



Rolette County

Rolla, 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

ROLETTE COUNTY
Rolla, North Dakota

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ROLETTE COUNTY
Rolla, North Dakota

COUNTY OFFICIALS

At December 31, 2016

Eldon Moors, Sr.
Merle Boucher
Bob Leonard, Sr.
Alex Albert
Henry Larocque

Valerie McCloud
Kandace Desjarlais
Gerald Medrud
Sarah Bruce
Ryan Thompson

Commissioner - Chairman
Commissioner - Vice-Chairman
Commissioner
Commissioner
Commissioner

Auditor
Treasurer
Sheriff
Recorder
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
Rolette County
Rolla, 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 Rolette County, Rolla, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Rolette County, Rolla, 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.

ROLETTE 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 the notes to the required supplementary information* on pages 30-39 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 Rolette County's basic financial statements. The *schedule of fund activity arising from cash transactions* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2017 on our consideration of Rolette 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 Rolette County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
August 10, 2017

ROLETTE COUNTY
Rolla, North Dakota
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Health District
ASSETS:			
Cash and Investments	\$ 1,375,884	\$ 14,260	\$ 242,522
Restricted Cash and Investments	6,773,158	-	-
Intergovernmental Receivable	760,865	-	61,278
Accounts Receivable	26,832	-	-
Taxes Receivable	67,111	770	4,337
Road Receivables	35,389	-	-
Capital Assets (not being depreciated):			
Land	134,500	-	-
Construction in Progress	2,968,802	-	-
Capital Assets (net of accumulated depreciation):			
Buildings	503,778	-	66,600
Building Improvements	167,005	-	-
Equipment	2,032,411	-	-
Vehicles	148,085	-	-
Infrastructure	5,069,491	-	-
Total Capital Assets	<u>\$ 11,024,072</u>	<u>\$ -</u>	<u>\$ 66,600</u>
Total Assets	<u>\$ 20,063,311</u>	<u>\$ 15,030</u>	<u>\$ 374,737</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Items	<u>\$ 789,211</u>	<u>\$ -</u>	<u>\$ 125,510</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 20,852,522</u>	<u>\$ 15,030</u>	<u>\$ 500,247</u>
LIABILITIES:			
Accounts Payable	\$ 479,781	\$ -	\$ 38
Salaries Payable	13,826	-	-
Interest Payable	76,280	-	-
Retainage Payable	85,175	-	-
Long-Term Liabilities:			
Due Within One Year:			
Bond Premium	1,824	-	-
Capital Lease Payable	204,643	-	-
Loan Payable	19,892	-	-
Special Assessments Payable	486	-	-
Compensated Absences Payable	20,010	-	2,709
Due After One Year:			
Bonds Payable	9,620,000	-	-
Bond Premium	51,086	-	-
Capital Lease Payable	363,230	-	-
Loan Payable	41,003	-	-
Special Assessments Payable	972	-	-
Compensated Absences Payable	180,089	-	24,386
Net Pension Liability	1,972,265	-	357,190
Total Liabilities	<u>\$ 13,130,562</u>	<u>\$ -</u>	<u>\$ 384,323</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Items	<u>\$ 244,440</u>	<u>\$ -</u>	<u>\$ 21,052</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 13,375,002</u>	<u>\$ -</u>	<u>\$ 405,375</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 646,114	\$ -	\$ 66,600
Restricted for:			
Highways & Public Improvement	432,045	-	-
Emergencies	167,913	-	-
Health and Welfare	15,258	-	28,272
Conservation of Natural Resources	101,215	15,030	-
Capital Projects	6,371,703	-	-
Unrestricted	<u>(256,728)</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 7,477,520</u>	<u>\$ 15,030</u>	<u>\$ 94,872</u>

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

ROLETTE COUNTY
Rolla, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Governmental Activities	Water Resource District	Health District
Primary Government:							
Governmental Activities:							
General Government	\$ 1,590,292	\$ 47,177	\$ 47,525	\$ -	\$ (1,495,590)		
Public Safety	1,610,109	452,885	-	-	(1,157,224)		
Highways & Public Improvement	3,146,217	110,354	2,467,242	28,837	(539,784)		
Health and Welfare	1,895,519	-	1,377,093	-	(518,426)		
Conserv. of Natural Resources	116,577	-	16,209	-	(100,368)		
Emergency	-	-	54,327	-	54,327		
Interest on Long-Term Debt	333,578	-	-	-	(333,578)		
Total Primary Government	\$ 8,692,292	\$ 610,416	\$ 3,962,396	\$ 28,837	\$ (4,090,643)		
Component Units:							
Water Resource Board	\$ 18,878	\$ -	\$ -	\$ -	\$ (18,878)	\$ -	
Health District	859,551	278,499	462,939	-	-	(118,113)	
Total Component Units	\$ 878,429	\$ 278,499	\$ 462,939	\$ -	\$ (18,878)	\$ (118,113)	
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					\$ 604,945	\$ -	\$ -
Property taxes; levied for special purposes					615,634	17,036	91,402
State aid & grants not restricted to specific programs:							
State Aid Distribution and Grants					1,051,574	-	-
Other State Shared Revenues					250,070	-	-
Gain on Sale of Capital Assets					62,302	-	-
Interest Revenue					16,783	56	-
Loss on Investments					(1,659)	-	-
Miscellaneous Revenue					197,954	-	16,903
Total General Revenues					\$ 2,797,603	\$ 17,092	\$ 108,305
Change in Net Position					\$ (1,293,040)	\$ (1,786)	\$ (9,808)
Net Position - January 1					\$ 8,765,560	\$ 16,816	\$ 101,380
Prior Period Adjustment					5,000	-	3,300
Net Position - January 1 as restated					\$ 8,770,560	\$ 16,816	\$ 104,680
Net Position - December 31					\$ 7,477,520	\$ 15,030	\$ 94,872

