Financial Statements
December 31, 2016

# Williams County

| | |
|---|---|
| David Montgomery | Commissioner-Chairman |
| Wayne Aberle | Commissioner-Vice-Chairman |
| Dan Kalil | Commissioner |
| Barry Ramberg | Commissioner |
| Martin Hanson | Commissioner |
| | |
| Beth M. Innis | Auditor |
| Kari Evenson | Treasurer and Recorder |
| Scott Busching | Sheriff |
| Marlyce Wilder | State’s Attorney |

**Independent Auditor's Report**

Board of County Commissioners
Williams County
Williston, North Dakota

**Report on the Financial Statements**
We have audited the accompanying modified cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Williams County, ND, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Restatement of Fund Balance**
As discussed in Note 13 to the financial statements, the County improperly included the activity of the Facility Improvement Fund with the General Fund during 2016. Accordingly, an adjustment has been made to beginning fund balance as of January 1, 2016 to reflect the activity of the Facility Improvement Fund. Our opinions are not modified with respect to these matters.

**Basis of Accounting**
We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

**Other Matters**

**Other Information**
Our audit was conducted for the purpose of forming opinions on the modified cash basis financial statements that collectively comprise Williams County's financial statements. The county officials listing, schedule of employer's share of net pension liability and schedule of employer's contributions are presented for purposes of additional analysis and are not a required part of the financial statements.

The county officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The schedule of employer's share of net pension liability and schedule of employer's contributions 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 employer's share of net pension liability and schedule of employer's contributions 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 January 26, 2018, on our consideration of Williams County, ND's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Williams County's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
January 26, 2018

| | Primary Government | Component Unit |
|---|---|---|
| | Governmental Activities | Water Resource District |
| **Assets** | | |
| Cash and investments | $ 66,156,792 | $ 240,853 |
| Capital assets not being depreciated | | |
| Land | 1,078,472 | 11,000 |
| Construction in progress | 31,753,186 | - |
| Capital assets (net of accumulated depreciation) | | |
| Land improvements | 77,361 | 1,150,277 |
| Infrastructure | 71,225,868 | - |
| Buildings | 46,495,115 | - |
| Building improvements | 2,724,201 | - |
| Machinery, furniture and equipment | 7,538,137 | 86,026 |
| Total capital assets | 160,892,340 | 1,247,303 |
| Total assets | 227,049,132 | 1,488,156 |
| **Liabilities** | | |
| Long-term liabilities | | |
| Due within one year | | |
| Bond payable | 35,000 | - |
| Certificate of indebtedness | 1,140,921 | - |
| Due after one year | | |
| Bond payable | 150,000 | - |
| Certificate of indebtedness | 9,225,805 | - |
| Total liabilities | 10,551,726 | - |
| **Net Position** | | |
| Net investment in capital assets | 150,340,614 | 1,247,303 |
| Restricted for | | |
| General government | 2,406,963 | - |
| Public safety | 2,205,747 | - |
| Conservation of natural resources | - | 240,853 |
| Highways | 9,630,780 | - |
| Capital projects | 16,131 | - |
| Unrestricted | 51,897,171 | |
| Total net position | 216,497,406 | 1,488,156 |
| Total liabilities and net position | $ 227,049,132 | $ 1,488,156 |

