances.

GRANT COUNTY
Notes to Financial Statements- Continued

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. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board did not amend the County budget for 2016.

EXPENDITURES OVER APPROPRIATIONS

The County overspent the following budgets: General- \$548,191;
Highway - \$1,247,624.

No remedial action is required.

NOTE 3 DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial 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 deposit not covered by insurance or bonds.

GRANT COUNTY

Notes to Financial Statements- Continued

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any County, County, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States, or such other securities approved by the banking board.

At December 31, 2016, the County's carrying amount of deposits was \$3,312,159. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$2,812,159 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

Concentration of Credit Risk

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

GRANT COUNTY
Notes to Financial Statements- Continued

NOTE 4: PROPERTY TAXES

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

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

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

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

NOTE 5: CAPITAL ASSETS

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

	Balance January 1	Increases	Decreases	Balance December 31
Construction	2,898,777	119,846		3,018,623
Bldgs and Improvements	1,294,996			1,294,996
Vehicles	2,521,649	171,662		2,693,311
Equipment	128,495			128,495
Total	6,843,917	291,508		7,135,425
Less accumulated depreciation for:				
Buildings & Improve	994,065	30,402		1,024,467
Vehicles	1,524,179	198,397		1,722,577
Equipment	127,111	1,384		128,495
Total Accumulated Dep	2,645,355	230,183		2,875,539
Net	4,198,562			4,259,886

Depreciation Expense was charged to programs of the County as follows:
Governmental Activities:

General government	31,786
Public safety	20,729
Highways	<u>177,668</u>
Total	230,183

GRANT COUNTY
Notes to Financial Statements- Continued

NOTE 6: LONG-TERM DEBT

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

	Payable 2016	Increases	Decreases	Payable Due Within 2016	Due Within One Year
Notes payable	573,713		181,528	392,185	188,145

The County has a note payable for 3 graders. The note is payable in annual installments of 94,344 with a final payment of the outstanding balance in 2016.

NOTE 7: DEFICIT FUND BALANCE

The following fund balances had deficits at December 31, 2016:

HB 1176 38,839 Will be eliminated with grants/transfers

NOTE 8: TRANSFERS

Transfers are used to 1)move unrestricted revenues to finance various programs 2)move sales tax revenues to fund programs and projects and 3)move revenues from the fund with collection authorization to the debt service funds as debt service principal and interest payments become due. A schedule of the transfers is on page 31.

NOTE 9: PENSION PLANS

NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM (NDPERS)

The City participates in the North Dakota Public Employees Retirement System (NDPERS) - 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.

GRANT COUNTY
Notes to Financial Statements- Continued

A. DESCRIPTION OF PENSION PLAN

NDPERS is a cost-sharing multiple-employer defined benefits 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.

B. 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 of (65). The annual 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.

GRANT COUNTY
Notes to Financial Statements- Continued

C. 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, lifetime monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in 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.

D. 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.

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

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

GRANT COUNTY
Notes to Financial Statements- Continued

E. MEMBER AND EMPLOYER CONTRIBUTIONS

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

F. PENSION EXPENSE RELATED TO PENSIONS

\$120,123 reported as expense related to pensions resulting from Employer contributions for the year ended December 31, 2016.

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

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 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 with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS. 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:

GRANT COUNTY
Notes to Financial Statements- Continued

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%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash equivalents	1%	0.00%

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

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

GRANT COUNTY
Notes to Financial Statements- Continued

NOTE 12: RISK MANAGEMENT

The 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. The County pays an annual premium to NDRIF for its general liability and automobile insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The County has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

