

AUDIT REPORT

SARGENT COUNTY
Forman, North Dakota

For the Years Ended December 31, 2015 and 2014

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SARGENT COUNTY
Forman, North Dakota

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SARGENT COUNTY
Forman, North Dakota

COUNTY OFFICIALS

Jerry Waswick	Commission Chairman
Bill Anderson	Commission Vice Chairman
Sherry Hosford	Commissioner
David Jacobson	Commissioner
Mike Walstead	Commissioner
Pam Maloney	Auditor
Alison Toepke	Treasurer/Recorder/Clerk of Court
Travis Paeper	Sheriff
Lyle Bopp	States Attorney

Rath & Mehler

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Sargent County
Forman, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sargent County, Forman, North Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sargent County, Forman, North Dakota, as of December 31, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, and budgeting comparison information on pages 37 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2016 on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the county's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 6, 2016

SARGENT COUNTY

Management's Discussion and Analysis

December 31, 2015 and 2014

The Management's Discussion and Analysis (MD&A) of Sargent County's financial performance provides an overall review of the county's financial activities for the fiscal years ended December 31, 2015 and 2014. The intent of the MD&A is to look at the county's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

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

FINANCIAL HIGHLIGHTS

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

- * Net position of the county increased \$257,695 as a result of the current year's operations.
- * Governmental net position as of the end of the fiscal year totaled \$5,028,482.
- * Total revenues from all sources were \$8,245,344.
- * Total expenses were \$7,987,649.
- * The county's general fund had \$979,086 in total revenues and \$885,055 in total expenditures. There was a total of \$55,486 paid from other financing uses. Overall, the general fund balance increased by \$38,544 for the year ended December 31, 2015.

Key financial highlights for the year ended December 31, 2014 are as follows:

- * Net position of the county decreased \$1,024,387 as a result of the current year's operations.
- * Governmental net position as of the end of the fiscal year totaled \$4,770,787.
- * Total revenues from all sources were \$7,810,470.
- * Total expenses were \$8,834,857.
- * The county's general fund had \$951,190 in total revenues and \$916,790 in total expenditures. There was a total of \$51,900 paid from other financing uses. Overall, the general fund balance decreased by \$17,501 for the year ended December 31, 2014.

USING THIS ANNUAL REPORT

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

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

REPORTING ON THE COUNTY AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the county to provide programs and activities and attempt to answer the question "How did the county do financially during the years ended December 31, 2015 and 2014?"

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

The Statement of Activities presents information on how the county's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused sick leave and/or vacation leave).

These two statements report the county's net position and changes in that position. This change in net position is important because it tells the reader whether, for the county as a whole, the financial position of the county has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the county reports governmental activities. Governmental activities are the activities where most of the county's programs and services are reported including, but not limited to, general government, public safety, highways and public improvement, health and welfare, culture and recreation, and conservation and economic development.

REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table I provides a summary of the county's net position as of December 31, 2015, 2014 and 2013. A comparative analysis of county-wide data is presented for both current and prior years.

As indicated in the financial highlights above, the county's net position increased by \$257,695 and decreased by \$1,024,387 for the years ended December 31, 2015 and 2014, respectively. Changes in net position may serve over time as a useful indicator of the county's financial position.

As of December 31, 2015 the county's net position of \$5,028,482 is segregated into three separate categories. Net investment in capital assets represents 12% of the county's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 77% of the county's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 11% of the county's net position and is available to meet the county's ongoing obligations.

As of December 31, 2014 the county's net position of \$4,770,787 is segregated into three separate categories. Net investment in capital assets represents 13% of the county's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 76% of the county's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 11% of the county's net position and is available to meet the county's ongoing obligations.

Table I
 Net Position
 As of December 31, 2015 and 2014
 (With comparative totals for December 31, 2013)

	2015	2014	2013
<u>Assets</u>			
Current Assets	5,222,674	5,168,543	5,867,844
Capital Assets (net of accumulated depreciation)	593,505	626,909	795,728
Total Assets	5,816,179	5,795,452	6,663,572
<u>Liabilities</u>			
Current Liabilities	237,043	238,385	368,008
Long-Term Liabilities	550,654	786,280	500,390
Total Liabilities	787,698	1,024,665	868,398
<u>Net Position</u>			
Net Investment in Capital Assets	593,505	626,909	795,728
Restricted	3,856,988	3,606,250	4,421,267
Unrestricted	577,989	537,628	578,179
Total Net Position	5,028,482	4,770,787	5,795,174

Table II shows the changes in net position for the fiscal years ended December 31, 2015, 2014 and 2013. A comparative analysis of county-wide data is presented for both current and prior years.

Table II
 Changes in Net Position
 As of December 31, 2015 and 2014
 (With comparative totals for December 31, 2013)

	2015	2014	2013
<u>Revenues</u>			
<u>Program Revenues:</u>			
Charges for Services	992,415	732,852	1,098,668
Operating Grants and Contributions	3,448,763	3,422,264	1,886,847
<u>General Revenues:</u>			
Property Taxes	2,640,510	2,679,291	2,485,505
Other Taxes	36,194	99,783	78,029
State Aid - Unrestricted	653,387	643,924	549,959
Interest Earnings and Other Revenue	474,075	232,355	337,135
Total Revenues	8,245,344	7,810,470	6,436,142
<u>Expenses</u>			
General Government	1,112,603	1,135,832	1,034,953
Public Safety	697,395	683,661	647,258
Highways and Public Improve.	4,384,402	5,223,930	1,760,780
Health and Welfare	644,029	589,412	570,813
Culture and Recreation	205,309	150,153	144,102
Conser. and Economic Dvlpmnt.	812,118	905,844	720,989
Other	114,538	121,315	115,582
Bond Issuance Costs		7,725	2,200
Interest on Long-Term Debt	17,254	16,985	19,272
Total Expenses	7,987,649	8,834,857	5,015,950
Net Change in Position	257,695	(1,024,387)	1,420,192

Property taxes constituted 32%, unrestricted state aid 8%, operating grants and contributions 42%, and charges for services made up 14% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2015.

General government constituted 14%, public safety 9%, highways and public improvement 55%, and health and welfare 8% of total expenses for governmental activities during the fiscal year ended December 31, 2015.

Property taxes constituted 34%, unrestricted state aid 8%, operating grants and contributions 44%, and charges for services made up 9% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2014.

General government constituted 13%, public safety 8%, highways and public improvement 59%, and health and welfare 7% of total expenses for governmental activities during the fiscal year ended December 31, 2014.

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

Table III

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

	Total Cost Year Ended December 31, 2015	Total Cost Year Ended December 31, 2015
General Government	1,112,603	1,010,378
Public Safety	697,395	430,967
Highways and Public Improvement	4,384,402	1,374,408
Health and Welfare	644,029	386,024
Culture and Recreation	205,309	148,613
Conservation and Economic Dvlpmnt.	812,118	92,970
Other	114,538	85,856
Interest on Long-Term Debt	17,254	17,254
Total Expenses	7,987,649	3,546,471

Total and Net Cost of Services
As of December 31, 2014

	Total Cost Year Ended December 31, 2014	Total Cost Year Ended December 31, 2014
General Government	1,135,832	1,029,025
Public Safety	683,661	474,335
Highways and Public Improvement	5,223,930	2,302,057
Health and Welfare	589,412	369,875
Culture and Recreation	150,153	109,098
Conservation and Economic Dvlpmnt.	905,844	277,693
Other	121,315	92,946
Bond Issuance Costs	7,725	7,725
Interest on Long-Term Debt	16,985	16,985
Total Expenses	8,834,857	4,679,740

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the county's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the county's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The county's governmental funds had total revenue of \$8,236,202 and expenditures of \$8,191,212 for the year ended December 31, 2015. As of December 31, 2015, the unassigned fund balance of the county's general fund was \$609,569. The county's governmental funds had total revenue of \$7,803,391 and expenditures of \$9,017,045 for the year ended December 31, 2014. As of December 31, 2014, the unassigned fund balance of the county's general fund was \$571,025.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2014, the county amended the general fund budget. The gross effect of the amendment was to increase appropriations by \$22,748.