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|---|---|---|---|---|---|
| | | | | | Primary Government | Component Unit |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Water Resource District |
| Primary government | | | | | | |
| Governmental activities | | | | | | |
| General government | $ 10,195,869 | $ 4,787,663 | $ 527,697 | $ - | $ (4,880,509) | $ - |
| Public safety | 30,465,041 | 606,166 | 1,775,405 | - | (28,083,470) | - |
| Highways | 25,737,011 | 1,322,764 | 11,160,553 | 336,131 | (12,917,563) | - |
| Health and welfare | 4,304,334 | 16,274 | 925,395 | - | (3,362,665) | - |
| Culture and recreation | 104,930 | 781,130 | 195,683 | - | 871,883 | - |
| Conservation of natural resources | 492,194 | - | 28,192 | - | (464,002) | - |
| Other | 60,026 | - | - | - | (60,026) | - |
| Interest and service charges | 231,802 | - | - | - | (231,802) | - |
| Total primary government | $ 71,591,207 | $ 7,513,997 | $ 14,612,925 | $ 336,131 | (49,128,154) | - |
| Component unit | | | | | | |
| Water resource district | $ 1,262,368 | $ - | $ 683,857 | $ - | - | (578,511) |
| General revenues | | | | | | |
| Taxes | | | | | | |
| Property taxes, levied for general purposes | | | | | 15,243,336 | 300,911 |
| Oil and gas production tax | | | | | 18,767,456 | - |
| Highway tax distribution | | | | | 3,562,231 | - |
| Telecommunications tax | | | | | 61,120 | - |
| Sales/use tax | | | | | 17,164,158 | - |
| Nonrestricted grants and contributions | | | | | 1,366,527 | - |
| Earnings on investments | | | | | 228,772 | 1,294 |
| Mineral and oil royalties | | | | | 688,497 | - |
| Miscellaneous revenue | | | | | 547,259 | 258,287 |
| Rental income | | | | | 85,482 | - |
| Total general revenues | | | | | 57,714,838 | 560,492 |
| Loss on disposal of fixed assets | | | | | (348,732) | - |
| Change in net position | | | | | 8,237,952 | (18,019) |
| Net position - January 1 | | | | | 208,259,454 | 1,506,175 |
| Net position - December 31 | | | | | $ 216,497,406 | $ 1,488,156 |

| | General | Public Safety 1% Sales Tax | County Road and Bridge/HTD | Facility Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and investments | $ 18,985,994 | $ 1,932,431 | $ - | $ 22,219,481 | $ 18,513,621 | $ 61,651,527 |
| Interfund receivable | 1,869,620 | - | - | - | - | 1,869,620 |
| Advances to other funds | - | - | - | - | 187,979 | 187,979 |
| Total assets | $ 20,855,614 | $ 1,932,431 | $ - | $ 22,219,481 | $ 18,701,600 | $ 63,709,126 |
| Liabilities | | | | | | |
| Interfund payable | $ - | $ - | $ 1,869,620 | $ - | $ - | $ 1,869,620 |
| Advances from other funds | - | - | - | - | 187,979 | 187,979 |
| Total liabilities | - | - | 1,869,620 | - | 187,979 | 2,057,599 |
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Advances | - | - | - | - | 187,979 | 187,979 |
| Restricted for: | | | | | | |
| General government | - | - | - | - | 2,406,963 | 2,406,963 |
| Public safety | - | 1,932,431 | - | - | 273,316 | 2,205,747 |
| Highways | - | - | 4,559,342 | - | 5,071,438 | 9,630,780 |
| Capital projects | - | | - | - | 16,131 | 16,131 |
| Committed for: | | | | | | |
| General government | 360,290 | - | - | - | 1,027,479 | 1,387,769 |
| Public safety | - | - | - | - | 652,693 | 652,693 |
| Health and welfare | - | - | - | - | 5,005,123 | 5,005,123 |
| Culture and recreation | - | - | - | - | 530,122 | 530,122 |
| Conservation of natural resources | - | - | - | - | 1,549,234 | 1,549,234 |
| Assigned for: | | | | | | |
| General government | 68,660 | - | - | - | 471,196 | 539,856 |
| Public safety | 132,328 | - | - | - | - | 132,328 |
| Highways | - | - | - | - | 299,026 | 299,026 |
| Capital projects | - | - | - | 22,219,481 | 2,406,403 | 24,625,884 |
| Unassigned | 20,294,336 | - | (6,428,962) | - | (1,383,482) | 12,481,892 |
| Total fund balances | 20,855,614 | 1,932,431 | (1,869,620) | 22,219,481 | 18,513,621 | 61,651,527 |
| Total liabilities and fund balances | $ 20,855,614 | $ 1,932,431 | $ - | $ 22,219,481 | $ 18,701,600 | $ 63,709,126 |

