

AUDIT REPORT

WARD COUNTY
Minot, North Dakota

For the Year Ended December 31, 2016

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Ward County
Minot, North Dakota

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WARD COUNTY
Minot, North Dakota

COUNTY OFFICIALS

Larry Louser	Commissioner-Chairman
Alan Walter	Commissioner-Vice Chairman
John Fjeldahl	Commissioner
Jim Rostad	Commissioner
Shelly Wepler	Commissioner
Devra Smestad	Auditor/Treasurer
Bob Barnard	Sheriff
Betty Braun	County Recorder
Rozanna Larson	States Attorney

Rath & Mehler, P.C.

Certified Public Accountants

Jayson Rath, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Ward County
Minot, North Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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 9, budgeting comparison information on pages 35 through 38, and the schedule of employer's share of net pension liability on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedule of fund activity arising from cash transactions is presented for additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017 on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the county's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

June 30, 2017

WARD COUNTY

Management's Discussion and Analysis

December 31, 2016

The Management's Discussion and Analysis (MD&A) of Ward County's financial performance provides an overall review of the county's financial activities for the fiscal year ended December 31, 2016. 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 year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

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

- * Net position of the county increased \$3,021,095 as a result of the current year's operations.
- * Governmental net position as of the end of the fiscal year totaled \$118,337,538.
- * Total revenues from all sources were \$44,938,463.
- * Total expenses were \$41,917,369.
- * The county's general fund had \$15,538,581 in total revenues and \$16,652,905 in total expenditures. There was a total of \$273,779 received from other financing sources. Overall, the general fund balance decreased by \$840,545 for the year ended December 31, 2016.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole county, presenting both an aggregate view of the county's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the county's general fund, highway fund, sales tax bond fund and construction 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 year ended December 31, 2016?"

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

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

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

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

REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

The county uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the county to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the county's major funds. Using the criteria established by GASB Statement No. 34, the county's general fund, highway fund, sales tax bond fund and construction fund are considered "major funds". The county's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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

As indicated in the financial highlights above, the county's net position increased by \$3,021,095 for the year ended December 31, 2016. Changes in net position may serve over time as a useful indicator of the county's financial position.

As of December 31, 2016, the county's net position of \$118,337,538 is segregated into three separate categories. Net investment in capital assets totals \$111,234,831 of the county's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position is \$12,404,891 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 is \$(5,302,184), which includes (\$6,193,822) relating to the reporting of its share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$891,638 is available to meet the county's ongoing obligations.

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

	2016	2015
<u>Assets</u>		
Current Assets	34,658,148	63,261,965
Capital Assets (net of accumulated depreciation)	136,274,831	110,564,977
 Total Assets	170,932,979	173,826,942
 Deferred Outflows of Resources	1,622,159	2,182,153
<u>Liabilities</u>		
Current Liabilities	6,993,224	7,619,048
Long-Term Liabilities	39,408,395	45,895,473
Net Pension Liability	6,214,786	6,005,778
 Total Liabilities	52,616,405	59,520,299
 Deferred Inflows of Resources	1,601,195	1,172,352
<u>Net Position</u>		
Net Investment in Capital		
Assets	111,234,831	82,354,977
Restricted	12,404,891	36,222,352
Unrestricted	(5,302,184)	(3,260,885)
 Total Net Position	118,337,538	115,316,444

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

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

	<u>2016</u>	<u>2015</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	2,496,802	2,630,097
Operating Grants and Contributions	13,639,646	18,674,468
<u>General Revenues:</u>		
Property Taxes	17,923,189	19,024,578
Other Taxes	6,811,760	8,560,129
State Aid - Unrestricted	2,573,614	3,537,243
Interest Earnings and Other Revenue	1,493,452	2,206,653
Premium on Revenue Bonds Issued		1,050,310
Total Revenues	<u>44,938,463</u>	<u>55,683,478</u>
Expenses		
General Government	8,158,498	3,421,574
Public Safety	9,877,841	9,339,819
Highways and Public Improvement	14,212,370	15,623,762
Health and Welfare	6,014,686	6,761,020
Culture and Recreation	524,390	587,861
Conservation and Economic Development	504,531	597,364
Other	1,108,186	1,485,970
Interest on Long-Term Debt	1,516,867	1,486,899
Total Expenses	<u>41,917,369</u>	<u>39,304,269</u>
Net Change in Position	<u>3,021,095</u>	<u>16,379,208</u>

Property taxes constituted 40%, unrestricted state aid 6%, operating grants and contributions 30% and charges for services made up 6% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2016.

General government constituted 19%, public safety 24%, highways and public improvement 34%, and health and welfare 14% of total expenses for governmental activities during the fiscal year ended December 31, 2016.

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

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

	Total Cost Year Ended <u>Dec. 31, 2016</u>	Net Cost Year Ended <u>Dec. 31, 2016</u>
General Government	8,158,498	7,668,125
Public Safety	9,877,841	7,421,509
Highways and Public Improvement	14,212,370	2,752,486
Health and Welfare	6,014,686	4,650,153
Culture and Recreation	524,390	451,368
Conservation and Economic Dvlpmnt.	504,531	481,168
Other	1,108,186	839,247
Interest on Long-Term Debt	1,516,867	1,516,867
Total Expenses	<u>41,917,369</u> =====	<u>25,780,921</u> =====

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 \$44,834,538 and expenditures of \$73,542,280 for the year ended December 31, 2016. As of December 31, 2016, the unassigned fund balance of the county's general fund was \$1,648,270.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2016, the county amended the general fund budget. The gross effect of the amendments was to increase appropriations by \$411,042.

Actual revenue for the year ended December 31, 2016 was \$795,035 less than budgeted. Actual expenditures for the year ended December 31, 2016 were over budget by \$465,461.