Actual revenue for the year ended December 31, 2015 was \$65,786 more than budgeted. Actual expenditures for the year ended December 31, 2015 were under budget by \$69,000.

Actual revenue for the year ended December 31, 2014 was \$15,787 more than budgeted. Actual expenditures for the year ended December 31, 2014 were under budget by \$25,300.

CAPITAL ASSETS

As of December 31, 2015 and 2014, the county had \$593,505 and \$626,909, respectively, invested in capital assets. Table IV shows the balances as of December 31, 2015, 2014 and 2013.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2015 and 2014
(With comparative totals for December 31, 2013)

	2015	2014	2013
Land	47,051	47,051	47,051
Buildings	370,185	393,760	417,334
Vehicles	82,341	55,101	88,946
Machinery and Equipment	93,928	130,997	242,397
Total (net of depreciation)	593,505	626,909	795,728
	=====	=====	=====

As of December 31, 2015, this total represents a decrease of \$33,404 in capital assets from January 1, 2015. The decrease in machinery and equipment was due mainly to the county trading in (1) motorgrader. As of December 31, 2014, this total represents a decrease of \$168,819 in capital assets from January 1, 2014. The decrease in machinery and equipment was due mainly to the county trading in (2) motorgraders.

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2015, the county had \$785,654 in outstanding debt of which \$235,000 was due within one year. As of December 31, 2014, the county had \$1,021,280 in outstanding debt of which \$235,000 was due within one year. During fiscal year 2014, the county issued one new long-term debt obligation:

General Obligation Bonds in the amount of \$515,000. The county issued the Limited Tax Improvement Bonds of 2014 for the purpose of a drain project. These bonds will have a final payment on May 1, 2020.

For a detailed breakdown of the long-term debt, readers are referred to Note 9 to the audited financial statements which follow this analysis.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the county's finances and to show the county's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Pam Maloney, County Auditor, Sargent County, Forman, ND 58032.

SARGENT COUNTY
Forman, North Dakota

Statement of Net Position
December 31, 2015

	Governmental Activities
<u>ASSETS:</u>	
Cash and Investments	5,076,147.68
Taxes Receivable	47,593.02
Economic Development Loans Receivable	98,933.73
Capital Assets (net of accumulated depreciation):	
Land	47,051.00
Buildings	370,184.97
Vehicles	82,341.00
Machinery and Equipment	93,928.06
Total Capital Assets	593,505.03
Total Assets	5,816,179.46
<u>LIABILITIES:</u>	
Interest Payable	2,043.33
Long-Term Liabilities:	
Due Within One Year:	
General Obligation Bonds Payable	235,000.00
Due After One Year:	
General Obligation Bonds Payable	475,000.00
Compensated Absences Payable	75,654.30
Total Liabilities	787,697.63
<u>NET POSITION:</u>	
Net Investment in Capital Assets	593,505.03
Restricted for:	
Debt Service	7,082.93
Special Purposes	3,849,904.69
Unrestricted	577,989.18
Total Net Position	5,028,481.83

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

SARGENT COUNTY
Forman, North Dakota

Statement of Net Position
December 31, 2014

	Governmental Activities
<u>ASSETS:</u>	
Cash and Investments	5,052,317.27
Taxes Receivable	38,451.52
Economic Development Loans Receivable	77,774.35
Capital Assets (net of accumulated depreciation):	
Land	47,051.00
Buildings	393,759.65
Vehicles	55,101.20
Machinery and Equipment	130,997.41
	626,909.26
Total Capital Assets	
Total Assets	5,795,452.40
<u>LIABILITIES:</u>	
Interest Payable	3,385.21
Long-Term Liabilities:	
Due Within One Year:	
General Obligation Bonds Payable	235,000.00
Due After One Year:	
General Obligation Bonds Payable	710,000.00
Compensated Absences Payable	76,280.16
	1,024,665.37
Total Liabilities	
<u>NET POSITION:</u>	
Net Investment in Capital Assets	626,909.26
Restricted for:	
Debt Service	10,420.95
Special Purposes	3,595,828.95
Unrestricted	537,627.87
	4,770,787.03
Total Net Position	

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

SARGENT COUNTY
 Forman, North Dakota

Statement of Activities
 For the Year Ended December 31, 2015

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<u>Functions/Programs</u>				
<u>Primary Government:</u>				
<u>Governmental Activities:</u>				
General Government	1,112,602.90	45,474.08	56,750.50	(1,010,378.32)
Public Safety	697,395.43	207,155.49	59,273.43	(430,966.51)
Highways and Public Improve.	4,384,401.71	5,485.99	3,004,507.48	(1,374,408.24)
Health and Welfare	644,028.95		258,004.50	(386,024.45)
Culture and Recreation	205,308.64	56,695.69		(148,612.95)
Conser. and Economic Dvlpmnt.	812,118.21	671,949.94	47,198.10	(92,970.17)
Other	114,538.45	5,653.50	23,029.03	(85,855.92)
Interest on Long-Term Debt	17,254.48			(17,254.48)
Total Governmental Activities	7,987,648.77	992,414.69	3,448,763.04	(3,546,471.04)
<u>General Revenues:</u>				
Taxes:				
Property taxes; levied for general purposes			419,496.59	
Property taxes; levied for special purposes			2,221,013.00	
Homestead tax credit			4,227.98	
Veterans tax credit			1,759.77	
Telecommunications taxes			30,206.33	
State aid not restricted to specific program:				
State aid distribution			653,387.04	
Earnings on investments and other revenue			474,075.13	
Total General Revenues			3,804,165.84	
Change in Net Position			257,694.80	
Net Position - January 1			4,770,787.03	
Net Position - December 31			5,028,481.83	

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

SARGENT COUNTY
Forman, North Dakota

Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<u>Functions/Programs</u>				
<u>Primary Government:</u>				
<u>Governmental Activities:</u>				
General Government	1,135,832.23	51,047.31	55,759.71	(1,029,025.21)
Public Safety	683,661.40	173,076.26	36,249.95	(474,335.19)
Highways and Public Improve.	5,223,929.57	15,528.58	2,906,344.00	(2,302,056.99)
Health and Welfare	589,411.96		219,536.49	(369,875.47)
Culture and Recreation	150,152.89	41,054.54		(109,098.35)
Conser. and Economic Dvlpmnt.	905,843.89	445,621.55	182,529.27	(277,693.07)
Other	121,314.85	6,524.25	21,844.33	(92,946.27)
Bond Issuance Costs	7,725.00			(7,725.00)
Interest on Long-Term Debt	16,984.71			(16,984.71)
Total Governmental Activities	8,834,856.50	732,852.49	3,422,263.75	(4,679,740.26)
<u>General Revenues:</u>				
Taxes:				
Property taxes; levied for general purposes			454,303.10	
Property taxes; levied for special purposes			2,224,988.05	
Homestead tax credit			6,558.13	
Veterans tax credit			1,160.93	
Telecommunications taxes			30,206.33	
Financial institution taxes			61,857.59	
State aid not restricted to specific program:				
State aid distribution			643,924.26	
Earnings on investments and other revenue			232,354.97	
Total General Revenues			3,655,353.36	
Change in Net Position			(1,024,386.90)	
Net Position - January 1			5,795,173.93	
Net Position - December 31			4,770,787.03	