| | | |
|---|---|---|
| Total fund balances for governmental funds | | $ 61,651,527 |
| 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 | $ 204,398,744 | |
| Less accumulated depreciation | (43,506,404) | |
| Net capital assets | | 160,892,340 |
| An internal service fund is used by the County to charge the cost of health insurance claims to individual functions. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. Internal service fund net position is: | | 4,505,265 |
| Long-term liabilities to the County's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at December 31, 2016 are | | |
| Bond payable | | (185,000) |
| Certificate of indebtedness | | (10,366,726) |
| Total net position of governmental activities | | $ 216,497,406 |

| | General | Public Safety 1% Sales Tax | County Road and Bridge/HTD | Facility Improvement | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | |
| Taxes | $ 21,933,592 | $ 17,164,158 | $ 4,520,744 | $ - | $ - | $ 11,179,807 | $ 54,798,301 |
| Licenses, permits and fees | 1,806,739 | - | 693,000 | - | - | 781,130 | 3,280,869 |
| Intergovernmental | 2,082,965 | - | 11,551,707 | 26,782 | - | 3,263,856 | 16,925,310 |
| Charges for services | 2,258,786 | - | 629,764 | - | - | 725,644 | 3,614,194 |
| Interest income | 216,216 | - | - | - | - | 49 | 216,265 |
| Oil royalties | - | - | 172 | - | - | 78,598 | 78,770 |
| Rental income | - | - | - | - | - | 85,482 | 85,482 |
| Miscellaneous | 66,616 | - | 29,992 | 140 | - | 450,511 | 547,259 |
| Total revenues | 28,364,914 | 17,164,158 | 17,425,379 | 26,922 | - | 16,565,077 | 79,546,450 |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| General government | 7,616,272 | - | - | 19,610 | - | 1,660,799 | 9,296,681 |
| Public safety | 10,117,623 | 18,036,127 | - | - | - | 2,101,878 | 30,255,628 |
| Highways | - | - | 16,254,372 | - | - | 689,601 | 16,943,973 |
| Health and welfare | - | - | - | - | - | 4,287,777 | 4,287,777 |
| Culture and recreation | - | - | - | - | - | 49,928 | 49,928 |
| Conservation of natural resources | - | - | - | - | - | 453,800 | 453,800 |
| Other | - | - | - | - | - | 60,026 | 60,026 |
| Capital outlay | 897,581 | - | 7,406,155 | 13,131,979 | - | 4,937,702 | 26,373,417 |
| Debt service | | | | | | | |
| Principal | - | - | - | - | 1,460,393 | 35,000 | 1,495,393 |
| Interest and service charges | - | - | - | - | 223,076 | 8,726 | 231,802 |
| Total expenditures | 18,631,476 | 18,036,127 | 23,660,527 | 13,151,589 | 1,683,469 | 14,285,237 | 89,448,425 |
| Excess (deficiency) of revenues over expenditures | 9,733,438 | (871,969) | (6,235,148) | (13,124,667) | (1,683,469) | 2,279,840 | (9,901,975) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in | 72,615 | - | 13,345,956 | 10,238,569 | 1,683,469 | 860,846 | 26,201,455 |
| Transfers out | (18,170,519) | - | (5,562,231) | - | | (2,468,705) | (26,201,455) |
| Total other financing sources (uses) | (18,097,904) | - | 7,783,725 | 10,238,569 | 1,683,469 | (1,607,859) | - |
| Net change in fund balances | (8,364,466) | (871,969) | 1,548,577 | (2,886,098) | - | 671,981 | (9,901,975) |
| Fund balance - January 1, as previously reported | 54,325,659 | 2,804,400 | (3,418,197) | - | - | 17,841,640 | 71,553,502 |
| Restatement (Note 13) | (25,105,579) | - | - | 25,105,579 | - | - | |
| Fund balance - January 1, as restated | 29,220,080 | 2,804,400 | (3,418,197) | 25,105,579 | - | 17,841,640 | 71,553,502 |
| Fund balance - December 31 | $ 20,855,614 | $ 1,932,431 | $ (1,869,620) | $ 22,219,481 | $ - | $ 18,513,621 | $ 61,651,527 |