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

ROLETTE COUNTY
Rolla, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	General	Unorganized District Road	Highway Tax Distribution	County Road & Bridge	Social Services	911 Emergency	Jail	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and Investments	\$ 152,680	\$ 96,236	\$ 148,914	\$ 342,576	\$ 333,908	\$ -	\$ -	\$ 301,570	\$ 1,375,884
Restricted Cash and Investments	-	-	-	-	-	-	6,773,158	-	6,773,158
Intergovernmental Receivable	247,107	22,891	172,012	-	318,855	-	-	-	760,865
Accounts Receivable	-	-	-	-	-	13,602	-	13,230	26,832
Due From Other Funds	177,965	-	-	-	-	-	-	-	177,965
Taxes Receivable	33,592	3,156	-	6,653	18,229	-	-	5,481	67,111
Road Receivables	-	35,389	-	-	-	-	-	-	35,389
Total Assets	\$ 611,344	\$ 157,672	\$ 320,926	\$ 349,229	\$ 670,992	\$ 13,602	\$ 6,773,158	\$ 320,281	\$ 9,217,204
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
<u>Liabilities:</u>									
Accounts Payable	\$ -	\$ -	\$ -	\$ 67,829	\$ -	\$ -	\$ 402,011	\$ 9,941	\$ 479,781
Salary and Benefits Payable	9,548	-	4,278	-	-	-	-	-	13,826
Due to Other Funds	-	-	-	-	-	124,697	-	53,268	177,965
Total Liabilities	\$ 9,548	\$ -	\$ 4,278	\$ 67,829	\$ -	\$ 124,697	\$ 402,011	\$ 63,209	\$ 671,572
<u>Deferred Inflows of Resources:</u>									
Taxes Receivable	\$ 33,592	\$ 3,156	\$ -	\$ 6,653	\$ 18,229	\$ -	\$ -	\$ 5,481	\$ 67,111
Road Receivable	-	35,389	-	-	-	-	-	-	35,389
Total Deferred Inflows of Resources	\$ 33,592	\$ 38,545	\$ -	\$ 6,653	\$ 18,229	\$ -	\$ -	\$ 5,481	\$ 102,500
Total Liabilities and Deferred Inflows of Resources	\$ 43,140	\$ 38,545	\$ 4,278	\$ 74,482	\$ 18,229	\$ 124,697	\$ 402,011	\$ 68,690	\$ 774,072
<u>Fund Balances:</u>									
<u>Restricted for:</u>									
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,524	\$ 7,524
Public Safety	-	-	-	-	-	-	-	37,046	37,046
Highways & Public Improvement	-	119,127	316,648	274,747	-	-	-	-	710,522
Emergency	-	-	-	-	-	-	-	167,002	167,002
Health and Welfare	-	-	-	-	652,763	-	-	5,265	658,028
Conservation of Natural Resources	-	-	-	-	-	-	-	97,408	97,408
Capital Projects	-	-	-	-	-	-	6,371,147	556	6,371,703
<u>Unassigned</u>									
General Fund	568,204	-	-	-	-	-	-	-	568,204
Negative Fund Balance	-	-	-	-	-	(111,095)	-	(63,210)	(174,305)
Total Fund Balances	\$ 568,204	\$ 119,127	\$ 316,648	\$ 274,747	\$ 652,763	\$ (111,095)	\$ 6,371,147	\$ 251,591	\$ 8,443,132
Total Liabilities and Fund Balances	\$ 611,344	\$ 157,672	\$ 320,926	\$ 349,229	\$ 670,992	\$ 13,602	\$ 6,773,158	\$ 320,281	\$ 9,217,204

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

ROLETTE COUNTY
Rolla, North Dakota

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

Total *Fund Balances* for Governmental Funds \$ 8,443,132

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	\$ 15,775,789	
Less Accumulated Depreciation	<u>(4,751,717)</u>	11,024,072

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 resources in the funds. 67,111

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. 35,389

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	\$ 789,211	
Deferred Inflows Related to Pensions	<u>(244,440)</u>	544,771

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:

Bonds Payable	\$ (9,620,000)	
Bond Premium	(52,910)	
Capital Leases Payable	(567,873)	
Loans Payable	(60,895)	
Special Assessments Payable	(1,458)	
Retainage Payable	(85,175)	
Interest Payable	(76,280)	
Compensated Absences	(200,099)	
Net Pension Liability	<u>(1,972,265)</u>	<u>(12,636,955)</u>

Total Net Position of Governmental Activities \$ 7,477,520

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

ROLETTE COUNTY
Rolla, North Dakota

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

	General	Unorganized District Road	Highway Tax Distribution	County Road & Bridge	Social Services	911 Emergency	Jail	Other Governmental Funds	Total Governmental Funds
Revenues:									
Taxes	\$ 583,330	\$ 70,463	\$ -	\$ 151,467	\$ 331,519	\$ -	\$ -	\$ 123,142	\$ 1,259,921
Intergovernmental	1,202,866	235,219	2,250,052	37,257	1,431,441	-	-	107,205	5,264,040
Licenses, Permits and Fees	2,390	-	-	-	-	-	-	-	2,390
Charges for Services	99,518	88,487	-	-	-	181,175	-	216,979	586,159
Interest Income	11,540	-	-	-	-	-	5,243	-	16,783
Miscellaneous	144,028	-	-	-	4,770	-	-	49,156	197,954
Total Revenues	\$ 2,043,672	\$ 394,169	\$ 2,250,052	\$ 188,724	\$ 1,767,730	\$ 181,175	\$ 5,243	\$ 496,482	\$ 7,327,247
Expenditures:									
Current:									
General Government	\$ 1,523,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,185	\$ 1,553,083
Public Safety	995,263	-	-	-	-	285,337	-	460,822	1,741,422
Highways & Public Improvement	-	708,438	2,042,975	196,764	-	-	-	-	2,948,177
Health and Welfare	8,265	-	-	-	1,839,702	-	-	19,577	1,867,544
Conserv. of Natural Resources	-	-	-	-	-	-	-	115,470	115,470
Capital Outlay	-	-	-	-	-	-	2,852,419	-	2,852,419
Debt Service:									
Principal	486	289,222	-	-	-	-	-	-	289,708
Interest & Service Charges	194	18,548	-	-	-	-	-	-	18,742
Total Expenditures	\$ 2,528,106	\$ 1,016,208	\$ 2,042,975	\$ 196,764	\$ 1,839,702	\$ 285,337	\$ 2,852,419	\$ 625,054	\$ 11,386,565
Excess (Deficiency) of Revenues Over Expenditures	\$ (484,434)	\$ (622,039)	\$ 207,077	\$ (8,040)	\$ (71,972)	\$ (104,162)	\$ (2,847,176)	\$ (128,572)	\$ (4,059,318)
Other Financing Sources (Uses):									
Lease Financing	\$ -	\$ 224,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,319
Bond Proceeds	-	-	-	-	-	-	9,620,000	-	9,620,000
Bond Issuance Costs	-	-	-	-	-	-	(243,861)	-	(243,861)
Bond Premium	-	-	-	-	-	-	54,734	-	54,734
Loss on Investments	-	-	-	-	-	-	(1,659)	-	(1,659)
Sale of Capital Assets	3,350	123,902	-	-	-	-	-	-	127,252
Transfers In	224,323	-	-	6,300	-	-	-	164,460	395,083
Transfers Out	(164,459)	-	-	-	-	-	(210,891)	(19,733)	(395,083)
Total Other Financing Sources and Uses	\$ 63,214	\$ 348,221	\$ -	\$ 6,300	\$ -	\$ -	\$ 9,218,323	\$ 144,727	\$ 9,780,785
Net Change in Fund Balances	\$ (421,220)	\$ (273,818)	\$ 207,077	\$ (1,740)	\$ (71,972)	\$ (104,162)	\$ 6,371,147	\$ 16,155	\$ 5,721,467
Fund Balance - January 1	\$ 989,424	\$ 392,945	\$ 109,571	\$ 276,487	\$ 724,735	\$ (6,933)	\$ -	\$ 235,436	\$ 2,721,665
Fund Balance - December 31	\$ 568,204	\$ 119,127	\$ 316,648	\$ 274,747	\$ 652,763	\$ (111,095)	\$ 6,371,147	\$ 251,591	\$ 8,443,132

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

ROLETTE COUNTY
Rolla, 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 \$ 5,721,467

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	\$ 3,505,324	
Capital Contribution	28,837	
Current Year Depreciation Expense	<u>(641,677)</u>	2,892,484

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 book value of the capital assets sold.