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

SARGENT COUNTY
Forman, North Dakota

Balance Sheet
Governmental Funds
December 31, 2015

Major Funds

	General	Road and Bridge	Federal Road	Human Services	Water Resource and Drains	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Investments	609,568.93	32,976.06	1,121,284.73	83,527.51	1,226,084.36	2,002,706.09	5,076,147.68
Taxes Receivable	7,656.11	2,673.74	7,639.22	4,935.64	1,198.74	23,489.57	47,593.02
Economic Development Loans Receivable						98,933.73	98,933.73
Total Assets	617,225.04	35,649.80	1,128,923.95	88,463.15	1,227,283.10	2,125,129.39	5,222,674.43
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Deferred Inflows of Resources:							
Unavailable Revenue	7,656.11	2,673.74	7,639.22	4,935.64	1,198.74	23,489.57	47,593.02
Fund Balances:							
Nonspendable:							
Economic Development Loans						98,933.73	98,933.73
Restricted for:							
General Government						315,805.16	315,805.16
Public Safety						304,311.94	304,311.94
Highways and Public Improve.		32,976.06	1,121,284.73	83,527.51		323,426.09	1,477,686.88
Health and Welfare						141,098.75	224,626.26
Culture and Recreation						50,615.79	50,615.79
Conser. and Econ. Dvlpmnt.					1,226,084.36	570,498.81	1,796,583.17
Emergency Purposes						242,411.74	242,411.74
Debt Service						6,025.59	6,025.59
Other Purposes						48,512.22	48,512.22
Unassigned	609,568.93						609,568.93
Total Fund Balances	609,568.93	32,976.06	1,121,284.73	83,527.51	1,226,084.36	2,101,639.82	5,175,081.41
Total Deferred Inflows of Resources and Fund Balances	617,225.04	35,649.80	1,128,923.95	88,463.15	1,227,283.10	2,125,129.39	5,222,674.43

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

SARGENT COUNTY
 Forman, North Dakota

Balance Sheet
 Governmental Funds
 December 31, 2014

	Major Funds						Total Governmental Funds
	General	Road and Bridge	Federal Road	Human Services	Water Resource and Drains	Other Governmental Funds	
ASSETS:							
Cash and Investments	571,024.69	1,983.80	1,076,477.20	112,009.20	1,248,537.79	2,042,284.59	5,052,317.27
Taxes Receivable	6,998.45	2,039.67	5,827.53	4,003.88	993.05	18,588.94	38,451.52
Economic Development Loans Receivable						77,774.35	77,774.35
Total Assets	578,023.14	4,023.47	1,082,304.73	116,013.08	1,249,530.84	2,138,647.88	5,168,543.14
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Deferred Inflows of Resources: Unavailable Revenue	6,998.45	2,039.67	5,827.53	4,003.88	993.05	18,588.94	38,451.52
Fund Balances:							
Nonspendable:							
Economic Development Loans							
Restricted for:							
General Government							
Public Safety							
Highways and Public Improve.		1,983.80	1,076,477.20	112,009.20			
Health and Welfare							
Culture and Recreation							
Conser. and Econ. Dvlpmnt.					1,248,537.79		
Emergency Purposes							
Debt Service							
Other Purposes							
Unassigned	571,024.69						
Total Fund Balances	571,024.69	1,983.80	1,076,477.20	112,009.20	1,248,537.79	2,120,058.94	5,130,091.62
Total Deferred Inflows of Resources and Fund Balances	578,023.14	4,023.47	1,082,304.73	116,013.08	1,249,530.84	2,138,647.88	5,168,543.14

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

SARGENT COUNTY
Forman, North Dakota

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

Total Fund Balances for Governmental Funds		5,175,081.41
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	3,491,873.00	
Less Accumulated Depreciation	(2,898,367.97)	
Net Capital Assets		593,505.03
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		
		47,593.02
Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2015 are:		
General Obligation Bonds Payable	(710,000.00)	
Compensated Absences Payable	(75,654.30)	
Interest Payable	(2,043.33)	
Total Long-Term Liabilities		(787,697.63)
Total Net Position of Governmental Activities		5,028,481.83

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

SARGENT COUNTY
Forman, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2014

Total Fund Balances for Governmental Funds		5,130,091.62
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	3,515,856.00	
Less Accumulated Depreciation	(2,888,946.74)	
Net Capital Assets	626,909.26	
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.</p>		
		38,451.52
<p>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, 2014 are:</p>		
General Obligation Bonds Payable	(945,000.00)	
Compensated Absences Payable	(76,280.16)	
Interest Payable	(3,385.21)	
Total Long-Term Liabilities	(1,024,665.37)	
Total Net Position of Governmental Activities		4,770,787.03

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

SARGENT COUNTY
 Forman, North Dakota

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

- Major Funds

	General	Road and Bridge	Federal Road	Human Services	Water Resource and Drains	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	447,753.56	146,766.92	433,358.17	266,003.09	64,631.65	1,309,048.78	2,667,562.17
Licenses, Permits and Fees	1,565.00				19,082.97	145,688.89	166,336.86
Intergovernmental	330,440.67	3,300,133.66	53,893.32	130,297.46	41,707.56	245,677.41	4,102,150.08
Charges for Services	133,381.37	5,485.99			649,325.03	37,885.44	826,077.83
Miscellaneous	65,944.98	293,286.46	2,314.50	2,480.85	20,806.87	89,241.47	474,075.13
Total Revenues	979,085.58	3,745,673.03	489,565.99	398,781.40	795,554.08	1,827,541.99	8,236,202.07
Expenditures:							
Current:							
General Government	599,186.35					512,513.22	1,111,699.57
Public Safety	285,869.02					368,995.59	654,864.61
Highways and Public Improve.		3,940,423.97	239,758.46			164,684.70	4,344,867.13
Health and Welfare				427,263.09		216,033.29	643,296.38
Culture and Recreation						185,257.28	185,257.28
Conser. and Economic Dvlpmnt.					661,097.15	150,744.35	811,841.50
Other						114,538.45	114,538.45
Capital Outlay		14,800.00				56,451.00	71,251.00
Debt Service:							
Principal					145,000.00	90,000.00	235,000.00
Interest and Service Charges					11,910.36	6,686.00	18,596.36
Total Expenditures	885,055.37	3,955,223.97	239,758.46	427,263.09	818,007.51	1,865,903.88	8,191,212.28
Excess (Deficiency) of Revenues Over Expenditures	94,030.21	(209,550.94)	249,807.53	(28,481.69)	(22,453.43)	(38,361.89)	44,989.79

<u>Other Financing Sources (Uses):</u>					
Transfers In	2,103.47	240,543.20		46,839.44	289,486.11
Transfers Out	(57,589.44)		(205,000.00)	(26,896.67)	(289,486.11)
Total Other Financing Sources (Uses)	(55,485.97)	240,543.20	(205,000.00)	19,942.77	
<hr/>					
Net Change in Fund Balances	38,544.24	30,992.26	44,807.53	(28,481.69)	(18,419.12)
Fund Balance - January 1	571,024.69	1,983.80	1,076,477.20	112,009.20	1,248,537.79
Fund Balance - December 31	609,568.93	32,976.06	1,121,284.73	83,527.51	1,226,084.36
				2,101,639.82	5,175,081.41