CAPITAL ASSETS

As of December 31, 2016, the county had \$136,274,831 invested in capital assets. Table IV shows the balances as of December 31, 2016.

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

	<u>2016</u>	<u>2015</u>
Land	698,100	698,100
Construction in Progress	15,073,000	20,687,000
Infrastructure	86,870,333	79,195,582
Buildings	28,404,039	5,112,679
Machinery and Vehicles	5,229,359	4,871,616
Total (net of depreciation)	<u>136,274,831</u> =====	<u>110,564,977</u> =====

This total represents an increase of \$25,709,854 in capital assets from January 1, 2016. The increase in Buildings is due to the construction on the courthouse addition. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 7 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2016, the county had \$46,016,630 in outstanding debt of which \$6,608,235 was due within one year.

During fiscal year 2016, the county issued no new long-term debt obligations.

For a detailed breakdown of the long-term debt, readers are referred to Note 10 to the audited financial statements which follow this analysis.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the county's finances and to show the county's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Devra Smestad, County Auditor/Treasurer, Ward County, Minot, ND 58701.

WARD COUNTY
Minot, North Dakota

Statement of Net Position
December 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Weather Modification
ASSETS:			
Cash and Investments	33,736,411.55	1,204,796.05	76,927.87
Taxes Receivable	685,629.98	45,190.67	5,289.90
Special Assessments Receivable	271.08	343.00	
Uncertified Special Assessments Receivable	136,898.51	89,039.96	
Due from County Treasurer		11,859.54	1,414.49
Due from State Government	98,937.25		
Capital Assets (net of accumulated depreciation):			
Land	698,100.00	113,800.00	
Construction in Progress	15,073,000.00	2,863,915.00	
Infrastructure	86,870,333.00	438,372.00	
Buildings	28,404,039.00		
Machinery and Vehicles	5,229,359.00		
Total Capital Assets	136,274,831.00	3,416,087.00	
Total Assets	170,932,979.37	4,767,316.22	83,632.26
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	1,622,159.00		
LIABILITIES:			
Interest Payable	384,988.78	16,160.00	
Long-Term Liabilities:			
Due Within One Year:			
General Obligation Bonds Payable	3,278,235.17		
Special Assessment Bonds Payable	60,000.00	150,000.00	
Revenue Bonds Payable	3,270,000.00		
Due After One Year:			
General Obligation Bonds Payable	16,815,000.00		
Special Assessment Bonds Payable	78,338.13	2,495,039.00	
Revenue Bonds Payable	21,770,000.00		
Compensated Absences Payable	745,056.95		
Net Pension Liability	6,214,786.00		
Total Liabilities	52,616,405.03	2,661,199.00	
DEFERRED INFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	1,601,195.00		
NET POSITION:			
Net Investment in Capital Assets	111,234,831.00	771,048.00	
Restricted for:			
Special Purposes	3,380,433.62		
Debt Service	9,024,457.32	138,754.16	
Unrestricted	(5,302,183.60)	1,196,315.06	83,632.26
Total Net Position	118,337,538.34	2,106,117.22	83,632.26

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

WARD COUNTY
Minot, North Dakota

Statement of Activities
For the Year Ended December 31, 2016

Net (Expense) Revenue and
Changes in Net Position

	Program Revenues		Primary Gov't	Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District	Weather Modification
Functions/Programs						
Primary Government:						
Governmental Activities:						
General Government	8,158,498.46	465,056.56	25,317.20	(7,668,124.70)		
Public Safety	9,877,841.09	1,697,187.52	759,144.89	(7,421,508.68)		
Highways and Public Improve.	14,212,369.61	310,936.38	11,148,947.67	(2,752,485.56)		
Health and Welfare	6,014,685.70		1,364,533.05	(4,650,152.65)		
Culture and Recreation	524,389.81	257.63	72,764.44	(451,367.74)		
Conser. and Economic Dvlpmnt.	504,531.40	23,363.64		(481,167.76)		
Other	1,108,186.01		268,938.96	(839,247.05)		
Interest on Long-Term Debt	1,516,866.52			(1,516,866.52)		
Total Governmental Activities	41,917,368.60	2,496,801.73	13,639,646.21	(25,780,920.66)		
Component Units:						
Water Resource District	940,063.84	7,817.55	187,290.33		(744,955.96)	
Weather Modification	214,522.78					(214,522.78)
General Revenues:						
Taxes:						
Property taxes; levied for general purposes			10,911,860.64	1,177,504.46	168,257.51	
Property taxes; levied for special purposes			7,011,328.83			
Sales taxes			6,475,863.80			
Homestead tax credit			92,722.28			
Disabled veterans tax credit			108,543.26			
Telecommunications taxes			98,998.38			
Oil and gas taxes			23,132.23			
Gaming taxes			12,500.00			
State aid not restricted to specific program:						
State aid distribution			2,573,613.57			
Earnings on investments and other revenue			1,493,452.44	2,041.87	38.51	
Total General Revenues			28,802,015.43	1,179,546.33	168,296.02	
Change in Net Position			3,021,094.77	434,590.37	(46,226.76)	
Net Position - January 1			115,316,443.57	1,671,526.85	129,859.02	
Net Position - December 31			118,337,538.34	2,106,117.22	83,632.26	