(64,950)

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 by which debt issuances exceeded debt repayments.

Issuance of Debt - Bond Proceeds	\$ (9,620,000)	
Issuance of Debt - Bond Premium	(54,734)	
Issuance of Debt - Capital Lease	(224,319)	
Repayment of Debt - Capital Lease	269,726	
Repayment of Debt - Loans	19,496	
Repayment of Debt - Special Assessments	486	
Amortization of Bond Premium	<u>1,824</u>	(9,607,521)

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.

Net Change in Net Pension Liability	\$ (534,007)	
Net Change in Deferred Inflows of Resources Related to Pensions	495,468	
Net Change in Deferred Outflows of Resources Related to Pensions	<u>(35,302)</u>	(73,841)

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

Net Change in Compensated Absences	\$ (11,472)	
Net Change in Retainage Payable	(58,933)	
Net Change in Interest Payable	<u>(72,799)</u>	(143,204)

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

Net Change in Taxes Receivable	\$ (39,342)	
Net Change in Road Receivables	<u>21,867</u>	(17,475)

Change in Net Position of Governmental Activities \$ (1,293,040)

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

ROLETTE COUNTY
Rolla, North Dakota

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 733,802</u>
<u>LIABILITIES</u>	
Due to other governments	<u>\$ 733,802</u>

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

ROLETTE COUNTY
Rolla, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Rolette County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. 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 government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of Rolette 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 Rolette 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 Rolette County.

Based on these criteria, there are two discretely presented component units to be included within Rolette County as a reporting entity.

COMPONENT UNITS

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as discretely presented component units.

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

Rolette County Health District - The County's governing board appoints a voting majority of the members of the Rolette County Health District. The county has the authority to approve or modify the Health District's operational and capital budgets. The county's governing board must approve the tax levy established by the Health District. The Health District has the authority to issue bonded debt.

Rolette County Water Resource District - The County's governing board appoints a voting majority of the members of the Rolette County Water Resource District Board. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy established by the Water Resource District.

Component Unit Financial Statements: The financial statements of the discretely presented component units are presented in the County's basic financial statements. Complete financial statements of the component units can be obtained from the Rolette County Auditor Rolette County, 102 NE 2nd Street PO box 939, Rolla ND 58367.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Related Organizations - The County is accountable for the following legally separate entities because it appoints a voting majority to their governing boards. Although, the County is not financially accountable for these entities, as defined by GASB statement 14, the County did provide operating grants to them as follows:

Fund	Amount
Weed Control	\$ 76,639

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's and the component units 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 taxes, interest and non-restricted grants and contributions, are presented as general revenues.

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

The county reports the following major governmental funds:

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

Unorganized District Road Fund. This fund accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. Primary sources of revenue in this fund include restricted state and federal grants and reimbursements and restricted tax levy.

Highway Tax Distribution Fund. This fund accounts for the Highway Tax Distribution revenue collected during the year for this specific County. Primary sources of revenue in this fund include restricted state grants and reimbursements.

County Road and Bridge Fund. This is the County's primary road maintenance fund. It accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund. Primary sources of revenue in this fund includes a restricted tax levy.

Social Services Fund. This fund accounts for the costs of providing social service benefits and programs to needy residents of the county. Primary sources of revenue in this fund include restricted state and federal grants and reimbursements and restricted tax levy.

911 Emergency Fund. This fund accounts for 911 fees collected from telephone companies. The major primary source of revenue is restricted fee collections.

Jail. This fund accounts for resources accumulated for the construction of the new County Jail. Primary sources of inflows and revenues in this fund are bond proceeds restricted for construction purposes.

The County reports the following fund type:

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 funds are used to account for property taxes collected on behalf of other governments.

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

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

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

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

E. Capital Assets

PRIMARY GOVERNMENT:

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column 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.

General infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. 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. Interest incurred during the construction phase of capital assets is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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

Assets	Years
Buildings	50
Equipment	9-20
Vehicles	5-10
Infrastructure	50
Office Equipment	5-15

F. Compensated Absences

Vacation leave is earned at the rate of 12 to 24 days per year depending on years of service. Annually on an employee's anniversary date, an employee will be allowed to carry over a maximum of the total number of vacation hours that respective employee would be able to accrue in the year prior to the anniversary date. The maximum for each employee is the total accrued for that year. On the employee's anniversary date, if an employee has hours earned over the carry over maximum, those hours will be paid out at a rate of ½ the employee's hourly rate of pay. Upon termination vacation benefits that have accrued through the last day of work will be paid.

Eligible employees (defined as employees who have completed six calendar months of employment) beginning the first year of employment as an eligible employee, will be awarded five (5) working days with pay. After one year of employment, the employee will be awarded sick leave at the rate of ten (10) working days per year, with pay. Unused sick leave benefits will be allowed to accumulate without limit. If an employee leaves employment with the County after ten continuous years of County employment, the employee will be paid for 10 percent of their accumulated unused sick leave up to a maximum of 1,000 hours.

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. When applicable, bond premiums and discounts are amortized over the life of the bond, whereas issuance costs are recognized in the current period.

H. Fund Balances / Net Position

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new 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 Rolette County to spend restricted resources first, followed by 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 are disclosed in more detail in Note 1B.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Fund Balance Reporting and Governmental Fund Type Definitions

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.
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 business manager.	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.

The County only has restricted and unassigned fund balances 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 general government, public safety, highways & public improvement, emergency, health & welfare, conservation of natural resources, and capital projects. 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).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes FEMA funds, social service funds, highway tax distribution, and other grant funds.

Unassigned Fund Balances:

Unassigned fund balances are shown at each year-end for the positive fund balance of the general fund and for negative fund consisting of various funds for the year ended December 31, 2016.

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.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Net investment in capital assets is reported for capital assets less accumulated depreciation, and any related debt used to finance the purchase or construction of those capital assets. 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. Net position in the statement of net position is also shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

Unrestricted net position is primarily unrestricted amounts related to the general fund governmental activities, as well as amounts shown for negative funds as applicable. The unrestricted net position is available to meet the district's ongoing obligations.