GRANT COUNTY
 FUND ACTIVITY
 DECEMBER 31, 2016
 FUND

	BALANCE 12-31-15	REVENUE	EXPENSE	TRANSFERS IN(OUT)	BALANCE 12-31-16
1000 GENERAL	682,977.82	1,405,220.33	1,225,950.77	138,901.87	1,001,149.25
2060 GCMVB	1,075.00	-	143.53	(931.47)	-
2110 FEDERAL AID ROAD	(228,206.76)	7,329.24	7,551.39	235,758.15	7,329.24
2120 FEMA 2009	247,628.04	-		(247,628.04)	-
2122 FEMA FLOOD 2011	66,899.83	2,110.33		(69,010.16)	-
2125 HB 1358	327,555.38	86,897.49		(414,452.87)	-
2126 SB 2103	(103,121.11)	526,870.24	124,727.93	(299,021.20)	-
2127 HB 1176		209,076.61	247,465.90		(38,389.29)
2130 UNORG ROAD & BRIDGE	305,325.44	620,756.81	210,776.89	(383,252.10)	332,053.26
2140 ROAD & BRIDGE	259,956.05	350,763.56	2,173,649.51	1,784,724.84	221,794.94
2150 HIGHWAY DISTRIBUTION	-	425,827.85		(425,827.85)	-
2151 TWP ROAD DISTRIBUTION	-	-			-
2160 EMERGENCY	247,365.18	0.28			247,365.46
2210 HUMAN SERVICE 1203	-	773.04		(773.04)	-
2230 HUMAN SERVICE 1220	92,196.65	461,607.56	399,126.87	5,633.45	160,310.79
2300 DISTRICT HEALTH	1,098.78	84,714.26	85,724.16		88.88
2410 PREPAID TAXES	1,018,785.65	(45,051.88)		-	973,733.77
2920 VETERANS SERVICE	17,478.59	11,998.31	11,236.69		18,240.21
2147 TECHNOLOGY	-	-			-
2930 OASIS/ND PERS RETIREME	(0.00)	-			(0.00)
2931 JOB DEVELOPMENT	-	10,867.02		(10,867.02)	-
2932 SOCIAL SECURITY	-	2,919.08		(2,919.08)	-
2933 COUNTY HEALTH	-	-			-
2935 DOCUMENT PRESERVATIC	27,054.25	6,193.00	3,218.22		30,029.03
2940 ADVERTISING	-	-			-
2941 POLICE CONTRACT	269,340.50	91,053.26	76,503.00	(100,000.00)	183,890.76
2945 PRISONER CARE	-	36,456.88	23,572.15	(12,145.42)	739.31
2946 COUNTY AMBULANCE		13,157.83	12,739.92		417.91
2947 CARSON AMBULANCE	839.83	7,097.64	7,671.71		265.76
2948 ELGIN/NL AMBULANCE	47.15	19,786.21	19,819.85		13.51
2949 FLASHER AMBULANCE	86.33	11,016.44	11,096.70		6.07
2950 ALMONT AMBULANCE	0.64	1,739.96	1,740.49		0.11
2958 EXTENSION PESTICIDE	5,075.21	-	612.97		4,462.24
2959 SPECIAL EXTENSION	1,056.19	2,158.00	1,259.68		1,954.51
2960 EXTENSION	19,285.68	79,417.20	89,619.25		9,083.63
2961 AID TO COUNTY FAIR	3,807.39	-		(3,807.39)	-
2962 SOIL CONSERVATION	4,402.23	1,269.27	3,918.64	(1,752.86)	(0.00)
2963 WATER MANAGEMENT	726.12	68,912.30	69,575.26		63.16
2964 COUNTY FAIR	3,317.77	126.92		(3,444.69)	0.00