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

WARD COUNTY
Minot, North Dakota

Balance Sheet
Governmental Funds
December 31, 2016

Major Funds

	General	Highway	Sales Tax Bond	Construction	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Investments	1,648,270.26	2,574,590.82	8,878,769.37	16,329,189.61	4,305,591.49	33,736,411.55
Taxes Receivable	412,461.78	105,592.17			167,576.03	685,629.98
Special Assessments Receivable					271.08	271.08
Due from State Government					98,937.25	98,937.25
Total Assets	2,060,732.04	2,680,182.99	8,878,769.37	16,329,189.61	4,572,375.85	34,521,249.86
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Deferred Inflows of Resources:						
Unavailable Revenue	412,461.78	105,592.17			167,847.11	685,901.06
Fund Balances:						
Restricted for:						
Public Safety					501,984.35	501,984.35
Highways and Public Improve.		2,574,590.82			2,359,914.71	4,934,505.53
Health and Welfare					697,645.38	697,645.38
Culture and Recreation					18,675.80	18,675.80
Conser. and Economic Dvlpmnt.					68,848.82	68,848.82
Emergency Purposes					346,665.45	346,665.45
Courthouse Building				16,329,189.61		16,329,189.61
Other Special Purposes					263,133.20	263,133.20
Debt Service			8,878,769.37		147,661.03	9,026,430.40
Unassigned	1,648,270.26					1,648,270.26
Total Fund Balances	1,648,270.26	2,574,590.82	8,878,769.37	16,329,189.61	4,404,528.74	33,835,348.80
Total Deferred Inflows of Resources and Fund Balances	2,060,732.04	2,680,182.99	8,878,769.37	16,329,189.61	4,572,375.85	34,521,249.86

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

WARD COUNTY
Minot, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2016

Total Fund Balances for Governmental Funds 33,835,348.80

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	197,025,024.00	
Less Accumulated Depreciation	(60,750,193.00)	
		136,274,831.00

Property taxes and special assessments 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. 685,901.06

Uncertified special assessments will be certified in future years, but are not available to pay for the current period's expenditures and therefore are not reported in the funds. 136,898.51

The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	1,622,159.00	
Total Deferred Inflows of Resources	(1,601,195.00)	
		20,964.00

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

General Obligation Bonds Payable	(20,093,235.17)	
Special Assessment Bonds Payable	(138,338.13)	
Revenue Bonds Payable	(25,040,000.00)	
Interest Payable	(384,988.78)	
Compensated Absences Payable	(745,056.95)	
Net Pension Liability	(6,214,786.00)	
		(52,616,405.03)

Total Net Position of Governmental Activities 118,337,538.34

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

WARD COUNTY
Minot, North Dakota

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

	Major Funds					Total Governmental Funds
	General	Highway	Sales Tax Bond	Construction	Other Governmental Funds	
Revenues:						
Taxes	10,623,742.37	2,605,834.45	6,475,863.80		4,431,332.39	24,136,773.01
Special Assessments					63,513.00	63,513.00
Licenses, Permits and Fees	42,999.69				257.63	43,257.32
Intergovernmental	2,842,389.81	4,666,553.27			9,145,084.98	16,654,028.06
Charges for Services	890,114.80	310,936.38			1,252,493.23	2,453,544.41
Miscellaneous	1,139,334.10		11,678.76	298,962.50	33,447.08	1,483,422.44
Total Revenues	15,538,580.77	7,583,324.10	6,487,542.56	298,962.50	14,926,128.31	44,834,538.24
Expenditures:						
Current:						
General Government	6,457,160.81					6,457,160.81
Public Safety	8,065,070.20				1,641,568.89	9,706,639.09
Highways and Public Improve.		4,744,569.59		3,568,228.53	2,582,534.45	10,895,332.57
Health and Welfare					5,995,825.76	5,995,825.76
Culture and Recreation	169,632.08				336,778.73	506,410.81
Conser. and Economic Dvlpmnt.	209,997.27				290,716.13	500,713.40
Other	172,114.35				936,071.66	1,108,186.01
Capital Outlay	191,401.00	11,307,460.00		18,155,000.00		29,653,861.00
Debt Service:						
Principal Retirement	1,355,000.00		5,485,000.00		86,676.40	6,926,676.40
Interest and Service Charges	32,529.04		1,750,090.71		8,854.37	1,791,474.12
Total Expenditures	16,652,904.75	16,052,029.59	7,235,090.71	21,723,228.53	11,879,026.39	73,542,279.97
Excess (Deficiency) of Revenues Over Expenditures	(1,114,323.98)	(8,468,705.49)	(747,548.15)	(21,424,266.03)	3,047,101.92	(28,707,741.73)
Other Financing Sources (Uses):						
Transfers In	501,113.60	11,043,296.31			5,260,959.51	16,805,369.42
Transfers Out	(227,334.19)				(16,578,035.23)	(16,805,369.42)
Total Other Financing Sources (Uses)	273,779.41	11,043,296.31			(11,317,075.72)	
Net Change in Fund Balances	(840,544.57)	2,574,590.82	(747,548.15)	(21,424,266.03)	(8,269,973.80)	(28,707,741.73)
Fund Balance - January 1	2,488,814.83		9,626,317.52	37,753,455.64	12,674,502.54	62,543,090.53
Fund Balance - December 31	1,648,270.26	2,574,590.82	8,878,769.37	16,329,189.61	4,404,528.74	33,835,348.80

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

WARD COUNTY
Minot, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds (28,707,741.73)

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

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

Current Year Capital Outlay	29,653,861.00	
Current Year Depreciation Expense	(3,944,007.00)	25,709,854.00

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

Debt Proceeds	0.00	
Repayment of Debt	6,926,676.40	6,926,676.40

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 Compensated Absences Payable	(88,381.63)	
Net Decrease in Interest Payable	274,607.60	
Net Increase to Pension Expense	(1,197,845.00)	(1,011,619.03)

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	172,590.33	
Net Decrease in Special Assessments Receivable	(68,665.20)	103,925.13

Change in Net Position of Governmental Activities 3,021,094.77

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

WARD COUNTY
Minot, North Dakota

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

	Agency Funds
<u>Assets:</u>	
Cash and Investments	10,564,689.31 =====
<u>Liabilities:</u>	
Due to Other Governments	10,564,689.31 =====

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

WARD COUNTY
Minot, North Dakota

Notes to the Financial Statements
December 31, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ward 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 Ward County.