I. 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.

J. Interfund Transactions

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

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

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

NOTE 2: DEPOSITS

In accordance with North Dakota Statutes, Rolette 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 any other state of the United States or such other securities approved by the banking board.

At year ended December 31, 2016, the county's carrying amount of deposits was \$2,109,482 and the bank balances totaled \$2,637,181. Of the bank balances, \$1,021,325 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name. Investments totaling \$6,773,158 related to bond issuance for jail construction is covered entirely by SIPC (Security Investors Protection Corporation) insurance and pledges held by the investing firm.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2016, the Rolette County Health District's carrying amount of deposits was \$242,522 and the bank balances totaled \$263,219. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year end December 31, 2016, the Rolette County Water Resource District's carrying amount of deposits was \$14,260 and the bank balances totaled \$17,689, all was covered by Federal Depository Insurance.

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 and Water Resource District had certificates of deposits totaling \$1,710,525 and \$10,151, respectively, all of which are considered deposits.

Concentration of Credit Risk:

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

NOTE 3: TAXES RECEIVABLE

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

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 on or before February 15 and receive the 5% discount on the property taxes.

NOTE 4: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of amounts due from the state for the state and federal share of various social service programs, highway tax distribution, state aid and other state and federal grants.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due for contract policing, and for emergency 911 fees owed to the county prior to year-end, but not received until after year-end.

NOTE 6: ROAD ACCOUNTS RECEIVABLE

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

ROLETTE COUNTY

Notes to the Financial Statements – Continued

NOTE 7: CAPITAL ASSETS

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

	Restated Balance January 1	Increases	Decreases	Transfers	Balance December 31
Primary Government:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 43,000	\$ 91,500	\$ -	\$ -	\$ 134,500
Construction Progress	1,438,562	2,981,654	-	(1,451,414)	2,968,802
Total Capital Assets, not being depreciated	\$ 1,481,562	\$ 3,073,154	\$ -	\$ (1,451,414)	\$ 3,103,302
<i>Capital assets being depreciated:</i>					
Buildings	\$ 1,863,822	\$ -	\$ -	\$ -	\$ 1,863,822
Building Improvements	202,330	-	-	-	202,330
Equipment	4,181,787	422,334	361,900	-	4,242,221
Vehicles	456,116	38,672	38,954	-	455,834
Infrastructure	4,456,866	-	-	1,451,414	5,908,280
Total Capital Assets, Being Depreciated	\$11,160,921	\$ 461,006	\$ 400,854	\$ 1,451,414	\$ 12,672,487
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,328,697	\$ 31,347	\$ -	\$ -	\$ 1,360,044
Building Improvements	28,961	6,364	-	-	35,325
Equipment	2,190,870	315,890	296,950	-	2,209,810
Vehicles	282,954	63,749	38,954	-	307,749
Infrastructure	614,463	224,326	-	-	838,789
Total Accumulated Depreciation	\$ 4,445,945	\$ 641,676	\$ 335,904	\$ -	\$ 4,751,717
Total Capital Assets Being Depreciated, Net	\$ 6,714,976	\$ (180,670)	\$ 64,950	\$ 1,451,414	\$ 7,920,770
Governmental Activities - Capital Assets, Net	\$ 8,196,538	\$ 2,892,484	\$ 64,950	\$ -	\$ 11,024,072

Depreciation expense was charged to functions/programs of the county as follows for the year ended December 31, 2016:

Governmental Activities:	Amount
General Government	\$ 30,298
Public Safety	65,984
Health & Welfare	4,000
Conservation of Natural Resources	1,108
Highways & Bridges	540,286
Total Depreciation Expense-Governmental Activities	\$ 641,676

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

Rolette County Health:	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets being depreciated:</i>				
Buildings	\$ 90,000	\$ -	\$ -	\$ 90,000
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 21,600	\$ 1,800	\$ -	\$ 23,400
Governmental Activities - Capital Assets, Net	\$ 68,400	\$ (1,800)	\$ -	\$ 66,600

Depreciation expense totaling \$1,800 for 2016 was charged to the Health and Welfare function.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

NOTE 8: DUE TO / FROM OTHER FUNDS

The composition of due to and due from other funds as of December 31, 2016 are as follows:

Due From Fund	Due To Fund	Amount
911 Emergency Fund	General	\$ 124,697
FEMA	General	52,896
Veteran's Service Officer Fund	General	372
Total		\$ 177,965

The composition of due to and due from other funds is related to negative cash fund balances in various major funds for governmental and business type activities.

NOTE 9: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions.

NOTE 10: ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2016.

NOTE 11: SALARIES PAYABLE

Salaries payable consists of a liability account reflecting amounts owed to employee salaries at December 31, 2016 in the general fund, and at the government-wide level.

NOTE 12: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (leases and loans payable) outstanding at each year-end.

NOTE 13: RETAINAGES PAYABLE

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at December 31, 2016 for the county jail project.

NOTE 14: LONG-TERM LIABILITIES

Primary Government:

Changes in Long-Term Liabilities - During the years ended December 31, 2016, the following changes occurred in governmental activities long-term liabilities for the primary government:

Primary Government	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bonds (COPS) Payable	\$ -	\$ 9,620,000	\$ -	\$ 9,620,000	\$ -
Plus: Unamortize Bond Premium	-	54,734	1,824	52,910	1,824
Capital Leases Payable	613,280	224,319	269,726	567,873	204,643
Loans Payable	80,391	-	19,496	60,895	19,892
Special Assmts. Payable	1,944	-	486	1,458	486
Compensated Absences *	188,627	11,472	-	200,099	20,010
Net Pension Liability *	1,438,258	534,007	-	1,972,265	-
Total Governmental Activities	\$ 2,322,500	\$ 10,444,532	\$ 291,532	\$ 12,475,500	\$ 246,855

* 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.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Outstanding governmental activities debt of the primary government at December 31, 2016 is comprised of the following individual issues:

Bonds (Certificates of Participation) Payable

\$9,620,000 of Certificates of Participation Bonds of 2016, Series A, due in annual principal installments ranging from \$195,000 to \$530,000 through 2046; interest at 3.5%. \$ 9,620,000

Bond Premium

\$9,620,000 of Certificates of Participation Bonds of 2016, Series A Bond Premium will be amortized over the life of the bond. \$ 52,910

Leases Payable

\$88,500 Lease from Caterpillar for a 2008 John Deere 700J Dozer. Principal payments will range from \$17,629 to \$19,018 until 2017 with an interest rate of 3.80%. \$ 19,019

\$143,550 Lease from Titan Machinery for a 2013 John Deere Wheel Loader. Principal payments will range from \$28,219 to \$30,445 through 2017 with an interest rate of 3.80%. 30,445