GRANT COUNTY
 FUND ACTIVITY
 DECEMBER 31, 2016
 FUND

	BALANCE 12-31-15	REVENUE	EXPENSE	TRANSFERS IN(OUT)	BALANCE 12-31-16
2968 COUNTY SENIORS	1,139.99	34,384.18	35,505.12		19.05
2970 WEED CONTROL	36,392.39	197,021.04	193,467.63		39,945.80
2980 INSURANCE RESERVE	-	-			-
2982 E-911	45,395.75	38,402.04	31,209.63		52,588.16
2983 WIRELESS 911 EMERGENC	18,163.85	-			18,163.85
2985 HAZARDOUS CHEMICAL	2,167.70	400.00			2,567.70
2988 HOMELAND SECURITY	7,019.13	-			7,019.13
2993 ABANDONED CEMETARIE:	5,123.60	-	4.31		5,119.29
2997 TAX PRORATION	3,155.38	-		(3,155.38)	-
3105 COUNTY LOAN	181,885.49	1,361.47		(183,246.96)	-
8005 STATE MEDICAL LEVY	130.00	18,819.73	18,928.29		21.44
8015 GAME & FISH	13,313.50	16,619.00	29,932.50		(0.00)
8020 STATE COURT FEES	3,119.41	210.00	3,329.41		(0.00)
8026 SOIL CONSERVATION	-	22,321.28	24,047.43	1,752.86	26.71
8030 CLERK OF COURT	0.00	-			0.00
8050 MOBILE HOME	4,535.64	-		(4,535.64)	-
8060 HISTORICAL SOCIETY	(1,584.69)	4,914.71	3,168.61		161.41
8062 CIVIL LEGAL	135.00	-	135.00		-
8160 CITY OF CARSON	-	37,546.64	37,358.73		187.91
8161 CITY OF ELGIN	(0.00)	94,342.36	93,533.07		809.29
8162 CITY OF NEW LEIPZIG	(1,022.57)	44,538.31	25,557.15		17,958.59
8163 CITY OF LEITH		2,205.31	2,205.33		(0.02)
8260 CARSON PARK DISTRICTS	295.00	6,248.60	6,515.24		28.36
8261 ELGIN PARK DISTRICT	5,288.94	17,840.00	23,003.71		125.23
8262 NEW LEIPZIG PARK DISTR	(46.89)	2,313.85	2,266.96		(0.00)
8307 NEW SALEM SCHOOL DIST	9.37	27,379.36	27,388.62		0.11
8313 HEBRON SCHOOL DISTRIC	26.28	41,192.15	40,869.96		348.47
8318 ROOSEVELT SCHOOL DIST	3,759.48	419,408.05	423,021.00		146.53
8339 FLASHER SCHOOL DISTRIC	3,169.25	369,503.38	372,189.88		482.75
8348 GLEN ULLIN SCHOOL DIST	216.00	71,110.11	71,123.86		202.25
8349 ELGIN NEW LEIPZIG SCHO	3,200.99	745,600.15	748,131.75		669.39
8414 LEIPZIG TOWNSHIP	(474.17)	19,347.13	18,873.00		(0.04)
8417 MINNIE TOWNSHIP	6.30	17,152.01	17,158.31		(0.00)
8418 ELM TOWNSHIP	29.37	18,331.69	18,361.14		(0.08)
8421 LARK TOWNSHIP	16.37	13,190.15	13,206.97		(0.45)
8422 FREDA TOWNSHIP	(0.00)	9,371.36	9,371.37		(0.01)
8424 RALEIGH TOWNSHIP	258.35	17,323.60	17,570.41		11.54
8427 ROCK TOWNSHIP	0.07	15,450.96	15,416.42		34.61
8441 PRETTY ROCK TOWNSHIP	(0.02)	11,250.97	11,250.94		0.01