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

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

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

Ward County Weather Modification Authority: The Ward County Weather Modification Authority's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the weather modification authority budget. The weather modification authority has the authority to issue its own debt.

The financial statements of each of the two discretely presented component units are presented in the basic financial statements. Additional information may be obtained from the Ward County Auditor/Treasurer; 315 3rd St SE; Minot, ND 58701.

B. Basis of Presentation

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

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

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

The county reports the following major governmental funds:

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

Highway. This is the county's primary road maintenance fund. It accounts for all financial resources, including various state grants, related to highway maintenance, except those required to be accounted for in another fund.

Sales Tax Bond. This fund accounts for the collection of sales taxes to be used for debt service payments on the Sales Tax Revenue Bonds, Series 2013.

Construction. This fund accounts for the proceeds of the Sales Tax Revenue Bonds, Series 2013 and the construction of a new courthouse building.

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:

Infrastructure	50 to 70 years
Buildings	50 to 100 years
Machinery and Vehicles	10 years

F. Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the county. The employees may carry forward unused leave not to exceed 240 hours.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

G. Long-Term Obligations

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

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

H. Pension

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

I. Fund Equity

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

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

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

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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 county's intent to be used for specific purposes, but are neither restricted nor committed.

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

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

- * Committed
- * Assigned
- * Unassigned

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

J. Interfund Transactions

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

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

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

K. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2016 the county's carrying amount of deposits was \$44,301,101 and the bank balance was \$43,908,187. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$43,408,187 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, 2016 the county held certificates of deposit in the amount of \$515,000, 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 AND SPECIAL ASSESSMENTS RECEIVABLE

Taxes and special assessments receivable represent the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes and special assessments 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 and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

Note 4 UNCERTIFIED SPECIAL ASSESSMENTS RECEIVABLE

Uncertified special assessments receivable represents a long-term receivable in the government-wide financial statements showing the amount of uncertified special assessments.

Note 5 DUE FROM COUNTY TREASURER

The amount due from county treasurer consists of the cash on hand for taxes collected but not remitted to the Water Resource District and Weather Modification Authority.

Note 6 DUE FROM STATE GOVERNMENT

The amount due from state government consists of a human service reimbursement due to the county at December 31.

Note 7 CAPITAL ASSETS

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

Primary Government

	<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	698,100			698,100
Construction in Progress	20,687,000	18,155,000	23,769,000	15,073,000
Total	<u>21,385,100</u>	<u>18,155,000</u>	<u>23,769,000</u>	<u>15,771,000</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	125,081,598	10,311,595		135,393,193
Buildings	10,507,742	23,769,000		34,276,742
Machinery & Vehicles	10,993,290	1,789,994	1,199,295	11,583,989
Total	<u>146,582,630</u>	<u>35,870,589</u>	<u>1,199,295</u>	<u>181,253,924</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	45,886,016	2,636,844		48,522,860
Buildings	5,395,063	477,640		5,872,703
Machinery & Vehicles	6,121,674	829,523	596,567	6,354,630
Total	<u>57,402,753</u>	<u>3,944,007</u>	<u>596,567</u>	<u>60,750,193</u>
Total capital assets being depreciated, net	<u>89,179,877</u>	<u>31,926,582</u>	<u>602,728</u>	<u>120,503,731</u>
Governmental Activities Capital Assets, Net	<u>110,564,977</u>	<u>50,081,582</u>	<u>24,371,728</u>	<u>136,274,831</u>

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

General Government	425,951
Public Safety	171,202
Highways and Public Improve.	3,315,320
Health and Welfare	9,737
Culture and Recreation	17,979
Conser. and Economic Dvlpmnt.	3,818
Total Depreciation Expense	<u>3,944,007</u>

<u>Component Unit</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<i>Capital assets not being depreciated:</i>				
Land	113,800			113,800
Construction in Progress	1,091,000	1,772,915		2,863,915
Total	<u>1,204,800</u>	<u>1,772,915</u>		<u>2,977,715</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	762,375			762,375
<i>Less accumulated depreciation for:</i>				
Infrastructure	304,944	19,059		324,003
Total capital assets being depreciated, net	<u>457,431</u>	<u>(19,059)</u>		<u>438,372</u>
Capital Assets, Net	<u>1,662,231</u>	<u>1,753,856</u>	<u>-0-</u>	<u>3,416,087</u>

Depreciation expense was charged to functions/programs of the water resource district as follows:

Public Works	19,059
	<u> </u>

Note 8 INTEREST PAYABLE

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

Note 9 UNAVAILABLE REVENUE

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

Note 10 LONG-TERM DEBT

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

	<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 Payable	23,763,235		3,670,000	20,093,235	3,278,235
Special Assessment Bonds Payable	225,015		86,677	138,338	60,000
Revenue Bonds Payable	28,210,000		3,170,000	25,040,000	3,270,000
Compensated Absences *	656,675	88,382		745,057	
Total	<u>52,854,925</u>	<u>88,382</u>	<u>6,926,677</u>	<u>46,016,630</u>	<u>6,608,235</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, 2016 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, 2016 is as follows:

Bonds Payable. The county has issued bonds to provide funding for the repair and reconstruction of roads that were damaged or destroyed as a result of flooding and proportionate share of voluntary home acquisitions for flood control. The county also issued bonds to provide funding for the renovation and construction of jail facilities.