\$267,707 Lease from Caterpillar for a 140M 2AWD Motor Grader. Principal payments will range from \$52,070 to \$54,933 through 2017 with an interest rate of 2.75%. 54,974

\$267,707 Lease from Caterpillar for a 140M 2AWD Motor Grader. Principal payments will range from \$52,070 to \$54,933 through 2017 with an interest rate of 2.75%. 54,974

\$226,980 Lease from Butler CAT for a 140M3 AWD Motor Grader. Principal payments will range from \$42,838 to \$48,030 until 2021 with an interest rate of 2.90%. 184,142

\$224,319 Lease from North Central Rental & Leasing, LLC for a 2015 Caterpillar 140M3 AWD Motor Grader. Principal payments will range from \$45,232 to \$46,377 until 2021 with an interest rate of 2.40%. 224,319

Total Leases Payable \$ 567,873

Loans Payable

Case Tractor Loan – payments of \$21,128 through 2019, interest at 2.03%. \$ 60,895

Special Assessments Payable

County Property Sewer #27 \$ 1,458

ROLETTE COUNTY

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding debt, excluding compensated absences are as follows:

Year Ending Dec 31	Bonds Payable		Bond	Capital Leases		Loans		Spec. Assmts.	
	Principal	Interest	Premium	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ -	\$ 356,875	\$ 1,824	\$ 204,643	\$ 5,827	\$ 19,892	\$ 1,236	\$ 486	\$ 184
2018	195,000	356,875	1,824	87,273	9,638	20,296	832	972	1,601
2019	200,000	350,050	1,824	89,587	7,323	20,707	421	-	-
2020	205,000	344,050	1,824	91,964	4,946	-	-	-	-
2021	210,000	337,900	1,824	94,406	2,507	-	-	-	-
2022-2026	1,200,000	1,555,500	9,122	-	-	-	-	-	-
2027-2031	1,445,000	1,309,675	9,122	-	-	-	-	-	-
2032-2036	1,700,000	1,047,375	9,122	-	-	-	-	-	-
2037-2041	2,015,000	731,825	9,122	-	-	-	-	-	-
2042-2046	2,450,000	302,000	7,302	-	-	-	-	-	-
Totals	\$ 9,620,000	\$ 6,692,125	\$ 52,910	\$ 567,873	\$ 30,241	\$ 60,895	\$ 2,489	\$ 1,458	\$ 1,785

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in governmental activities long-term liabilities for the Health District component unit:

Health District:

Health District	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences *	\$ 28,244	\$ -	\$ 1,149	\$ 27,095	\$ 2,709
Net Pension Liability *	235,594	121,596	-	357,190	-
Total Governmental Activities	\$ 263,838	\$ 121,596	\$ 1,149	\$ 384,285	\$ 2,709

* 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.

NOTE 15: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, such amounts include the amount for pensions.

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the road accounts receivable 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 accounts receivable are measurable but not available.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

NOTE 16: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements of the governmental activities for the years ended December 31, 2016:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 224,323	\$ 164,459
County Road & Bridge	6,300	-
Jail	-	210,891
Special Revenue Funds:		
Farm to Market Road	-	4,197
Farm to Market Maintenance	-	2,103
OASIS/Social Security	-	4,203
Insurance Reserve	-	1,871
Advertising Fund	-	293
Jail Maintenance	-	6,568
Dunseith Contract Policing	95,928	-
Roulette Contract Policing	34,447	-
St. John Contract Policing	34,085	-
County Park	-	498
Total Transfers	\$ 395,083	\$ 395,083

Transfers are used to move unrestricted general revenue to close out projects as they are completed, to close out funds, and to subsidize other programs in accordance with County Commission Authority.

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

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**Main System**

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.

Law Enforcement System (without prior main system service)

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 Law Enforcement 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 (55). 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 50-55 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 and Law Enforcement 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 and Law Enforcement 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 must become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member is not vested (is not 65 for the Main System and is not 55 for the Law Enforcement System 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 re-employed, they have the option of repurchasing their previous service.

Member and Employer Contributions**Main System**

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.

Law Enforcement System (without prior main system service)

Member and employer contributions paid to NDPERS are established as a percent of covered compensation. Member contribution rates are 5.5% and employer contribution rates are 7.93% of covered compensation.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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, Rolette County reported a liability of \$1,972,265 for its proportionate share of net pension liability of the main system (\$1,960,968), and the law enforcement system (\$11,297) combined. 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 Employer’s proportion of the net pension liability was based on the Employer’s share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System and Law Enforcement System employers. At June 30, 2016, the Employer’s proportion was .201208 percent, which was a decrease of .013300 percent from its proportion measured as of June 30, 2015 for the Main System. At June 30, 2016, the Employer’s proportion was 17.636926 percent, which was an increase of .240697 percent from its proportion measured as of June 30, 2015 for the Law Enforcement System.

For the year ended December 31, 2016, the Employer recognized combined pension expense of \$302,841, consisting of \$240,913 for the Main System and \$61,928 for the Law Enforcement System. At December 31, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

County - Main System and Law Enforcement System:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 74,317	\$ 25,271
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,174	94,780
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	311,211	-
Changes of Assumptions	194,574	124,389
District Contributions Subsequent to the Measurement Date	206,935	-
Total	\$ 789,211	\$ 244,440

\$206,935, consisting of \$152,028 for the Main System and \$54,907 for the Law Enforcement System, 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 for the county main system and law enforcement system in the year ended December 31, 2017.

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

County	Main System	Law Enforcement	Total
2017	\$ 66,354	\$ 14,033	\$ 80,387
2018	66,355	14,033	80,388
2019	126,036	17,453	143,489
2020	80,807	13,591	94,398
2021	28,688	3,094	31,782

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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 May 2015. They are the same as the assumptions used in the July 1, 2016, 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, 2016. 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, 2016, 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, 2016. 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, 2016.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

Sensitivity of the Employer'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%)
Main System:			
County's Proportionate Share of the Net Pension Liability	\$ 2,781,595	\$ 1,960,968	\$ 1,269,547

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Law Enforcement System:			
County's Proportionate Share of the Net Pension Liability (Asset)	\$ 102,591	\$ 11,297	\$ (61,118)

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

Other Retirement Plans

Other contributions include the Great West Retirement System 457 Deferred Compensation plan and the North Dakota Teachers Retirement Fund. Rolette County's contributions to these retirement programs for the fiscal years ended December 31, 2016, 2015, and 2014 were \$3,600, \$3,600, and \$3,669, respectively.

NOTE 18: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Rolette County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$4,243,625 for public assets (mobile equipment and portable property).

Rolette County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Rolette 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 Rolette County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

NOTE 19: DEFICIT CASH FUND BALANCES

At December 31, 2016, the following funds had deficit fund balances reported as due to other funds (general fund) from the funds listed below.