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

SARGENT COUNTY
Forman, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	Major Funds					Total	
	General	Road and Bridge	Federal Road	Human Services	Water Resource and Drains	Other Governmental Funds	Governmental Funds
Revenues:							
Taxes	493,469.37	144,065.57	411,466.78	299,521.39	66,483.30	1,356,989.51	2,771,995.92
Licenses, Permits and Fees	1,550.00				6,071.50	47,578.79	55,200.29
Intergovernmental	291,554.96	3,149,712.01	50,673.50	135,488.57	171,706.23	267,052.74	4,066,188.01
Charges for Services	126,158.90	15,528.58			436,524.05	99,440.67	677,652.20
Miscellaneous	38,456.31	36,731.41	2,647.89	1,775.44	21,706.85	131,037.07	232,354.97
Total Revenues	951,189.54	3,346,037.57	464,788.17	436,785.40	702,491.93	1,902,098.78	7,803,391.39
Expenditures:							
Current:							
General Government	647,700.21					480,386.60	1,128,086.81
Public Safety	269,090.17					383,275.63	652,365.80
Highways and Public Improve.		4,150,142.68	728,153.44			201,422.42	5,079,718.54
Health and Welfare				392,147.80		200,837.98	592,985.78
Culture and Recreation						130,101.52	130,101.52
Conser. and Economic Dvlpmnt.					751,770.10	152,429.37	904,199.47
Other						121,314.85	121,314.85
Capital Outlay		26,665.00					26,665.00
Debt Service:							
Principal					280,000.00	85,000.00	365,000.00
Interest and Service charges					6,330.00	10,277.50	16,607.50
Total Expenditures	916,790.38	4,176,807.68	728,153.44	392,147.80	1,038,100.10	1,765,045.87	9,017,045.27
Excess (Deficiency) of Revenues Over Expenditures	34,399.16	(830,770.11)	(263,365.27)	44,637.60	(335,608.17)	137,052.91	(1,213,653.88)

<u>Other Financing Sources (Uses):</u>					
Transfers In				100,089.91	161,068.08
Transfers Out				(59,168.08)	(161,068.08)
Issuance of Gen. Oblig. Bonds	50,000.00	10,978.17			515,000.00
Discount on Issuance of Bonds	(51,900.00)	(50,000.00)			(7,725.00)
				515,000.00	
				(7,725.00)	
<hr/>					
Total Other Financing Sources (Uses)	(51,900.00)	50,000.00	(39,021.83)	40,921.83	507,275.00
<hr/>					
Net Change in Fund Balances	(17,500.84)	(780,770.11)	(302,387.10)	177,974.74	(706,378.88)
<hr/>					
Fund Balance - January 1	588,525.53	782,753.91	1,378,864.30	1,942,084.20	5,836,470.50
Fund Balance - December 31	571,024.69	1,983.80	1,076,477.20	2,120,058.94	5,130,091.62
=====					

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

SARGENT COUNTY
Forman, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds 44,989.79

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

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

Current Year Capital Outlay	71,251.00	
Current Year Depreciation Expense	(104,655.23)	(33,404.23)

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

Debt Proceeds	0.00	
Repayment of Debt	235,000.00	235,000.00

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

Net Decrease in Interest Payable	1,341.88	
Net Decrease in Compensated Absences	625.86	1,967.74

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

Net Increase in Taxes Receivable		9,141.50

Change in Net Position of Governmental Activities		257,694.80

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

SARGENT COUNTY
Forman, 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, 2014

Net Change in Fund Balances - Total Governmental Funds (706,378.88)

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

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

Current Year Capital Outlay	26,665.00	
Current Year Depreciation Expense	(195,483.54)	(168,818.54)

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

Debt Proceeds	(515,000.00)	
Repayment of Debt	365,000.00	(150,000.00)

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

Net Increase in Interest Payable	(377.21)	
Net Increase in Compensated Absences	(5,890.48)	(6,267.69)

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

Net Increase in Taxes Receivable		7,078.21

Change in Net Position of Governmental Activities		(1,024,386.90)

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

SARGENT COUNTY
Forman, North Dakota

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

	Agency Funds
<u>Assets:</u>	
Cash and Investments	1,955,230.79
<u>Liabilities:</u>	
Due to Other Governments	1,955,230.79

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

SARGENT COUNTY
Forman, North Dakota

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

	Agency Funds
<u>Assets:</u>	
Cash and Investments	1,985,227.68
<u>Liabilities:</u>	
Due to Other Governments	1,985,227.68

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

SARGENT COUNTY
Forman, North Dakota

Notes to the Financial Statements
December 31, 2015 and 2014

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within Sargent County as a reporting entity.

B. Basis of Presentation

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

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

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

The county reports the following major governmental funds:

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

Road and Bridge. This fund is the county's primary road maintenance fund. It accounts for a special levy and all financial resources related to highway maintenance and repair, except those required to be accounted for in another fund.

Federal Road. This special revenue fund accounts for a levy used for the maintenance and repair of federal aid farm to market roads within the county.

Human Services. This is the county's primary health and welfare fund. It accounts for a special levy and all financial resources related to health and welfare, except those required to be accounted for in another fund.

Water Resource and Drains. This fund accounts for all financial resources pertaining to conservation of natural resources in the county.

The county reports the following fund type:

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

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

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings	32 to 50 years
Vehicles	4 to 9 years
Machinery and Equipment	4 to 10 years

F. Compensated Absences

Vacation leave is earned at the rate of 10 to 20 days per year depending on years of service. Up to 30 days of vacation leave may be carried over at December 31, 2015. Sick leave benefits are earned at the rate of one day per month regardless of the years of service. Up to 60 days of sick leave hours may be carried over. Unused sick leave benefits are allowed to accumulate up to 60 days. Once an employee has reached their maximum accrued sick leave level, they may trade any additional sick leave awarded at a rate of one day of vacation for ten days of sick leave. However, except for social service employees, employees are not paid for their accumulated sick leave upon time of termination of employment or retirement. Social service employees are paid for 5% of their accumulated sick leave if they terminate with less than 5 years service and 10% if they have been employed for 5 or more years. Vested or accumulated vacation leave is reported in the government-wide statement of net position.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the county is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the county or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

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

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

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

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

- * Committed
- * Assigned
- * Unassigned

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

I. Interfund Transactions

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

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

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

J. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2015 the county's carrying amount of deposits was \$7,023,789 and the bank balance was \$7,144,614. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$6,644,614 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2014 the county's carrying amount of deposits was \$7,033,873 and the bank balance was \$7,119,201. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$6,619,201 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2015 the county held certificates of deposit in the amount of \$2,967,078, which are all considered deposits.