\$6,440,135.17 General Obligation Bonds of 2011,
due in final installment of \$768,235.17 on June 1,
2017; interest is at 2.25%. 768,235.17

\$21,640,000.00 General Obligation Bonds, Series 2015,
due in annual installments of \$2,510,000.00 to
\$3,070,000.00 through April 1, 2023; interest is at
2% to 4%. 19,325,000.00

Total General Obligation Bonds 20,093,235.17
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	3,278,235.17	626,935.92
2018	2,560,000.00	567,350.00
2019	2,640,000.00	988,950.00
2020	2,750,000.00	381,150.00
2021	2,845,000.00	283,475.00
2022-2023	6,020,000.00	243,200.00
Total	<u>20,093,235.17</u>	<u>3,091,060.92</u> =====

Special Assessment Bond Debt. The county has issued special assessment bonds to provide funds for the construction of streets and/or water and sewer lines. Special assessment bonds outstanding at December 31, 2016 are as follows:

\$555,000.00 Refunding Improvement Bonds of 2008;
due in annual installments of \$60,000.00 to
\$65,000.00 through May 1, 2018; interest is at
3.9%. 125,000.00

\$133,382.00 Meadowbrook Paving Bond Issue 2008;
due in final installment of \$13,338.13 on June 1,
2018; interest is at 5.35%. 13,338.13

Total Special Assessment Bond Debt 138,338.13
=====

The annual requirements to amortize the outstanding special assessments bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	60,000.00	3,706.00
2018	78,338.13	1,624.79
Total	<u>138,338.13</u>	<u>5,330.79</u> =====

Revenue Bond Debt. The county has issued revenue bonds to provide funds for the construction of a new courthouse building. Revenue bonds outstanding at December 31, 2016 are as follows:

\$33,440,000.00 Sales Tax Revenue Bonds, Series 2013
 due in annual installments of \$3,270,000.00 to
 \$3,900,000.00 through April 1, 2023; interest is
 at 3% to 4% 25,040,000.00
 =====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	3,270,000.00	822,500.00
2018	3,365,000.00	689,800.00
2019	3,465,000.00	553,200.00
2020	3,570,000.00	412,500.00
2021	3,680,000.00	285,900.00
2022-2023	7,690,000.00	232,350.00
Total	<u>25,040,000.00</u>	<u>2,996,250.00</u>

Component Unit Debt.

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

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Special Assessment Bonds	1,095,451	1,698,610	149,022	2,645,039	150,000

Outstanding debt at December 31, 2016 consists of the following:

Special Assessment Debt. The water resource district has issued special assessment bonds to provide funds for the construction of the Nedrose sanitary sewer. Special assessment bonds outstanding at December 31, 2016, are as follows:

\$762,375.00 State Revolving Fund Loan through
 the North Dakota Public Finance Authority; due
 in annual installments of \$45,000.00 to \$50,000.00
 through September 1, 2020; interest is at 2.5%. 195,000.00
 =====

The annual requirements to amortize the outstanding special assessments bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	45,000.00	4,875.00
2018	50,000.00	3,750.00
2019	50,000.00	2,500.00
2020	50,000.00	1,250.00
Total	<u>195,000.00</u>	<u>12,375.00</u>

The water resource district received funding as part of the Clean Water State Revolving Fund program, from the North Dakota Public Finance Authority. The water resource district is in the process of a sanitary sewer improvement project and issued the Sanitary Sewer Definitive Improvement Warrant, Series 2015 in the amount of \$2,778,000. As of December 31, 2015, the water resource district had requested drawdowns of \$2,554,061. The project was not completed as of December 31, 2016 and a final debt service repayment schedule is not yet available since the water resource district had not yet received the full amount of the drawdowns under this agreement. The outstanding balance at December 31, 2016 was \$2,450,039. \$223,939 is still available at December 31, 2016.

Note 11 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Social Welfare	4,394,230.14	
Human Services		4,394,230.14
Highway	8,774,100.00	
Highway Users		8,774,100.00
911 Depreciation	135,000.00	
911 Wireless Fees		135,000.00
To subsidize expenditures.		
General	501,113.60	
CDBG Projects		501,113.60
To reimburse prior year expenditures.		
Social Welfare	122,025.55	
Emergency Poor		122,025.55
Jail Operations	609,703.82	
General		227,334.19
Child Support		98,248.95
County Park		10,267.85
Sheriff Auto Impound		1,153.51
LLEBG-States Attorney		77.99
Insurance Reserve		268,649.61
Planning/Zoning		3,588.93
Eastside Paving Specials		382.79
Highway	2,269,196.31	
Road Operations		1,523,297.38
Road & Bridge		145,898.93
To close funds.		

Note 12 DEFICIT FUND BALANCES

The following funds had a deficit balance at December 31, 2016:

<u>Agency Funds</u>	
State Tax	(83,335.26)
Crime Victim & Witness Program	(8,139.45)
Marriage License-DVCC	(7,000.00)
District Court Reimbursable	(24,859.56)
Total City Park Districts	(71,570.28)
Total Rural Fire Districts	(14,715.00)
Employee Benefit	(3,097.95)
Soil Conservation	(3,823.53)
Unorganized Townships	(248,647.33)
Assiniboine River Basin Board	(26.13)
United Ambulance District	(909.14)

The county plans to eliminate these deficit with future revenue collections.

Note 13 RELATED ORGANIZATION

The county is responsible for levying a property tax for the Ward County Senior Citizens. However, the county's accountability for this entity does not extend beyond levying the tax. In 2016, the county remitted \$731,296.90 to the senior citizens.

Note 14 RISK MANAGEMENT

Ward 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 (NDRF), 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 NDRF for its general liability, automobile and public assets insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and \$1,000,000 for automobile; and \$7,304,464 for public assets.