Major Fund:	
911 Emergency Fund	\$ (124,697)
Special Revenue Funds:	
FEMA	(52,896)
Veteran's Service Officer Fund	(372)

The County expects to relieve the fund deficits by transfers from other funds, and grant reimbursements.

NOTE 20: CONSTRUCTION COMMITMENTSCommitments:

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

Project	Original Contract	Total Completed	Retainage	Remaining Balance
Rolette County Jail	\$ 7,980,963	\$ 2,360,820	\$ 85,175	\$ 5,705,318

NOTE 21: OPERATING LEASES

In 2013, the County entered into operating leases for two digital imaging copiers. The lease term is for 48 months for each copier. Monthly lease payments are \$232 through September 2017 for the Sharp copier lease. Monthly lease payments are \$155 per month through September 2017 for the HP copier lease. In 2016, the County entered into an operating lease for a color copier for the Sheriff's Department. The lease term is for 48 months. Monthly lease payments are \$265 through July 2020. Total operating lease payments made in 2016 for both copiers totaled \$6,228. Future annual lease payments are as follows:

Year Ending December 31	Sharp Digital Imager	Enterprise Laserjet Printer	Sharp Color Copier	Total
2017	\$ 2,085	\$ 1,394	\$ 3,180	\$ 6,659
2018	-	-	3,180	3,180
2019	-	-	3,180	3,180
2020	-	-	1,590	1,590
Totals	\$ 2,085	\$ 1,394	\$ 11,130	\$ 14,609

The Health District leases a Savin copier under an operating lease agreement. Lease payments in 2016 totaled \$2,520. Future annual lease payments are as follows:

Year Ending	Amounts
2017	\$ 2,520
2018	2,520
2019	630
Total	\$ 5,670

NOTE 22: TAX ABATEMENTS

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

Rolette 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 – Leased Govt. Building:

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 40-57.1-04.1) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the Board of Directors 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 county 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 County?
- 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
- Notwithstanding any other provision of this chapter, a project operator who otherwise qualifies under this chapter may, upon application consistent with the provisions of this chapter, receive a partial or complete exemption from ad valorem taxation on any existing structure used in or necessary to the operation of the project for a period not exceeding five years from the date of commencement of project operations in the structure. For taxable years beginning after December 31, 1988, the governing body of a municipality may grant additional exemptions of property under this section during a period not exceeding ten years from the date of commencement of project operations in the structure if the structure is owned by the United States, the state, or a political subdivision of the state and leased to the project operator. The project operator shall apply to the governing body of the municipality annually for the exemption and the governing body of the municipality may grant the exemption for only one year at a time.

Exemption Criteria:

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 80%, Year 3 — 60%, Year 4 — 40%, Year 5 — 20%.

2016 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$178

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.

ROLETTE COUNTY

Notes to the Financial Statements – Continued

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 – Due to Agreements with Other Entities:

Total program reduction in taxes – \$26,319

NOTE 23: PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was necessary to properly restate the beginning net position for the County. There was an adjustment for (\$5,000) to reflect a 2015 land purchase that was not recorded in the financial statements.

Primary Government	Amounts
Beginning Net Position, as previously reported	\$ 8,765,560
Adjustments to restate the January 1, 2016 Net Position:	
Adjustment for unrecorded 2015 Land Purchase	5,000
Net Position January 1, as restated	\$ 8,770,560

A prior period adjustment was necessary to properly restate the beginning net position for the Public Health District. There was an adjustment for (\$3,300) to reflect a 2015 check that was voided after the 2015 audit report was issued.

Public Health District	Amounts
Beginning Net Position, as previously reported	\$ 101,380
Adjustments to restate the January 1, 2016 Net Position:	
Adjustment for check voided after 2015 audit fieldwork	3,300
Net Position January 1, as restated	\$ 104,680

ROLETTE COUNTY
Rolla, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 713,300	\$ 713,300	\$ 583,330	\$ (129,970)
Intergovernmental	1,718,290	1,718,290	1,202,866	(515,424)
Licenses, Permits and Fees	3,660	3,660	2,390	(1,270)
Charges for Services	76,400	76,400	99,518	23,118
Interest Income	17,000	17,000	11,540	(5,460)
Miscellaneous	161,500	161,500	144,028	(17,472)
Total Revenues	\$ 2,690,150	\$ 2,690,150	\$ 2,043,672	\$ (646,478)
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,523,420	\$ 1,674,458	\$ 1,523,898	\$ 150,560
Public Safety	932,107	932,107	995,263	(63,156)
Health & Welfare	5,000	5,000	8,265	(3,265)
Debt Service:				
Principal	-	-	486	(486)
Interest	-	-	194	(194)
Total Expenditures	\$ 2,460,527	\$ 2,611,565	\$ 2,528,106	\$ 83,459
Excess (Deficiency) of Revenues Over Expenditures	\$ 229,623	\$ 78,585	\$ (484,434)	\$ (563,019)
<u>Other Financing Sources (Uses):</u>				
Sale of Assets	\$ -	\$ -	\$ 3,350	\$ 3,350
Transfers In	-	-	224,323	224,323
Transfers Out	-	-	(164,459)	(164,459)
Net Change in Fund Balance	\$ 229,623	\$ 78,585	\$ (421,220)	\$ (499,805)
Fund Balance - January 1	\$ 989,424	\$ 989,424	\$ 989,424	\$ -
Fund Balance - December 31	\$ 1,219,047	\$ 1,068,009	\$ 568,204	\$ (499,805)

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

ROLETTE COUNTY
Rolla, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 83,750	\$ 83,750	\$ 70,463	\$ (13,287)
Intergovernmental	252,060	252,060	235,219	(16,841)
Charges for Services	80,500	80,500	88,487	7,987
Total Revenues	\$ 416,310	\$ 416,310	\$ 394,169	\$ (22,141)
<u>Expenditures:</u>				
Current:				
Highways	\$ 445,929	\$ 499,482	\$ 484,119	\$ 15,363
Debt Service:				
Principal	289,223	289,223	289,222	1
Interest	18,548	18,548	18,548	-
Total Expenditures	\$ 753,700	\$ 807,253	\$ 791,889	\$ 15,364
Excess (Deficiency) of Revenues Over Expenditures	\$ (337,390)	\$ (390,943)	\$ (397,720)	\$ (6,777)
<u>Other Financing Sources (Uses):</u>				
Sale of Assets	\$ -	\$ -	\$ 123,902	\$ 123,902
Net Change in Fund Balance	\$ (337,390)	\$ (390,943)	\$ (273,818)	\$ 117,125
Fund Balance - January 1	\$ 392,945	\$ 392,945	\$ 392,945	\$ -
Fund Balance - December 31	\$ 55,555	\$ 2,002	\$ 119,127	\$ 117,125