GRANT COUNTY
 FUND ACTIVITY
 DECEMBER 31, 2016
 FUND

	BALANCE 12-31-15	REVENUE	EXPENSE	TRANSFERS IN(OUT)	BALANCE 12-31-16
8444 HOWE TOWNSHIP	(0.07)	16,010.48	16,010.49		(0.08)
8446 WINONA TOWNSHIP	(20.18)	9,055.61	9,035.39		0.04
8500 IRRIGATION	12,602.44	28,782.39	30,591.69		10,793.14
8611 SW WATER AUTHORITY	(801.88)	21,301.77	20,478.45		21.44
8707 NEW SALEM FIRE DISTRICT	(103.47)	210.95	107.50		(0.02)
8708 ALMONT FIRE DISTRICTS	0.19	1,968.28	1,968.54		(0.07)
8713 HEBRON FIRE DISTRICTS	(26.08)	2,485.81	2,437.36		22.37
8715 NEW LEIPZIG FIRE DISTRICT	78.31	13,347.55	13,426.04		(0.18)
8716 ELGIN FIRE DISTRICTS	179.75	39,619.45	39,746.63		52.57
8718 CARSON FIRE DISTRICTS	90.96	21,550.27	21,634.69		6.54
8739 FLASHER FIRE DISTRICTS	233.27	11,943.46	12,160.44		16.29
8748 GLEN ULLIN FIRE DISTRICT	8.14	3,010.75	3,011.88		7.01
	3,619,119.47	7,005,451.40	7,312,412.33	(0.00)	3,312,158.54

GRANT COUNTY
 SCHEDULE OF TRANSFERS
 YEAR ENDED DECEMBER 31, 2016

	TRANSFER IN	TRANSFER OUT
GENERAL	138,901.87	
GCMVB		931.47
FEDERAL AID ROAD	235,758.15	
FEMA 2009		247,628.04
FEMA FLOOD 2011		69,010.16
HD 1358		414,452.87
SB 2103		299,021.20
UNORGANIZED ROAD & BRIDGE		383,252.10
ROAD & BRIDGE	1,784,724.84	
HIGHWAY DISTRIBUTION		425,827.85
HUMAN SERVICE 1203		773.04
HUMAN SERVICE 1220	5,633.45	
JOB DEVELOPMENT		10,867.02
SOCIAL SECURITY		2,919.08
POLICE CONTRACT		100,000.00
PRISONER CARE		12,145.42
AID TO COUNTY FAIR		3,807.39
SOIL CONSERVATION		1,752.86
COUNTY FAIR		3,444.69
TAX PRORATION		3,155.38
COUNTY LOAN		183,246.96
SOIL CONSERVATION	1,752.86	
MOBILE HOME		4,535.64
TOTAL	2,166,771.17	2,166,771.17

GRANT COUNTY
CARSON, NORTH DAKOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Grant County (County), I offer readers of the financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2016. I encourage readers to consider the information presented here in conjunction with additional information that I have furnished. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

Financial Highlights

* The assets of County exceeded its liabilities at the close of the most recent fiscal year by \$3,444,842 (Net Assets). Of this amount, \$2,683,127 (Unrestricted Net Assets) may be used to meet ongoing obligations.

* The County's total net assets decreased by \$1,605,208 as a result of the current year's operation.

* The County's total revenues from all sources were \$5,590,254. Total expenses were \$7,195,462.

* At the close of the current fiscal year, The County's governmental funds reported combined ending fund balances of \$2,683,127, a net decrease of \$1,553,856 in comparison with the prior year. Approximately 99%, \$2,683,127, is available for spending through an unreserved fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

These financial statements are organized so the reader can understand the County as a whole.

Government-Wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two groups: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of specific groups. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the County.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. The County's net assets of \$3,444,842 are segregated into three categories. Invested in capital assets (net of related debt), restricted assets and unrestricted. Net assets invested in capital assets, net of related debt, represents 22% of the County's net assets. These assets are not available for future spending. Although the County investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. Restricted net assets represent 0% of the County's resources that are subject to external restrictions on how they may be used. Unrestricted net assets represent the remaining 78% of resources. The unrestricted net assets are available to meet the County's ongoing obligations.