| | | |
|---|---|---|
| Net change in fund balance - total governmental funds | | $ (9,901,975) |
| The change in net position reported for governmental activities in the statement of activities is different because | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year | | |
| Current year capital outlay | $ 26,373,417 | |
| Current year depreciation expense | (10,011,592) | 16,361,825 |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to decrease net position | | (348,732) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| Repayment of debt | | 1,495,393 |
| An internal service fund is used by the County to charge the cost of medical claims to individual functions. The net revenue of the internal service fund is reported with governmental activities | | 631,441 |
| Change in net position of governmental activities | | $ 8,237,952 |

| | Governmental Activity<br>Internal Service Fund |
|---|---|
| Assets | |
| Current assets | |
| Cash | $ 4,505,265 |
| Net Position | |
| Unrestricted | $ 4,505,265 |

| | Governmental Activity<br>Internal Service Fund |
|---|---|
| Operating Revenues | |
| Employer contributions | $ 3,945,747 |
| Operating Expenses | |
| Claims | 3,326,813 |
| Operating income | 618,934 |
| Non-Operating Revenues | |
| Interest income | 12,507 |
| | 12,507 |
| Change in net position | 631,441 |
| Net position - January 1 | 3,873,824 |
| Net position - December 31 | $ 4,505,265 |

| | Governmental Activity Internal Service Fund |
|---|---|
| Cash Flows from Operating Activities | |
| Received from employer | $ 3,945,747 |
| Paid to administrator and employees | (3,326,813) |
| Net Cash From Operating Activities | 618,934 |
| Cash Flows from Investing Activities | |
| Interest received | 12,507 |
| Net Increase in Cash and Cash Equivalents | 631,441 |
| Cash and Cash Equivalents - January 1 | 3,873,824 |
| Cash and Cash Equivalents - December 31 | $ 4,505,265 |

| | Agency Funds |
|---|---|
| Assets | |
| Cash and investments | $ 11,104,776 |
| Liabilities | |
| Due to other governments | $ 11,104,776 |

## Note 1 - Summary of Significant Accounting Policies

The financial statements of Williams County, Williston, North Dakota, have been prepared in conformity with the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

### Reporting Entity

The accompanying financial statements present the activities of Williams 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 Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Williams 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 Williams County.

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

### Component Unit

In conformity with a modified cash basis, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit.

Discretely Presented Component Unit – The component unit column in the government-wide financial statements includes the financial data of the County's one component unit, Williams County Water Resource District. This unit is reported in a separate column to emphasize that it is legally separate from the County.

Williams County Water Resource District – The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget.

### Government-wide and Fund Financial Statements

Government-wide Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a certain legally separate component unit for which the primary government is financially accountable.

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements.

Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets and long-term debt are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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.

Public Safety 1% Sales Tax Fund – This fund is used to track the County's portion of the 1% sales and use tax for the purpose of providing supplemental funding to public safety departments and agencies within the County.

County Road and Bridge/HTD Fund – This is the County's primary road maintenance fund. It accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund.

Debt Service Fund – This is the County's fund used to account for the payments on the outstanding bonds by using revenues from the sales/use tax.

Facility Improvement – This is the County's fund used to account for the construction of the new County facilities.

Additionally, the County reports the following fund types:

Internal Service Fund – This fund accounts for health insurance coverage provided to other departments on a cost reimbursement basis.

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 fund is used to account for various deposits of other governments.

The County follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for all governmental entities. For the government-wide financial statements, the County follows all applicable GASB pronouncements to the extent they are applicable to the modified cash basis of accounting.

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**Equity Classifications**

**Government-wide Statements**

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**Fund Balance Classification Policies and Procedures**

The County classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by management.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The County uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**Cash and Investments**

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with a maturity date of 90 days or less.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at fair value.

**Budget**

The County commission adopts an "appropriated budget" on the modified cash basis of accounting. The County auditor prepares an annual budget for the general fund and each special revenue fund of the County. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them. The current budget, except for property taxes, may be amended throughout the year for revenues or appropriations anticipated when the budget was prepared. NDCC 57-15-31.1. Each budget is controlled by the County auditor at the revenue and expenditure function/object level. All appropriations lapse at year-end. When expenditures are in excess of appropriations the County will fund these items through revenues in excess of budget, cash reserves of the fund, or from a cash transfer from other funds.