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

ROLETTE COUNTY
Rolla, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 4,076,154	\$ 4,076,154	\$ 2,250,052	\$ (1,826,102)
<u>Expenditures:</u>				
Current:				
Highways	\$ 3,876,748	\$ 3,876,748	\$ 2,042,975	\$ 1,833,773
Excess (Deficiency) of Revenues Over Expenditures	\$ 199,406	\$ 199,406	\$ 207,077	\$ 7,671
Fund Balance - January 1	\$ 109,571	\$ 109,571	\$ 109,571	\$ -
Fund Balance - December 31	\$ 308,977	\$ 308,977	\$ 316,648	\$ 7,671

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

ROLETTE COUNTY
Rolla, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 192,900	\$ 192,900	\$ 151,467	\$ (41,433)
Intergovernmental	23,100	23,100	37,257	14,157
Total Revenues	<u>\$ 216,000</u>	<u>\$ 216,000</u>	<u>\$ 188,724</u>	<u>\$ (27,276)</u>
<u>Expenditures:</u>				
Current:				
Highways	\$ 490,000	\$ 490,000	\$ 196,764	\$ 293,236
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (274,000)</u>	<u>\$ (274,000)</u>	<u>\$ (8,040)</u>	<u>\$ 265,960</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 6,300	\$ 6,300
Net Change in Fund Balance	<u>\$ (274,000)</u>	<u>\$ (274,000)</u>	<u>\$ (1,740)</u>	<u>\$ 272,260</u>
Fund Balance - January 1	<u>\$ 276,487</u>	<u>\$ 276,487</u>	<u>\$ 276,487</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 2,487</u></u>	<u><u>\$ 2,487</u></u>	<u><u>\$ 274,747</u></u>	<u><u>\$ 272,260</u></u>

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

ROLETTE COUNTY
Rolla, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 366,660	\$ 394,400	\$ 331,519	\$ (62,881)
Intergovernmental	1,280,313	1,699,959	1,431,441	(268,518)
Miscellaneous	-	-	4,770	4,770
Total Revenues	\$ 1,646,973	\$ 2,094,359	\$ 1,767,730	\$ (326,629)
<u>Expenditures:</u>				
<u>Current:</u>				
Health & Welfare	\$ 2,090,819	\$ 2,029,199	\$ 1,839,702	\$ 189,497
Excess (Deficiency) of Revenues Over Expenditures	\$ (443,846)	\$ 65,160	\$ (71,972)	\$ (137,132)
Fund Balance - January 1	\$ 724,735	\$ 724,735	\$ 724,735	\$ -
Fund Balance - December 31	<u>\$ 280,889</u>	<u>\$ 789,895</u>	<u>\$ 652,763</u>	<u>\$ (137,132)</u>

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

ROLETTE COUNTY
Rolla, North Dakota

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

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Charges for Services	\$ -	\$ 185,000	\$ 181,175	\$ (3,825)
<u>Expenditures:</u>				
Current:				
Public Safety	\$ -	\$ 291,745	\$ 285,337	\$ 6,408
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (106,745)	\$ (104,162)	\$ 2,583
Fund Balance - January 1	\$ (6,933)	\$ (6,933)	\$ (6,933)	\$ -
Fund Balance - December 31	\$ (6,933)	\$ (113,678)	\$ (111,095)	\$ 2,583

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

ROLETTE COUNTY
Rolla, 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***

Main System:	2016	2015	2014
District's proportion of the net pension liability (asset)	0.201208%	0.214508%	0.217098%
District's proportionate share of the net pension liability (asset)	\$ 1,960,968	\$ 1,458,618	\$ 1,377,967
District's covered-employee payroll	\$ 2,027,704	\$ 1,911,009	\$ 1,828,794
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 netpension liability	70.46%	77.15%	77.70%

Law Enforcement System:	2016	2015	2014
District's proportion of the net pension liability (asset)	17.636926%	17.396229%	18.130002%
District's proportionate share of the net pension liability (asset)	\$ 11,297	\$ (20,360)	\$ (2,419)
District's covered-employee payroll	\$ 815,090	\$ 656,982	\$ 495,374
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.39%	-3.10%	-0.49%
Plan fiduciary net position as a percentage of the total pension liability	98.17%	104.37%	100.61%

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

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

Main System:	2016	2015	2014
Statutorily required contribution	\$ 146,802	\$ 145,156	\$ 130,210
Contributions in relation to the statutorily required contribution	\$ 148,594	\$ 146,566	\$ 130,210
Contribution deficiency (excess)	\$ (1,792)	\$ (1,410)	\$ -
District's covered-employee payroll	\$ 2,027,704	\$ 1,911,009	\$ 1,828,794
Contributions as a percentage of covered-employee payroll	7.33%	7.67%	7.12%

ROLETTE COUNTYPension Schedules - Continued

Law Enforcement System:	2016	2015	2014
Statutorily required contribution	\$ 65,550	\$ 53,827	\$ 39,283
Contributions in relation to the statutorily required contribution	\$ 62,032	\$ 55,411	\$ 39,283
Contribution deficiency (excess)	\$ 3,518	\$ (1,584)	\$ -
District's covered-employee payroll	\$ 815,090	\$ 656,982	\$ 495,374
Contributions as a percentage of covered-employee payroll	7.61%	8.43%	7.93%

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

ROLETTE COUNTY
Rolla, 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, each special revenue fund, and each debt service 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 expenditures 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 required by section 11-11-05 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. No county expenditure may be made or liability incurred, nor may a bill be paid for any purpose, in excess of the appropriation, except as provided in section 11-23-07. NDCC 11-23-06
- 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: BUDGET TO ACTUAL RECONCILIATION

Leases issued in 2016 paid by the unorganized district road fund are not included in the budgetary comparison schedules expenditures, but are included in the combined statement of revenues, expenditures and changes in fund balance. The reconciliation is provided below:

	Combined Statement	Adjustment	Budget to Actual Stmt.
<u>Unorganized District Road:</u>			
Expenditures	\$ 1,016,208	\$ (224,319)	\$ 791,889
Lease Proceeds	224,319	(224,319)	-

ROLETTE COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 3: BUDGET AMENDMENTS

The board of county commissioners amended the county budget for the year ended December 31, 2016 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Major Funds:			
General Fund	\$ 2,460,527	\$ 151,038	\$ 2,611,565
Unorganized District Road	753,700	53,553	807,253
911 Emergency Services	142,377	149,368	291,745
Special Revenue Funds:			
Law Enforcement Gaming	16,000	12,959	28,959
CDBG Grant	-	22,618	22,618