At December 31, 2014 the county held certificates of deposit in the amount of \$2,954,920, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 TAXES RECEIVABLE

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

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

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

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

Note 4 ECONOMIC DEVELOPMENT LOANS RECEIVABLE

The county has loaned funds from the capital improvements and job development funds to provide monies for various local economic development projects. These funds are to be repaid per the terms of the loan agreements. At December 31, the following loans were outstanding:

	<u>12-31-15</u>	<u>12-31-14</u>
Four Seasons Health Care	31,548.43	36,978.66
Waswick Chiropractic	6,345.40	9,017.02
Rutland General Store	31,039.90	31,778.67
Bixby Body and Glass	30,000.00	
Total Loans Receivable	<u>98,933.73</u>	<u>77,774.35</u>

Note 5 CAPITAL ASSETS

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

	<u>2015</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	47,051			47,051
<i>Capital assets being depreciated:</i>				
Buildings	2,587,291			2,587,291
Vehicles	293,713	71,251	35,234	329,730
Machinery and Equipment	587,801		60,000	527,801
Total	<u>3,468,805</u>	<u>71,251</u>	<u>95,234</u>	<u>3,444,822</u>
<i>Less accumulated depreciation for:</i>				
Buildings	2,193,531	23,575		2,217,106
Vehicles	238,612	44,011	35,234	247,389
Machinery and Equipment	456,804	37,069	60,000	433,873
Total	<u>2,888,947</u>	<u>104,655</u>	<u>95,234</u>	<u>2,898,368</u>
Total capital assets being depreciated, net	<u>579,858</u>	<u>(33,404)</u>		<u>546,454</u>
Governmental Activities Capital Assets, Net	<u>626,909</u>	<u>(33,404)</u>	<u>-0-</u>	<u>593,505</u>

2014

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets not</i>				
<i>being depreciated:</i>				
Land	47,051			47,051
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings	2,587,291			2,587,291
Vehicles	317,544		23,831	293,713
Machinery and Equipment	871,345	26,665	310,209	587,801
Total	3,773,180	26,665	334,040	3,468,805
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Buildings	2,169,957	23,575		2,193,532
Vehicles	228,598	33,844	23,831	238,611
Machinery and Equipment	628,948	138,065	310,209	456,804
Total	3,027,503	195,484	334,040	2,888,947
Total capital assets being depreciated, net	745,677	(168,822)		579,858
Governmental Activities Capital Assets, Net	795,728	(168,819)	-0-	626,909
	=====	=====	=====	=====

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

	<u>2015</u>	<u>2014</u>
Governmental Activities:		
General Government	4,620	4,620
Public Safety	39,974	26,636
Highways and Public Improve.	40,010	142,648
Culture and Recreation	20,051	20,051
Cons. and Econ Dev.		1,529
Total	104,655	195,484
	=====	=====

Note 6 INTEREST PAYABLE

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

Note 7 UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

Note 8 LEASES PAYABLE

Operating Leases - Sargent County is committed under leases for (3) John Deere 672G motorgraders. These leases are considered, for accounting purposes, to be operating leases. Lease expenditures were \$41,313.93 and \$0 for the years ended December 31, 2015 and 2014, respectively. Future minimum lease payments are as follows:

<u>Year Ending December 31</u>	<u>Payments</u>
2016	61,062.72
2017	61,062.72
2018	61,062.72
2019	19,748.79
Total	<u>202,936.95</u>

Note 9 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2015 and 2014, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	<u>2015</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
General Obligation Bonds	945,000		235,000	710,000	235,000
Compensated Absences *	76,280		626	75,654	
Total	<u>1,021,280</u>	<u>-0-</u>	<u>235,626</u>	<u>785,654</u>	<u>235,000</u>

	<u>2014</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Certificate of Indebt.	220,000		220,000		
General Obligation Bonds	575,000	515,000	145,000	945,000	235,000
Compensated Absences *	70,390	5,890		76,280	
Total	<u>865,390</u>	<u>521,890</u>	<u>365,000</u>	<u>1,021,280</u>	<u>235,000</u>

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

Outstanding debt at December 31, 2015 consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2015, is as follows:

General Obligation Bonds. The county has issued general obligation bonds to provide funds for improvements to the county road system, to repair an earthen dam and a drain project. General obligation bonds outstanding at December 31, 2015 are as follows:

\$700,000 General Obligation County Road Bonds of 2006 due in final installment of \$90,000 on May 1, 2016; interest is at 4.1%.	90,000.00
\$370,000 Limited Tax Improvement Bonds of 2012 due in annual installments of \$60,000 to \$70,000 through May 1, 2018; interest is at 1.4%.	190,000.00
\$515,000 Limited Tax Improvement Bonds of 2014 due in annual installments of \$85,000 to \$90,000 through May 1, 2020; interest is at .75% to 1.75%.	430,000.00
Total General Obligation Bonds	<u>710,000.00</u> =====

The annual requirements to amortize the outstanding general obligation bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	235,000.00	9,676.25
2017	145,000.00	6,120.00
2018	155,000.00	4,105.00
2019	85,000.00	2,318.75
2020	90,000.00	787.50
Total	<u>710,000.00</u> =====	<u>23,007.50</u> =====

Note 10 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2015</u>		
Road & Bridge Federal Road	205,000.00	205,000.00
Insurance Reserve	1,239.44	
Fairground Buildings	1,600.00	
Courthouse Building General	25,000.00	27,839.44
Road & Bridge General	29,750.00	29,750.00
General Extension Service	119.95	119.95
To subsidize expenditures.		

Weed Control Sprayer Repl.	4,000.00	
Weed Control		4,000.00
To set-aside funds for future purchase of spraying equipment.		
General	1,983.52	
Road & Bridge	5,793.20	
Disaster Assistance		7,776.72
To reimburse for expenditures.		
Park	15,000.00	
Capital Improvements		15,000.00
To transfer budgeted funds.		
<u>December 31, 2014</u>		
Road & Bridge	50,000.00	
Federal Road		50,000.00
Homeland Security	4,047.80	
Disaster Assistance		4,047.80
Federal Road	10,978.17	
Sheriff Grants		10,978.17
Courthouse Building	40,000.00	
Capital Improvements		40,000.00
Park	15,000.00	
Fairground Buildings	1,600.00	
Extension Pesticide	300.00	
Courthouse Building	35,000.00	
General		51,900.00
To subsidize expenditures.		
Weed Control Sprayer Repl.	4,000.00	
Weed Control		4,000.00
To set-aside funds for future purchase of spraying equipment.		
Park	142.11	
Park Pavilion		142.11
To close fund.		

Note 11 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the Sargent County Senior Citizens, Historical Society and Fair Board. However, the county's accountability for these entities does not extend beyond levying the tax. In 2015 and 2014, the county remitted \$55,651.00 and \$52,747.17 to the Senior Citizens, \$8,153.00 and \$7,723.97 to the Historical Society and \$32,620.95 and \$30,901.79 to the Fair Board, respectively.

Note 12 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The county pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$1,626,101 for public assets.

The county also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The county pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the county with a blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The county has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

Note 13 DEFERRED COMPENSATION PLAN

Sargent County offers its employees a retirement plan under deferred compensation plans created in accordance with Internal Revenue Code 457. The main provider of these plans is through Nationwide Retirement Solutions. The county pays a portion of employee salaries into the plans. The amount paid by the county varies depending on the employee's contribution. The county will contribute a maximum of 7% if the employee contributes 7%.

SARGENT COUNTY
Forman, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	464,400.00	464,400.00	447,753.56	(16,646.44)
Licenses, Permits and Fees	1,750.00	1,750.00	1,565.00	(185.00)
Intergovernmental	365,350.00	365,350.00	330,440.67	(34,909.33)
Charges for Services	58,100.00	58,100.00	133,381.37	75,281.37
Miscellaneous	23,700.00	23,700.00	65,944.98	42,244.98
Total Revenues	913,300.00	913,300.00	979,085.58	65,785.58
<u>Expenditures:</u>				
Current:				
General Government	664,462.00	664,462.00	599,186.35	65,275.65
Public Safety	289,593.00	289,593.00	285,869.02	3,723.98
Total Expenditures	954,055.00	954,055.00	885,055.37	68,999.63
Excess (Deficiency) of Revenues Over Expenditures	(40,755.00)	(40,755.00)	94,030.21	134,785.21
<u>Other Financing Sources (Uses):</u>				
Transfers In			2,103.47	2,103.47
Transfers Out	(25,000.00)	(25,000.00)	(57,589.44)	(32,589.44)
Total Other Financing Sources (Uses)	(25,000.00)	(25,000.00)	(55,485.97)	(30,485.97)
Net Change in Fund Balances	(65,755.00)	(65,755.00)	38,544.24	104,299.24
Fund Balance - January 1	571,024.69	571,024.69	571,024.69	
Fund Balance - December 31	505,269.69	505,269.69	609,568.93	104,299.24