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

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

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

Note 15 CONTINGENT LIABILITIES

The county is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Ward County State's Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the county.

Note 16 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At December 31, 2016, Ward County reported a liability of \$6,214,786 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015 the county's proportion was .913962 percent, which was a decrease of .032245 from its proportion measured as of June 30, 2014.

For the year ended December 31, 2016 the county recognized pension expense of \$559,754. At December 31, 2016 the county reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources -----	Deferred Inflows of Resources -----
Differences between expected and actual experience	180,299	
Changes in assumptions		553,708
Net difference between projected and actual earnings on pension plan investments	718,107	849,301
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,467	198,186
County contributions subsequent to the measurement date (see below)	688,286	
Total	<u>1,622,159</u> =====	<u>1,601,195</u> =====

\$688,286 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

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

Year ended June 30: -----	
2017	(200,944)
2018	(200,944)
2019	(200,944)
2020	70,151
2021	(134,499)
Thereafter	0

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

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses.
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Morality Table with ages set back one year for males (not set back for females).

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

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Equity Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

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

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

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
	-----	-----	-----
The county's proportionate share of the net pension liability	9,530,063	6,214,786	3,502,290

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

WARD COUNTY
Minot, North Dakota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	11,458,616.00	11,458,616.00	10,623,742.37	(834,873.63)
Licenses, Permits and Fees	75,000.00	75,000.00	42,999.69	(32,000.31)
Intergovernmental	3,351,500.00	3,351,500.00	2,842,389.81	(509,110.19)
Charges for Services	831,500.00	831,500.00	890,114.80	58,614.80
Miscellaneous	617,000.00	617,000.00	1,139,334.10	522,334.10
Total Revenues	16,333,616.00	16,333,616.00	15,538,580.77	(795,035.23)
Expenditures:				
Current:				
General Government	6,465,786.00	6,876,828.00	6,457,160.81	419,667.19
Public Safety	8,773,316.00	8,773,316.00	8,065,070.20	708,245.80
Culture and Recreation			169,632.08	(169,632.08)
Conser. and Economic Dvlpmnt.	399,501.00	399,501.00	209,997.27	189,503.73
Other	137,799.00	137,799.00	172,114.35	(34,315.35)
Capital Outlay			191,401.00	(191,401.00)
Debt Service:				
Principal			1,355,000.00	(1,355,000.00)
Interest and Service Charges			32,529.04	(32,529.04)
Total Expenditures	15,776,402.00	16,187,444.00	16,652,904.75	(465,460.75)
Excess (Deficiency) of Revenues Over Expenditures	557,214.00	146,172.00	(1,114,323.98)	(1,260,495.98)
Other Financing Sources (Uses):				
Transfers In			501,113.60	501,113.60
Transfers Out			(227,334.19)	(227,334.19)
Total Other Financing Sources (Uses)			273,779.41	273,779.41
Net Change in Fund Balances	557,214.00	146,172.00	(840,544.57)	(986,716.57)
Fund Balance - January 1	2,488,814.83	2,488,814.83	2,488,814.83	
Fund Balance - December 31	3,046,028.83	2,634,986.83	1,648,270.26	(986,716.57)

WARD COUNTY
Minot, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	2,768,000.00	2,768,000.00	2,605,834.45	(162,165.55)
Intergovernmental	8,941,709.00	8,941,709.00	4,666,553.27	(4,275,155.73)
Charges for Services			310,936.38	310,936.38
Miscellaneous	655,000.00	655,000.00		(655,000.00)
Total Revenues	12,364,709.00	12,364,709.00	7,583,324.10	(4,781,384.90)
Expenditures:				
Current:				
Highways and Public Improve.	6,878,914.00	7,328,914.00	4,744,569.59	2,584,344.41
Capital Outlay	12,260,485.00	12,260,485.00	11,307,460.00	953,025.00
Total Expenditures	19,139,399.00	19,589,399.00	16,052,029.59	3,537,369.41
Excess (Deficiency) of Revenues Over Expenditures	(6,774,690.00)	(7,224,690.00)	(8,468,705.49)	(1,244,015.49)
Other Financing Sources:				
Transfers In			11,043,296.31	11,043,296.31
Net Change in Fund Balances	(6,774,690.00)	(7,224,690.00)	2,574,590.82	9,799,280.82
Fund Balance - January 1	-0-	-0-	-0-	
Fund Balance - December 31	(6,774,690.00)	(7,224,690.00)	2,574,590.82	9,799,280.82

WARD COUNTY
Minot, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2016

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, special revenue and debt service 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

Budget Amendments

The governing board approved the following amendments to the county's budget for the year ending December 31, 2016:

	Original Budget	Amendment	Amended Budget
<u>Estimated Revenues</u>			
<u>Special Revenue Funds</u>			
Social Welfare	1,334,367	(2,500)	1,331,867
Human Services	8,287,478	(3,802,739)	4,484,739
Emergency	8,000	(5,625)	2,375
<u>Appropriations</u>			
General Fund	15,776,402	411,042	16,187,444
<u>Special Revenue Funds</u>			
Highway	19,139,399	450,000	19,589,399
Social Welfare	6,491,756	58,069	6,549,825
Emergency	170,000	257	170,257
FEMA Township		735,400	735,400
FEMA County		228,600	228,600
CDBG Projects		3,034,705	3,034,705
<u>Transfers In</u>			
<u>Special Revenue Fund</u> 911 Depreciation		135,000	135,000
<u>Transfers Out</u>			
911 Wireless		135,000	135,000

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the year ending December 31, 2016:

General Fund	465,461
<u>Special Revenue Funds</u>	
* 911 Depreciation	215,933
Weed Control	189
Human Services	106
* Senior Citizens	731,297
FEMA County	81,962

* A budget was not prepared for this fund.