The County holds public hearings regarding disbursements. All tax levies and all taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04. The County commissioners meet on or before October to determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 1980 are reported at historical cost using deflated replacement cost. 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:

| | |
|---|---|
| Land improvements | 20 years |
| Infrastructure | 5 to 30 years |
| Buildings | 100 years |
| Building improvements | 20 years |
| Machinery, furniture and equipment | 3 to 60 years |

**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 and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed in the year incurred.

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. Payments on debt are recognized as other financing uses. 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.

**Tax Revenues**

The County receives sales tax payments through the State for local purchases. The sales tax is subject to a refund cap which is performed at the state level. The sales tax refunds are not measurable by the County until the County is notified by the State as to the amount of the refunds and the refunds are recorded by the County when received.

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

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

**Pensions**

For the purposes of measuring net pension liability and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS's 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. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 10, is shown as additional information to the users of the financial statements.

**Interfund Transactions**

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

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

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

## Note 2 - Deposits 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 investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At December 31, 2016, the pooled bank balance of the County funds and fiduciary funds was $77,828,532. The carrying amount of deposits was 77,261,568, which consisted of County deposits of $66,156,792, and agency fund deposits of $11,104,776. Of the bank balances, $1,000,000 was covered by Federal Depository Insurance. The remaining balance of $76,828,532 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2016, Williams County Water Resource District, a discretely presented component unit of Williams County, had a carrying amount of deposits of $258,872, all of which was covered by Federal Depository Insurance, and the bank balance was $236,946.

Interest Rate Risk – The County does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates, nor do the fiduciary funds or component unit. All investments are certificates of deposit.

**Credit Risk**

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

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

As of December 31, 2016, the County held certificates of deposit in the amount of $51,754,367. The Williams County Water Resource District, a discretely presented component unit of Williams County, held certificates of deposit in the amount of $37,299 which mature in 2016. The certificates of deposit are all considered deposits and are included in the above amount of total deposits.

As of December 31, 2016, the County held certificates of deposit with the following maturity dates:

| | Within 1 Year | 1 to 5 Years | Total |
|---|---|---|---|
| Certificates of Deposit | $ 51,955,332 | $ 2,960,847 | $ 54,916,179 |

**Concentration of Credit Risk**

The County does not have a limit on the amount the County may invest in any one issuer. All deposits and investments are held with the following five financial institutions: First International Bank, Bank of Tioga, First National Bank and Trust, American State Bank, and the Bank of North Dakota.

## Note 3 - Advances to/from Other Funds

Advances to/from other funds are for long-term borrowing between the special road levy fund and the other governmental funds. The advances have 15-year terms, due in 2031, at an interest rate of 4.0%.

## Note 4 - Capital Assets

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

**Primary Government**

| Governmental Activities | Balance 1/1/16 | Increases | Decreases | Balance 12/31/16 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 607,500 | $ 470,972 | $ - | $ 1,078,472 |
| Construction in progress | 79,630,872 | 23,473,264 | 71,350,950 | 31,753,186 |
| Total capital assets, not being depreciated | 80,238,372 | 23,944,236 | 71,350,950 | 32,831,658 |
| Capital assets being depreciated | | | | |
| Land improvements | 113,269 | - | - | 113,269 |
| Infrastructure | 51,758,177 | 50,825,319 | - | 102,583,496 |
| Buildings | 30,464,535 | 20,783,179 | - | 51,247,714 |
| Building improvements | 3,237,689 | - | - | 3,237,689 |
| Machinery, furniture and equipment | 12,921,343 | 2,171,634 | 708,059 | 14,384,918 |
| Total capital assets, being depreciated | 98,495,013 | 73,780,132 | 708,059 | 171,567,086 |
| Less accumulated depreciation for | | | | |
| Land improvements | 30,245 | 5,663 | - | 35,908 |
| Infrastructure | 23,339,169 | 8,018,459 | - | 31,357,628 |
| Buildings | 4,248,012 | 504,587 | - | 4,752,599 |
| Building improvements | 351,604 | 161,884 | - | 513,488 |
| Machinery, furniture and equipment | 5,885,109 | 1,320,999 | 359,327 | 6,846,781 |
| Total accumulated depreciation | 33,854,139 | 10,011,592 | 359,327 | 43,506,404 |
| Total capital assets being depreciated, net | 64,640,874 | 63,768,540 | 348,732 | 128,060,682 |
| Governmental activities - capital assets, net | $ 144,879,246 | $ 87,712,776 | $ 71,699,682 | $ 160,892,340 |