	NET ASSETS	
	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets	2,683,127	4,236,984
Capital assets (net of depreciation)	<u>1,513,977</u>	<u>1,735,667</u>
Total Assets	4,197,104	5,972,651
Liabilities		
Current Liabilities		
Long Term Liabilities	<u>752,262</u>	<u>922,600</u>
Total Liabilities	752,262	922,600
Net Assets		
Invested in Capital Assets Net	761,715	813,067
Restricted		
Unrestricted	<u>2,683,127</u>	<u>4,236,984</u>
Total Net Assets	3,444,842	5,050,051

Governmental activities decreased the County's net assets by \$1,605,208. Key elements of this increase are as follows:

	CHANGES IN NET ASSETS	
	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	452,356	114,198
Operating Grants and Contributions	2,309,802	3,591,917
General Revenues		
Taxes	1,499,183	1,501,842
Charges for service	34,635	37,792
State Aid	950,339	1,092,077
Interest income	2,397	5,999
License & permit	13,738	1,369
Other Revenue	327,804	636,927
Total Revenues	5,590,254	6,982,121
Expenses		
General government	1,407,127	1,041,847
Public safety	319,712	244,536
Health and welfare	331,114	433,380
Highways and streets	4,814,722	2,972,060
Weed control	101,093	76,098
Debt service		
Economic development	4	213,364
Depreciation-Unallocated	221,690	255,487
Total Expenses	7,195,462	5,236,772
Increase in Net Assets	(1,605,208)	1,745,349

Property taxes constituted 22%, grants 51% and other revenues made up the remaining 27% of the total revenues of the governmental activities of the County for the 2016 fiscal year. general government comprises 20% of the County's governmental expenses, while support services account for 80%.

General Fund Budgetary Highlights

During the year, however, revenues exceeded the final budgetary estimates by \$159,896 and expenditures exceeded the final budgetary estimate by \$274,691.

Capital Asset and Debt administration

Capital Assets

As of December 31, 2016, the County had \$1,513,977 invested in capital assets. This investment includes land, buildings and improvements, equipment and vehicles, and construction in progress.

CAPITAL ASSETS (NET OF DEPRECIATION)		
	<u>2016</u>	<u>2015</u>
Land and Land Improvements		
Buildings and Improvements	331,333	361,735
Vehicles	1,179,875	1,369,781
Equipment	2,769	4,151
Total	1,513,977	1,735,667

Long-Term Debt

At the end of the current fiscal year, the County had \$752,262 in outstanding debt. Of this amount, \$645,988 is long-term debt. The remaining \$106,274 is a current liability due within one year. The County increased its existing debt obligation by \$170,338 from December 31, 2016.

OUTSTANDING GENERAL LONG-TERM DEBT		
	<u>2016</u>	<u>2015</u>
Bonds Payable		
Notes Payable		
Leases Payable	752,262	922,600
Total	752,262	922,600

Economic Factors and Next Year's Budget

While the current financial condition of the County is strong, careful planning and financial stewardship must be followed to ensure that stability remains in future years.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all their citizens, taxpayers, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Kelly Bachmeier, Auditor Grant County

GRANT COUNTY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
Property taxes	308,504.13	308,504.13	1,006,392.09	697,887.96
Intergovernmental	287,000.00	287,000.00	276,778.94	(10,221.06)
Charges for services	20,000.00	20,000.00	-	(20,000.00)
Interest and other	75,989.00	75,989.00	133,185.01	57,196.01
Total Revenues	691,493.13	691,493.13	1,416,356.04	724,862.91
Current:				
General government	474,720.12	474,720.12	944,072.23	(469,352.11)
Public safety	203,040.00	203,040.00	281,878.54	(78,838.54)
Health and welfare				-
Highways				-
Relief and charities				-
Economic development				-
Capital outlay				-
Total Expenditures	677,760.12	677,760.12	1,225,950.77	(548,190.65)
Excess revenues (expenditures)	13,733.01	13,733.01	190,405.27	176,672.26
Other Financing Sources (Uses):				
Transfers in			138,901.87	138,901.87
Transfers out	-	-	(11,135.71)	(11,135.71)
Bond proceeds				
Total other financing sources a	-	-	127,766.16	127,766.16
Net change in fund balances	13,733.01	13,733.01	318,171.43	304,438.42
Fund balance- beginning	682,977.82	682,977.82	682,977.82	-
Fund balance- ending	696,710.83	696,710.83	1,001,149.25	304,438.42