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

WARD COUNTY
Minot, North Dakota

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

	2015	2016
	-----	-----
County's proportion of the net pension liability	0.946207%	0.913962%
County's proportionate share of the net pension liability	6,005,778	6,214,786
County's covered-employee payroll	8,498,595	9,266,768
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.67%	67.07%
Plan fiduciary net position as a percentage of the total pension liability	77.7%	77.15%

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

	2015	2016
	-----	-----
Statutorily required contribution	563,908	659,794
Contributions in relation to the statutorily required contribution	(563,908)	(659,794)
Contribution deficiency (excess)	0	0
County's covered-employee payroll	8,498,595	9,266,768
Contributions as a percentage of covered-employee payroll	6.64%	7.12%

* Complete data for this schedule is not available prior to 2015.

- For changes of assumptions, see Note 16 to the financial statements.

WARD COUNTY
Minot, North Dakota
Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
Major Governmental Funds:						
General Fund	2,488,814.83	15,538,580.77	501,113.60	227,334.19	16,652,904.75	1,648,270.26
Highway		7,583,324.10	11,043,296.31		16,052,029.59	2,574,590.82
Sales Tax Bond	9,626,317.52	6,487,542.56			7,235,090.71	8,878,769.37
Construction	37,753,455.64	298,962.50			21,723,228.53	16,329,189.61
Total Major Governmental Funds	49,868,587.99	29,908,409.93	11,544,409.91	227,334.19	61,663,253.58	29,430,820.06
Non-Major Governmental Funds:						
Library	20,770.21	334,684.32			336,778.73	18,675.80
911 Wireless Fees	351,277.94	1,230,614.26		135,000.00	1,425,636.20	21,256.00
911 Depreciation	551,391.96	10,269.08	135,000.00		215,932.69	480,728.35
Highway Users	6,068,268.32	4,289,155.66		8,774,100.00		1,583,323.98
Weed Control	131,843.24	227,721.71			290,716.13	68,848.82
Social Welfare	35,999.48	1,356,114.16	4,516,255.69		5,908,369.33	0.00
Human Services	1,005,918.12	4,074,476.58		4,394,230.14	87,456.43	598,708.13
States Attorney Contingent	4,342.77	55.00			3,892.20	505.57
Emergency Poor	122,025.55			122,025.55		
Child Support	98,248.95			98,248.95		
County Park	10,267.85			10,267.85		
Senior Citizens	2,869.42	733,309.93			731,296.90	4,882.45
Special Assess. Dist. Finance	254,890.81	2,854.37				257,745.18
Sheriff Auto Impound	1,153.51			1,153.51		
LLEBG Funds-States Attorney	77.99			77.99		
Emergency	339,872.44	175,405.29			168,612.28	346,665.45
FEMA Township	426,731.50	693,948.99			648,423.62	472,256.87
FEMA County	608,174.65				310,562.29	297,612.36
CDBG Projects	433,970.22	1,729,683.70		501,113.60	1,655,818.82	6,721.50
Jail Operations	(609,703.82)		609,703.82			
Insurance Reserve	268,649.61			268,649.61		
Road Operations	1,523,297.38			1,523,297.38		
Road & Bridge	745,898.93			745,898.93		
Planning/Zoning	3,588.93			3,588.93		
Apple Grove Specials	72,106.98	19,822.95			25,740.00	66,189.93
Meadowbrook Specials	23,472.71	13,429.57			29,530.77	7,371.51
Robinwood Specials	30,291.03	16,097.32			17,820.00	28,568.35
West Hills Acres Specials	51,775.83	16,195.41			22,440.00	45,531.24
Eastside Paving Specials	382.79			382.79		
Total Non-Major Governmental Funds	12,577,855.30	14,923,838.30	5,260,959.51	16,578,035.23	11,879,026.39	4,305,591.49
Total Governmental Funds	62,446,443.29	44,832,248.23	16,805,369.42	16,805,369.42	73,542,279.97	33,736,411.55
Agency Funds:						
First District Health Unit	57,963.79	539,993.92			538,741.53	59,216.18
State Tax	2,385.07	287,309.59			373,029.92	(83,335.26)
Clerk of District Court	7.68				7.68	
State Aid Distribution	(0.02)	2,280,923.29			2,280,923.18	0.09
Telecommunications		657,755.72			657,755.72	
Utilities Central Assessments	1,283.99	367,213.04			367,213.04	1,283.99
Game and Fish Licenses	278,835.00	46,228.50			322,850.50	2,213.00

(continued)

WARD COUNTY
Minot, North Dakota
Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2016
(continued)