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

| Governmental Activities | |
|---|---|
| General government | $ 899,188 |
| Public safety | 209,413 |
| Highways | 8,793,038 |
| Health and welfare | 16,557 |
| Conservation of natural resources | 38,394 |
| Culture and recreation | 55,002 |
| Total depreciation expense - governmental activities | $ 10,011,592 |

**Component Unit – Williams County Water Resource District**

| Water Resource Board | Balance 1/1/16 | Increases | Decreases | Balance 12/31/16 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 11,000 | $ - | $ - | $ 11,000 |
| Construction in progress | 35,173 | - | 35,173 | - |
| Total capital assets, not being depreciated | 46,173 | - | 35,173 | 11,000 |
| Capital assets being depreciated | | | | |
| Land improvements | 530,909 | 945,349 | - | 1,476,258 |
| Machinery, furniture and equipment | 507,877 | - | - | 507,877 |
| Total capital assets, being depreciated | 1,038,786 | 945,349 | - | 1,984,135 |
| Less accumulated depreciation for | | | | |
| Land improvements | 291,430 | 34,551 | - | 325,981 |
| Machinery, furniture and equipment | 393,978 | 27,873 | - | 421,851 |
| Total accumulated depreciation | 685,408 | 62,424 | - | 747,832 |
| Total capital assets being depreciated, net | 353,378 | 882,925 | - | 1,236,303 |
| Water resource board - capital assets, net | $ 399,551 | $ 882,925 | $ 35,173 | $ 1,247,303 |

## Note 5 - Interfund Receivables, Payables and Transfers

Interfund receivables and payables at December 31, 2016 were the result of cash deficits in the funds due to the County using pooled cash accounts. Interfund receivables and payables at December 31, 2016 consisted of the following:

| Fund | Receivable | Payable |
|---|---|---|
| General | $ 1,869,620 | $ - |
| County road and bridge/HTD | - | 1,869,620 |
| Total all funds | $ 1,869,620 | $ 1,869,620 |

Interfund transfers were used to move revenues from the funds that are required to collect them to funds that are allowed to expend them. The following is a reconciliation between transfers in and out for the year ended December 31, 2016:

| Funds | Transfers In | Transfers Out |
|---|---|---|
| General Fund | $ 72,615 | $ 18,170,519 |
| County Road and Bridge/HTD | 13,345,956 | 5,562,231 |
| Facility Improvement | 10,238,569 | |
| Debt Service Fund | 1,683,469 | - |
| Other Governmental Funds | 860,846 | 2,468,705 |
| Total transfers | $ 26,201,455 | $ 26,201,455 |

## Note 6 - Long-Term Liabilities

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

| | Balance January 1 | Increases | Decreases | Balance December 31 | Due Within One Year |
|---|---|---|---|---|---|
| Bond payable | $ 220,000 | $ - | $ 35,000 | $ 185,000 | $ 35,000 |
| Certificate of indebtedness | 11,827,119 | - | 1,460,393 | 10,366,726 | 1,140,921 |
| Total | $ 12,047,119 | $ - | $ 1,495,393 | $ 10,551,726 | $ 1,175,921 |

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

**Bonds Payable**

| | |
|---|---|
| $485,000 refunding improvement bonds dated June 1, 2007 for assisting with the construction of a road project. Annual installments of $20,000 to $35,000, plus interest, through May 1, 2022; interest at 4.0% to 4.35%, liquidated out of the Bond Paving fund | $ 185,000 |
| | $ 185,000 |