SARGENT COUNTY
 Forman, North Dakota

Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	494,443.00	494,443.00	493,469.37	(973.63)
Licenses, Permits and Fees	1,750.00	1,750.00	1,550.00	(200.00)
Intergovernmental	345,910.00	345,910.00	291,554.96	(54,355.04)
Charges for Services	72,100.00	72,100.00	126,158.90	54,058.90
Miscellaneous	21,200.00	21,200.00	38,456.31	17,256.31
Total Revenues	935,403.00	935,403.00	951,189.54	15,786.54
<u>Expenditures:</u>				
Current:				
General Government	650,845.00	673,593.38	647,700.21	25,893.17
Public Safety	268,497.00	268,497.00	269,090.17	(593.17)
Total Expenditures	919,342.00	942,090.38	916,790.38	25,300.00
Excess (Deficiency) of Revenues Over Expenditures	16,061.00	(6,687.38)	34,399.16	41,086.54
<u>Other Financing (Uses):</u>				
Transfers Out			(51,900.00)	(51,900.00)
Net Change in Fund Balances	16,061.00	(6,687.38)	(17,500.84)	(10,813.46)
Fund Balance - January 1	588,525.53	588,525.53	588,525.53	
Fund Balance - December 31	604,586.53	581,838.15	571,024.69	(10,813.46)

SARGENT COUNTY
Forman, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	161,875.00	161,875.00	146,766.92	(15,108.08)
Intergovernmental	1,289,525.00	1,289,525.00	3,300,133.66	2,010,608.66
Charges for Services	15,000.00	15,000.00	5,485.99	(9,514.01)
Miscellaneous	4,050.00	4,050.00	293,286.46	289,236.46
Total Revenues	1,470,450.00	1,470,450.00	3,745,673.03	2,275,223.03
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	1,487,772.00	3,943,289.21	3,940,423.97	2,865.24
Capital Outlay	14,000.00	14,000.00	14,800.00	(800.00)
Total Expenditures	1,501,772.00	3,957,289.21	3,955,223.97	2,065.24
Excess (Deficiency) of Revenues Over Expenditures	(31,322.00)	(2,486,839.21)	(209,550.94)	2,277,288.27
<u>Other Financing Sources (Uses):</u>				
Transfers In			240,543.20	240,543.20
Net Change in Fund Balances	(31,322.00)	(2,486,839.21)	30,992.26	2,517,831.47
Fund Balance - January 1	1,983.80	1,983.80	1,983.80	
Fund Balance - December 31	(29,338.20)	(2,484,855.41)	32,976.06	2,517,831.47

SARGENT COUNTY
Forman, North Dakota

Budgetary Comparison Schedule
Road and Bridge Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	146,500.00	146,500.00	144,065.57	(2,434.43)
Intergovernmental	3,463,765.00	3,463,765.00	3,149,712.01	(314,052.99)
Charges for Services	15,000.00	15,000.00	15,528.58	528.58
Miscellaneous	1,050.00	1,050.00	36,731.41	35,681.41
Total Revenues	3,626,315.00	3,626,315.00	3,346,037.57	(280,277.43)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	3,656,949.00	4,542,236.68	4,150,142.68	392,094.00
Capital Outlay	26,665.00	26,665.00	26,665.00	
Total Expenditures	3,683,614.00	4,568,901.68	4,176,807.68	392,094.00
Excess (Deficiency) of Revenues Over Expenditures	(57,299.00)	(942,586.68)	(830,770.11)	111,816.57
<u>Other Financing Sources:</u>				
Transfers In			50,000.00	50,000.00
Net Change in Fund Balances	(57,299.00)	(942,586.68)	(780,770.11)	161,816.57
Fund Balance - January 1	782,753.91	782,753.91	782,753.91	
Fund Balance - December 31	725,454.91	(159,832.77)	1,983.80	161,816.57

SARGENT COUNTY
Forman, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	462,300.00	462,300.00	433,358.17	(28,941.83)
Intergovernmental	48,250.00	48,250.00	53,893.32	5,643.32
Miscellaneous	3,000.00	3,000.00	2,314.50	(685.50)
Total Revenues	513,550.00	513,550.00	489,565.99	(23,984.01)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	1,100,000.00	1,100,000.00	239,758.46	860,241.54
Excess (Deficiency) of Revenues Over Expenditures	(586,450.00)	(586,450.00)	249,807.53	836,257.53
<u>Other Financing (Uses):</u>				
Transfers Out			(205,000.00)	(205,000.00)
Net Change in Fund Balances	(586,450.00)	(586,450.00)	44,807.53	631,257.53
Fund Balance - January 1	1,076,477.20	1,076,477.20	1,076,477.20	
Fund Balance - December 31	490,027.20	490,027.20	1,121,284.73	631,257.53

SARGENT COUNTY
 Forman, North Dakota

Budgetary Comparison Schedule
 Federal Road Fund
 For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	416,250.00	416,250.00	411,466.78	(4,783.22)
Intergovernmental	245,000.00	245,000.00	50,673.50	(194,326.50)
Miscellaneous	1,500.00	1,500.00	2,647.89	1,147.89
Total Revenues	662,750.00	662,750.00	464,788.17	(197,961.83)
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	1,200,000.00	1,200,000.00	728,153.44	471,846.56
Excess (Deficiency) of Revenues Over Expenditures	(537,250.00)	(537,250.00)	(263,365.27)	273,884.73
<u>Other Financing Sources (Uses):</u>				
Transfers In			10,978.17	10,978.17
Transfers Out			(50,000.00)	(50,000.00)
Total Other Financing Sources (Uses)			(39,021.83)	(39,021.83)
Net Change in Fund Balances	(537,250.00)	(537,250.00)	(302,387.10)	234,862.90
Fund Balance - January 1	1,378,864.30	1,378,864.30	1,378,864.30	
Fund Balance - December 31	841,614.30	841,614.30	1,076,477.20	234,862.90

SARGENT COUNTY
Forman, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	280,744.00	280,744.00	266,003.09	(14,740.91)
Intergovernmental	225,111.00	225,111.00	130,297.46	(94,813.54)
Miscellaneous	2,000.00	2,000.00	2,480.85	480.85
Total Revenues	507,855.00	507,855.00	398,781.40	(109,073.60)
<u>Expenditures:</u>				
Current:				
Health and Welfare	468,893.00	468,893.00	427,263.09	41,629.91
Net Change in Fund Balances	38,962.00	38,962.00	(28,481.69)	(67,443.69)
Fund Balance - January 1	112,009.20	112,009.20	112,009.20	
Fund Balance - December 31	150,971.20	150,971.20	83,527.51	(67,443.69)

SARGENT COUNTY
Forman, North Dakota

Budgetary Comparison Schedule
Human Services Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	301,832.00	301,832.00	299,521.39	(2,310.61)
Intergovernmental	169,764.00	169,764.00	135,488.57	(34,275.43)
Miscellaneous	2,796.00	2,796.00	1,775.44	(1,020.56)
Total Revenues	474,392.00	474,392.00	436,785.40	(37,606.60)
<u>Expenditures:</u>				
Current:				
Health and Welfare	486,073.00	486,073.00	392,147.80	93,925.20
Net Change in Fund Balances	(11,681.00)	(11,681.00)	44,637.60	56,318.60
Fund Balance - January 1	67,371.60	67,371.60	67,371.60	
Fund Balance - December 31	55,690.60	55,690.60	112,009.20	56,318.60