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
Agency Funds (cont.):						
Asset Forfeitures-Sheriff	74,405.05	32,600.18			28,293.99	78,711.24
Hazardous Chemicals	11,198.21	4,887.50				16,085.71
Gas and Oil Production	27,964.67					27,964.67
Prepaid Taxes	4,510,449.64	9,597,380.26			5,504,232.55	8,603,597.35
Crime Victim & Witness Program	(6,770.46)	32,323.67			33,692.66	(8,139.45)
Marriage License-DVCC	(7,910.00)	19,705.00			18,795.00	(7,000.00)
District Court Reimbursable	(10,877.76)	28,042.15			42,023.95	(24,859.56)
Payroll		40.95				40.95
Tax Deed Sale	331,668.50	359,277.12			199,368.01	491,577.61
State PILT		2,606.38			2,606.38	
North Dakota State Fair	3,825.88	455,913.67			445,462.64	14,276.91
Total Townships	(1,173.58)	2,971,364.06			2,938,246.66	31,943.82
Total Cities	224,183.68	23,713,246.12			23,487,082.28	450,347.52
Total School Districts	213,533.50	30,445,909.38			30,338,170.99	321,271.89
Total City Park Districts		495,749.75			567,320.03	(71,570.28)
Total Rural Fire Districts		42,238.85			56,953.85	(14,715.00)
Garrison Diversion	2,385.59	290,734.10			289,901.51	3,218.18
Weather Modification	1,149.55	127,269.22			127,004.27	1,414.50
Water Resource District	27,616.70	1,209,847.96			1,198,748.31	38,716.35
Protective Services	90,236.34	37,286.11			30,645.34	96,877.11
Employee Benefit	7.80	50,000.00			53,105.75	(3,097.95)
Gambling Tax Proceeds	14,307.26	10,112.00			12,500.00	11,919.26
Jail Commissary	125,128.15	67,509.45			46,872.10	145,765.50
Park Improvement	3,024.15	10,051.00				13,075.15
NDSU Extension Activities	25,636.99	4,588.28			5,183.98	25,041.29
Vending Commissions	2,627.06	3,082.93			1,047.11	4,662.88
Homeland Security	345,895.28	21,804.00			300,000.00	67,699.28
Fed. Drug Proc. - Sts. Atty.	36,094.42	12,263.40			458.88	47,898.94
Soil Conservation	854.38	90,341.83			95,019.74	(3,823.53)
Minot Parent Resource	4,043.65	11,146.54			12,824.52	2,365.67
Property Tax Relief Cert.	(182.00)	182.00				
Abandoned Property Holding	1,779.14				1,779.14	
Unorganized Townships	(305,941.79)	87,785.90			30,491.44	(248,647.33)
Assiniboine River Basin Board		717.23			743.36	(26.13)
Unclaimed Property	3,850.01	354.02			3,353.93	850.10
DOC Preservation Fund	287,306.68	61,435.27			47,490.78	301,251.17
Sobriety Program	166,884.61	166,215.36			163,691.22	169,408.75
Souris River Joint Board	1,384.56	186,636.36			185,903.04	2,117.88
United Ambulance District		1,990.95			2,900.09	(909.14)
Total Agency Funds	6,545,061.37	74,832,063.01			70,812,435.07	10,564,689.31
Total Primary Government	68,991,504.66	119,664,311.24	16,805,369.42	16,805,369.42	144,354,715.04	44,301,100.86
Discretely Presented						
Component Units:						
Weather Modification	124,532.91	166,917.74			214,522.78	76,927.87
Water Resource District	911,098.03	3,122,479.86			2,828,781.84	1,204,796.05
Total Discretely Presented	1,035,630.94	3,289,397.60			3,043,304.62	1,281,723.92
Total Reporting Entity	70,027,135.60	122,953,708.84	16,805,369.42	16,805,369.42	147,398,019.66	45,582,824.78

WARD COUNTY
Minot, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through the State Division of Community Services:			
Community Development Block Grant/State's Program	14.228	3336-CD11-H-DIS	678,971.22
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	3670-CD13-PF-DIS	108,695.08
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	3946-CD13-PF-DIS	1,039,654.09
Total			1,148,349.17
Total U.S. Department of Housing and Urban Development			1,827,320.39
<u>U.S. Department of Justice</u>			
Passed Through State Department of Health:			
Stop Violence Against Women	16.588		25,113.00
<u>U.S. Department of Transportation</u>			
Passed Through State Department of Transportation:			
National Priority Safety Programs	20.616		18,745.80
<u>Environmental Protection Agency</u>			
Passed through the ND Public Finance Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.458		1,698,610.00
<u>U.S. Department of Health and Human Services</u>			
Passed Through State Dept. of Human Services:			
Promoting Safe and Stable Families	93.556		3,905.28
Temporary Assistance for Needy Families	93.558		392,833.12
Child Care and Development Block Grant	93.575		259.68
Child Care Mandatory and Matching Funds	93.596		30,440.77
Child Welfare Services - State Grant	93.645		12,461.42
Foster Care - Title IV-E	93.658		340,318.56
Adoption Assistance	93.659		6,147.71
Maternal & Child Health Services Block Grant	93.994		5,004.38
Total U.S. Department of Health and Human Services			791,370.92

(continued)

WARD COUNTY
Minot, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016
(continued)

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Passed Through State Department of Emergency Services:			
Disaster Grants-Public Assistance	97.036		483,019.96
Hazard Mitigation Grant	97.039		129,087.00
Emergency Management Performance Grants	97.042		97,915.05
Homeland Security Grant Program	97.067		965.50
Total U.S. Department of Homeland Security			<u>710,987.51</u>
Total Expenditures of Federal Awards			<u>5,072,147.62</u> =====

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

The de minimis indirect cost rate was not used.

Rath & Mehrer, P.C.

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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
Ward County
Minot, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Ward County, Minot, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated June 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

June 30, 2017

Rath & Mehrer, P.C.

Certified Public Accountants

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
Ward County
Minot, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Ward County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the county's major federal programs for the year ended December 31, 2016. The county's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the county's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the county's compliance.

Opinion on Each Major Federal Program

In our opinion, the county complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Ward County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the county's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

June 30, 2017

WARD COUNTY
Minot, North Dakota

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

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:
Governmental Activities Unmodified
Discretely Presented Component Units Unmodified
Major Governmental Funds Unmodified
Aggregate Remaining Fund Information Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major program(s):

* Material weakness(es) identified? Yes No
* Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major program(s): Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? Yes No

Identification of major program(s):

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grant/State's Program
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

Dollar threshold used to distinguish between type A and type B programs: \$750,000
Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS:

No matters were reported

SECTION III - FEDERAL AWARD FINDINGS AND RESPONSES

No matters were reported