NOTE 4: PENSIONS - CHANGES OF ASSUMPTIONS

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

ROLETTE COUNTY
Rolla, 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
Primary Government:							
General Fund	\$ 757,503.72	\$ 2,071,492.02	\$ 224,323.50	\$ 3,350.00	\$ 164,459.26	\$ 2,561,564.73	\$ 330,645.25
Unorganized District Road Fund	375,260.23	404,327.59	-	123,901.50	-	807,253.01	96,236.31
Highway Tax Distribution Fund	-	2,187,610.73	-	-	-	2,038,697.13	148,913.60
County Road & Bridge	276,487.30	188,724.44	6,300.17	-	-	128,936.01	342,575.90
Social Services Fund	137,006.70	2,037,386.21	-	-	-	1,840,484.98	333,907.93
911 Emergency Service	(7,361.31)	174,409.64	-	-	-	291,745.14	(124,696.81)
Jail	-	5,243.33	-	9,429,213.35	210,891.26	2,450,407.77	6,773,157.65
Total Major Funds	\$ 1,538,896.64	\$ 7,069,193.96	\$ 230,623.67	\$ 9,556,464.85	\$ 375,350.52	\$ 10,119,088.77	\$ 7,900,739.83
Special Revenue Funds:							
FEMA	\$ (88,278.05)	\$ 35,381.44	\$ -	\$ -	\$ -	\$ -	\$ (52,896.61)
Farm to Market Fund	-	4,197.35	-	-	4,197.35	-	-
Farm to Market Maintenance Fund	-	2,102.82	-	-	2,102.82	-	-
Emergency Poor	-	5,265.43	-	-	-	-	5,265.43
OASIS & Social Security	-	4,202.83	-	-	4,202.83	-	-
Veteran's Service Officer Fund	-	19,205.10	-	-	-	19,576.89	(371.79)
Insurance Reserve Fund	-	1,871.29	-	-	1,871.29	-	-
Emergency Fund	147,669.53	19,332.94	-	-	-	-	167,002.47
Revenue Sharing (Capital Fund)	-	3.50	-	-	-	(552.90)	556.40
County Agent	9,410.72	41,268.14	-	-	-	38,831.09	11,847.77
Advertising Fund	-	293.00	-	-	293.00	-	-
Jail Maintenance Fund	-	6,568.02	-	-	6,568.02	-	-
Dunseith Contract Policing	-	104,256.84	95,927.63	-	-	200,184.47	-
Rolette Contract Policing Fund	-	60,826.48	34,447.02	-	-	95,273.50	-
Law Enforcement - Gaming Fund	7,411.34	30,724.20	-	-	-	28,959.47	9,176.07
Grants Law Enforcement	28,438.94	31,656.29	-	-	-	45,454.76	14,640.47
St. John Contract Policing	-	51,895.12	34,084.61	-	-	85,979.73	-
Weed Board Fund	86,288.46	75,910.44	-	-	-	76,638.90	85,560.00
County Park	-	497.10	-	-	497.10	-	-
Miscellaneous Fund	15,358.61	(720.28)	-	-	-	7,120.43	7,517.90
Off-Book Activity	4.00	22,617.74	-	-	-	22,617.74	4.00
Total Non-Major Special Revenue Funds	\$ 206,303.55	\$ 517,355.79	\$ 164,459.26	\$ -	\$ 19,732.41	\$ 620,084.08	\$ 248,302.11
Total Governmental Funds	\$ 1,745,200.19	\$ 7,586,549.75	\$ 395,082.93	\$ 9,556,464.85	\$ 395,082.93	\$ 10,739,172.85	\$ 8,149,041.94
Agency Funds:							
Senior Citizen Fund	\$ 2,939.71	\$ 36,117.00	\$ -	\$ -	\$ -	\$ 38,965.80	\$ 90.91
State Tax	1,077.52	19,633.35	-	-	-	19,679.17	1,031.70
State UCC	12,506.84	5,883.50	-	-	-	2,761.94	15,628.40
District Court	(84.00)	1,077.60	-	-	1,077.60	176.16	817.44
Fish & Wildlife Trust	10,525.00	-	-	-	-	-	10,525.00
Domestic Violence Prevention	245.00	1,260.00	-	-	-	1,225.00	280.00
Game & Fish	936.88	36,371.37	-	-	-	40,984.00	(3,675.75)
Protest Fund	-	7,577.87	-	-	-	7,577.87	-
Supt Special Trust	2,919.81	1,960.00	-	-	-	1,823.18	3,056.63
Public Administrator Special Trust	3,763.05	-	-	-	-	-	3,763.05
NSF Payments	523.03	-	-	-	-	-	523.03
Extension Service Special Trust	(5,664.31)	28,629.00	-	-	-	19,527.97	3,436.72
Promotion Fund	4,010.57	-	-	-	-	417.14	3,593.43
Hazardous Chemical	7,091.82	837.50	-	-	-	3,577.96	4,351.36
Sheriff's Special Trust	3,195.94	13,183.06	-	-	-	13,683.06	2,695.94
Municipal Airport	1,705.20	17,850.04	-	-	-	17,000.00	2,555.24
Ambulance Levy	26,119.87	121,004.50	-	-	-	114,683.00	32,441.37
Water Resource Board	477.63	17,548.33	-	-	-	17,500.00	525.96
Historical Society	37.43	5,124.18	-	-	-	5,031.13	130.48
Soil Conservation	3,068.49	48,834.42	-	-	-	47,933.00	3,969.91
Health District	2,352.75	93,769.58	-	-	-	93,000.00	3,122.33
Current Tax Holding	\$ 712,200.68	\$ 609,062.19	\$ -	\$ -	\$ -	\$ 712,200.68	\$ 609,062.19
Payroll Deduction	21,298.34	-	-	-	-	756.49	20,541.85
Total Cities	3,908.37	609,407.36	-	-	-	607,859.42	5,456.31
Total City Park Districts	356.20	58,077.58	-	-	-	58,036.33	397.45
Total School Districts	12,393.64	1,730,920.18	-	-	-	1,734,535.72	8,778.10
Total Townships	744.12	67,980.15	-	-	-	68,718.28	5.99
Total Rural Fire Protection Districts	656.92	95,252.32	-	-	-	95,509.66	399.58
Total Upsilon Rec. District	265.83	22,582.75	-	-	-	22,551.00	297.58
Total Agency Funds	\$ 829,572.33	\$ 3,649,943.83	\$ -	\$ -	\$ -	\$ 3,745,713.96	\$ 733,802.20
Total Reporting Entity	\$ 2,574,772.52	\$ 11,236,493.58	\$ 395,082.93	\$ 9,556,464.85	\$ 395,082.93	\$ 14,484,886.81	\$ 8,882,844.14



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
Rolette County
Rolla, 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 Rolette County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Rolette County's basic financial statements, and have issued our report thereon dated August 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rolette 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 Rolette County's internal control. Accordingly, we do not express an opinion on the effectiveness of Rolette 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

ROLETTE 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

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 10, 2017

ROLETTE COUNTY
Rolla, 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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