SARGENT COUNTY
Forman, North Dakota

Budgetary Comparison Schedule
Water Resource and Drains Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	67,602.00	67,602.00	64,631.65	(2,970.35)
Licenses, Permits and Fees	6,000.00	6,000.00	19,082.97	13,082.97
Intergovernmental	9,175.00	9,175.00	41,707.56	32,532.56
Charges for Services	504,300.00	504,300.00	649,325.03	145,025.03
Miscellaneous	21,400.00	21,400.00	20,806.87	(593.13)
Total Revenues	608,477.00	608,477.00	795,554.08	187,077.08
<u>Expenditures:</u>				
Current:				
Conservation and Economic Development	627,139.64	971,315.41	661,097.15	310,218.26
Debt Service:				
Principal	145,000.00	145,000.00	145,000.00	
Interest and Service Charges	11,910.36	11,910.36	11,910.36	
Total Expenditures	784,050.00	1,128,225.77	818,007.51	310,218.26
Net Change in Fund Balances	(175,573.00)	(519,748.77)	(22,453.43)	497,295.34
Fund Balance - January 1	1,248,537.79	1,248,537.79	1,248,537.79	
Fund Balance - December 31	1,072,964.79	728,789.02	1,226,084.36	497,295.34

SARGENT COUNTY
Forman, North Dakota

Budgetary Comparison Schedule
Water Resource and Drains Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	67,312.00	67,312.00	66,483.30	(828.70)
Licenses, Permits and Fees	3,000.00	3,000.00	6,071.50	3,071.50
Intergovernmental	9,600.00	9,600.00	171,706.23	162,106.23
Charges for Services	416,403.00	416,403.00	436,524.05	20,121.05
Miscellaneous	22,200.00	22,200.00	21,706.85	(493.15)
Total Revenues	518,515.00	518,515.00	702,491.93	183,976.93
<u>Expenditures:</u>				
Current:				
Conservation and Economic Development	353,970.00	446,458.99	751,770.10	(305,311.11)
Debt Service:				
Principal	280,000.00	280,000.00	280,000.00	
Interest and Service Charges	6,330.00	6,330.00	6,330.00	
Total Expenditures	640,300.00	732,788.99	1,038,100.10	(305,311.11)
Excess (Deficiency) of Revenues Over Expenditures	(121,785.00)	(214,273.99)	(335,608.17)	(121,334.18)
<u>Other Financing Sources (Uses):</u>				
Issuance of Gen. Oblig. Bonds			515,000.00	515,000.00
Discount on Issuance of Bonds			(7,725.00)	(7,725.00)
Total Other Financing Sources (Uses)			507,275.00	507,275.00
Net Change in Fund Balances	(121,785.00)	(214,273.99)	171,666.83	385,940.82
Fund Balance - January 1	1,076,870.96	1,076,870.96	1,076,870.96	
Fund Balance - December 31	955,085.96	862,596.97	1,248,537.79	385,940.82

SARGENT COUNTY
Forman, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2015 and 2014

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

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

December 31, 2015

	Original Budget	Amendment	Amended Budget
	<u>Appropriations</u>		
<u>Special Revenue Funds</u>			
Road & Bridge	1,501,772	2,455,517	3,957,289
Water Resource & Drains	784,050	344,176	1,128,226
Park	132,123	7,560	139,683
State Aid	17,500	9,093	26,593
Health-Donations	87,408	22,589	109,997
Insurance Reserve	78,000	197	78,197
Comp. Health Care Ins.	188,250	2,862	191,112
Fair	30,000	2,621	32,621
Historical Society	7,500	653	8,153
Senior Citizens	53,000	2,651	55,651

December 31, 2014

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
		<u>Appropriations</u>	
General Fund	919,342	22,748	942,090
<u>Special Revenue Funds</u>			
Road & Bridge	3,683,614	885,288	4,568,902
Water Resource & Drains	640,300	92,489	732,789
Park	82,100	9,376	91,476
State Aid	17,500	3,716	21,216
Health-Donations	33,104	49,318	82,422
Fair	28,500	2,402	30,902
Historical Society	7,000	724	7,724
Senior Citizens	45,000	7,747	52,747
Sheriff Grants	19,900	6,118	26,018

Excess of Actual Expenditures Over Budget

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

	<u>2015</u>	<u>2014</u>
<u>Special Revenue Funds</u>		
Water Resource and Drains		305,311.11
State Aid	40.01	1.50
Emergency	.70	
* Kraft Slough Project		3,337.93

* A budget was not prepared for this fund.

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

SARGENT COUNTY
Forman, North Dakota

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

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
Major Governmental Funds:						
General Fund	571,024.69	979,085.58	2,103.47	57,589.44	885,055.37	609,568.93
Road & Bridge	1,983.80	3,745,673.03	240,543.20		3,955,223.97	32,976.06
Federal Road	1,076,477.20	489,565.99		205,000.00	239,758.46	1,121,284.73
Human Services	112,009.20	398,781.40			427,263.09	83,527.51
Water Resource and Drains	1,248,537.79	795,554.08			818,007.51	1,226,084.36
Total Major Governmental Funds	3,010,032.68	6,408,660.08	242,646.67	262,589.44	6,325,308.40	3,073,441.59
Non-Major Governmental Funds						
Veterans Service Officer	3,373.11	9,259.13			9,907.72	2,724.52
Extension Service	17,423.58	75,090.19		119.95	78,337.93	14,055.89
Weed Control	193,958.72	118,311.38		4,000.00	61,165.65	247,104.45
Park	45,539.52	128,106.06	15,000.00		139,683.33	48,962.25
State Aid	10,604.96	26,075.30			26,633.39	10,046.87
MCH	4,344.60	3,544.45			2,669.63	5,219.42
WIC	3,087.98	2,925.00			2,090.07	3,922.91
Health-Donations	84,153.92	104,744.44			109,996.70	78,901.66
Social Security	53,055.15	170,478.02			158,104.72	65,428.45
Advertising	5,054.87	7,849.03			10,088.58	2,815.32
Emergency	241,601.24	811.20			0.70	242,411.74
Health	33,889.10	120,442.55			101,276.89	53,054.76
Disaster Assistance	492,432.80	3,454.71		7,776.72	164,684.70	323,426.09
GO Bonds (I&S)	10,295.97	92,462.64			96,733.02	6,025.59
911	29,519.91	88,993.20			73,537.48	44,975.63
Insurance Reserve	11,914.25	66,689.75	1,239.44		78,196.80	1,646.64
Comp. Health Care Insurance	116,920.34	157,585.57			191,112.18	83,393.73
Ambulance	65,253.56	288,258.42			237,549.83	115,962.15
Fair	166.43	32,483.68			32,620.95	29.16
Capital Improvements	30,835.77	8,897.90		15,000.00		24,733.67
Historical Society	41.50	8,118.73			8,153.00	7.23
Senior Citizens	166.60	55,513.61			55,651.00	29.21
Automation	67,652.98	69,878.98			75,010.94	62,521.02
Job Development	277,879.30	32,325.57			40,850.77	269,354.10
Hazardous Chemical	17,738.81	1,087.50			124.10	18,702.21
Sheriff Grants	10,100.99	7,174.84			2,200.00	15,075.83
Homeland Security	0.01				0.01	
County Corrections	93,867.23	127,764.06			112,035.17	109,596.12
Weed Control Sprayer Replacement	26,359.80	47.10	4,000.00			30,406.90
Document Preservation	5,301.37	5,653.50				10,954.87
Airport Authority-Gwinner	78.95	13,388.45			13,453.49	13.91
Airport Authority-Milnor	17.33	8,836.97			8,845.13	9.17
Fairground Buildings	4,811.47	5.68	1,600.00		4,800.00	1,617.15
Extension Pesticide	4,063.33	125.00			390.00	3,798.33
Kraft Slough Project	5,779.14					5,779.14
Courthouse Building	75,000.00		25,000.00			100,000.00
Total Non-Major Governmental Funds	2,042,284.59	1,836,382.61	46,839.44	26,896.67	1,895,903.88	2,002,706.09
Total Governmental Funds	5,052,317.27	8,245,042.69	289,486.11	289,486.11	8,221,212.28	5,076,147.68