GRANT COUNTY
 BUDGETARY COMPARISON SCHEDULE
 HIGHWAY FUND
 YEAR ENDED DECEMBER 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
Property taxes	301,079.00	301,079.00	348,587.49	47,508.49
Intergovernmental	850,000.00	850,000.00	935,109.23	85,109.23
Charges for services	50,000.00	50,000.00	115,509.09	65,509.09
Interest and other	5,000.00	5,000.00	5,471.65	471.65
Total Revenues	1,206,079.00	1,206,079.00	1,404,677.46	198,598.46
Current:				
General government			-	-
Public safety			-	-
Health and welfare			-	-
Highways	1,144,353.91	1,144,353.91	2,391,977.79	(1,247,623.88)
Relief and charities			-	-
Economic development			-	-
Capital outlay			-	-
Debt Service				-
Principal				-
Interest expense				-
Total Expenditures	1,144,353.91	1,144,353.91	2,391,977.79	(1,247,623.88)
Excess revenues (expenditures)	61,725.09	61,725.09	(987,300.33)	(1,049,025.42)
Other Financing Sources (Uses):				
Transfers in	700,000.00	700,000.00	2,020,482.99	1,320,482.99
Transfers out	(700,000.00)	(700,000.00)	(809,079.95)	(109,079.95)
Bond proceeds				
Total other financing sources a	-	-	1,211,403.04	1,211,403.04
Net change in fund balances	61,725.09	61,725.09	224,102.71	162,377.62
Fund balance- beginning	337,074.73	337,074.73	337,074.73	-
Fund balance- ending	398,799.82	398,799.82	561,177.44	162,377.62

GRANT COUNTY
 BUDGETARY COMPARISON SCHEDULE
 SOCIAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
Property taxes	182,177.00	182,177.00	367,257.02	185,080.02
Intergovernmental	48,000.00	48,000.00	52,894.99	4,894.99
Charges for services			-	-
Interest and other	38,273.00	38,273.00	42,228.59	3,955.59
Total Revenues	268,450.00	268,450.00	462,380.60	193,930.60
Current:				
General government			-	-
Public safety			-	-
Health and welfare	268,450.00	268,450.00	399,126.87	(130,676.87)
Highways			-	-
Relief and charities			-	-
Economic development			-	-
Capital outlay			-	-
Total Expenditures	268,450.00	268,450.00	399,126.87	(130,676.87)
Excess revenues (expenditures)	-	-	63,253.73	63,253.73
Other Financing Sources (Uses):				
Transfers in	-	-	5,633.45	5,633.45
Transfers out	-	-	(773.04)	(773.04)
Bond proceeds				
Total other financing sources a	-	-	4,860.41	4,860.41
Net change in fund balances	-	-	68,114.14	68,114.14
Fund balance- beginning	92,196.65	92,196.65	92,196.65	-
Fund balance- ending	92,196.65	92,196.65	160,310.79	68,114.14

GRANT COUNTY

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2016

Grant County
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Harold J. Rotunda

Certified Public Accountant

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

County Commission
Grant County
Carson, North Dakota

I 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 Grant County as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated October 1, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Grant 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2016-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant County's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

County's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



Harold Rotunda, CPA
October 1, 2017

GRANT COUNTY
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED DECEMBER 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

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

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	___X___	No
Significant deficiencies identified not Considered to be material weaknesses?	___X___	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	___X___	No

Section II- Financial Statement Findings

Finding No. 2016-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect

Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

GRANT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

Recommendation

While I recognize that the County office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the County.

Client Response

At the present time, the County has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.