(continued)

SARGENT COUNTY
Forman, North Dakota

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

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
<u>Agency Funds</u>						
Domestic Violence	70.00	595.00			665.00	
State Taxes	54.44	29,324.71			29,352.59	26.56
GDCD	60.38	33,001.40			33,032.60	29.18
Advance Taxes		5,803.02			5,803.02	
Current Tax Holding	1,947,281.41	1,929,140.99			1,947,281.41	1,929,140.99
Game & Fish	21,037.00	39,086.50			40,529.00	19,594.50
Red River Joint Board	308.19	58,386.74			58,636.62	58.31
Soil Conservation	167.32	33,361.37			33,499.00	29.69
State Tuition		500.00			500.00	
Total Cities	7,908.30	1,346,936.65			1,352,417.28	2,427.67
Total Schools	6,259.80	2,968,584.01			2,971,834.47	3,009.34
Total Townships	1,230.44	1,026,901.34			1,027,435.55	696.23
Total Fire Districts	552.18	228,610.61			228,944.47	218.32
Total Ambulance Districts	298.22	21,346.57			21,644.79	
Total Agency Funds	1,985,227.68	7,721,578.91			7,751,575.80	1,955,230.79
Total All Funds	7,037,544.95	15,966,621.60	289,486.11	289,486.11	15,972,788.08	7,031,378.47

SARGENT COUNTY
 Forman, North Dakota

Schedule of Fund Activity
 Arising from Cash Transactions
 For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
Major Governmental Funds:						
General Fund	588,525.53	951,189.54		51,900.00	916,790.38	571,024.69
Road & Bridge	775,496.84	3,353,294.64	50,000.00		4,176,807.68	1,983.80
Federal Road	1,378,864.30	464,788.17	10,978.17	50,000.00	728,153.44	1,076,477.20
Human Services	67,371.60	436,785.40			392,147.80	112,009.20
Water Resource and Drains	1,076,870.96	1,209,766.93			1,038,100.10	1,248,537.79
Total Major Governmental Funds	3,887,129.23	6,415,824.68	60,978.17	101,900.00	7,251,999.40	3,010,032.68
Non-Major Governmental Funds						
Veterans Service Officer	4,925.33	7,442.51			8,994.73	3,373.11
Extension Service	35,290.52	53,834.45			71,701.39	17,423.58
Weed Control	158,135.35	117,578.33		4,000.00	77,754.96	193,958.72
Park	32,364.66	89,508.51	15,142.11		91,475.76	45,539.52
State Aid	12,202.83	19,618.00			21,215.87	10,604.96
MCH	3,287.65	4,656.21			3,599.26	4,344.60
WIC	2,071.67	3,605.00			2,588.69	3,087.98
Health-Donations	70,986.15	95,590.02			82,422.25	84,153.92
Social Security	45,656.32	146,704.59			139,305.76	53,055.15
Advertising	5,194.41	9,376.67			9,516.21	5,054.87
Emergency	186,107.43	55,537.79			43.98	241,601.24
Health	43,191.06	102,925.82			112,227.78	33,889.10
Disaster Assistance	644,818.91	53,084.11		4,047.80	201,422.42	492,432.80
GO Bonds (I&S)	8,776.82	96,865.82			95,346.67	10,295.97
911	23,153.29	78,509.67			72,143.05	29,519.91
Insurance Reserve	20,293.98	56,549.50			64,929.23	11,914.25
Comp. Health Care Insurance	91,116.87	210,608.51			184,805.04	116,920.34
Ambulance	74,923.68	162,847.62			172,517.74	65,253.56
Fair	260.05	30,808.17			30,901.79	166.43
Capital Improvements	70,414.39	11,694.88		40,000.00	11,273.50	30,835.77
Historical Society	64.85	7,700.62			7,723.97	41.50
Senior Citizens	260.24	52,653.53			52,747.17	166.60
Automation	8,676.48	140,806.86			81,830.36	67,652.98
Job Development	225,893.96	54,538.97			2,553.63	277,879.30
Hazardous Chemical	17,296.31	962.50			520.00	17,738.81
Sheriff Grants	18,950.68	17,168.29		10,978.17	15,039.81	10,100.99
Homeland Security	(4,701.34)	7,272.33	4,047.80		6,618.78	0.01
County Corrections	26,116.04	184,187.44			116,436.25	93,867.23
Weed Control Sprayer Replacement	22,319.24	40.56	4,000.00			26,359.80
Document Preservation	1,387.57	6,524.25			2,610.45	5,301.37
Airport Authority-Gwinner	27.10	12,700.14			12,648.29	78.95
Airport Authority-Milnor	17.87	8,383.22			8,383.76	17.33
Park Pavilion	142.11			142.11		
Fairground Buildings	3,206.21	5.26	1,600.00			4,811.47
Extension Pesticide	3,393.52	789.20	300.00		419.39	4,063.33
Kraft Slough Project		9,117.07			3,337.93	5,779.14
Courthouse Building			75,000.00			75,000.00
Total Non-Major Governmental Funds	1,856,222.21	1,910,196.42	100,089.91	59,168.08	1,765,055.87	2,042,284.59
Total Governmental Funds	5,743,351.44	8,326,021.10	161,068.08	161,068.08	9,017,055.27	5,052,317.27

(continued)

SARGENT COUNTY
Forman, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2014
(continued)

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
<u>Agency Funds</u>						
Domestic Violence		385.00			315.00	70.00
State Taxes	57.49	27,724.39			27,727.44	54.44
GDCD	63.17	31,198.69			31,201.48	60.38
Advance Taxes		2,672.91			2,672.91	
Current Tax Holding	1,843,662.32	1,947,282.41			1,843,663.32	1,947,281.41
Game & Fish	13,307.00	35,279.00			27,549.00	21,037.00
Red River Joint Board	254.77	55,093.89			55,040.47	308.19
Soil Conservation	260.82	30,929.55			31,023.05	167.32
Total Cities	6,467.17	1,435,486.05			1,434,044.92	7,908.30
Total Schools	8,029.40	2,769,405.51			2,771,175.11	6,259.80
Total Townships	1,652.12	718,228.53			718,650.21	1,230.44
Total Fire Districts	603.25	222,669.64			222,720.71	552.18
Total Ambulance Districts	168.00	19,438.40			19,308.18	298.22
Total Agency Funds	1,874,525.51	7,295,793.97			7,185,091.80	1,985,227.68
Total All Funds	7,617,876.95	15,621,815.07	161,068.08	161,068.08	16,202,147.07	7,037,544.95

Rath & Mehrer

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Sargent County
Forman, 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, each major fund and the aggregate remaining fund information of Sargent County, Forman, North Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated May 6, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 6, 2016

SARGENT COUNTY
Forman, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

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

SECTION II - FINANCIAL STATEMENT FINDINGS:

No matters were reported