Debt service requirements on long-term debt at December 31, 2016 are as follows:

| Year Ending December 31 | Bond Payable Principal | Bond Payable Interest |
|---|---|---|
| 2017 | $ 35,000 | $ 7,239 |
| 2018 | 30,000 | 5,858 |
| 2019 | 30,000 | 4,568 |
| 2020 | 30,000 | 3,263 |
| 2021 | 30,000 | 1,958 |
| 2022 | 30,000 | 623 |
| Totals | $ 185,000 | $ 23,509 |

**Certificate of Indebtedness**

| | |
|---|---|
| $12,200,000 Certificate of Indebtedness Series 2014 - due in monthly installments of $110,905 through August 15, 2025; variable interest rate (1.75% at December 31, 2016), liquidated out of the Debt Service Fund | $ 10,366,726 |
| | $ 10,366,726 |

Debt service requirements on long-term debt at December 31, 2016 are as follows:

| Year Ending December 31 | Certificate of Indebtedness Principal | Certificate of Indebtedness Interest |
|---|---|---|
| 2017 | $ 1,140,921 | $ 209,793 |
| 2018 | 1,164,631 | 186,083 |
| 2019 | 1,188,834 | 161,880 |
| 2020 | 1,213,138 | 137,576 |
| 2021 | 1,238,751 | 111,962 |
| 2022-2025 | 4,420,451 | 186,283 |
| | $ 10,366,726 | $ 993,577 |

The County has pledged future revenues related to oil and gas production tax revenues to repay the certificate of indebtedness. Proceeds from the certificate provided financing for the County's new Highway complex facility. The County had drawn the full available amount of $12,200,000 on the certificates as of December 31, 2016. The certificate of indebtedness is payable through 2025. The total principal and interest remaining to be paid on the certificate is $11,360,303. Principal payments of $1,460,393 and interest payments of $223,076 were made during the year. Total oil and gas production tax revenues were $18,767,456 in the current year.

## Note 7 - Related Organizations

Williams County is also responsible for levying a property tax for the Williams County Council on Aging and Williams County Historical Society but the County's accountability for these entities does not extend beyond levying the tax. In 2016, the County remitted $344,985 to the Williams County Council on Aging and $17,249 to the Williams County Historical Society, respectively.

## Note 8 - Joint Ventures

Williams County entered into a joint venture with Mountrail, Divide and McKenzie Counties for the operation of the Upper Missouri District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the property valuation of each county.

Audited summary financial information for the year ended December 31, 2015, the most recent year audited, is as follows:

| | |
|---|---|
| Cash and investments | $ 2,203,202 |
| Other assets | 569,902 |
| Total assets | 2,773,104 |
| Deferred outflows of resources | 100,484 |
| Total assets and deferred outflows of resources | $ 2,873,588 |
| Total liabilities | $ 2,251,911 |
| Deferred inflows of resources | 158,283 |
| Total net position | 463,394 |
| Total liabilities, deferred inflows of resources, and net position | $ 2,873,588 |
| Total revenues | $ 2,579,880 |
| Total expenses | 2,643,966 |
| Change in net position | $ (64,086) |

Complete financial statements may be obtained from the Upper Missouri District Health Unit; 110 W Broadway Suite 101, Williston, ND 58801-6032.

## Note 9 - Individual Fund Deficits

| Fund | Amount |
|---|---|
| County Road & Bridge/HTD | $ (1,869,620) |
| Sheriffs Grant | (248,291) |
| Dive Team Special | (5,639) |
| Drug Task Force | (379,574) |
| Town and County Subdivision | (21,224) |
| Grandview | (6,056) |
| Special Assessment | (13,720) |

The County Road and Bridge/HTD fund deficit is the result of capital projects that were being paid out of this fund during the current year. The remaining fund deficits are the result of the increased activity that continues to take place in the County. The Commissioners approved a motion to cover all fund deficits through future revenue sources.

Expenditures over Appropriations – the County exceeded the budget for the General Fund by $5,559,852, Public Safety – 1% Sales Tax Fund by $11,036,126, Debt Service Fund by $352,610, Self-Insurance Fund by $432,706, Equipment Replacement Fund by $3,857, Frost Permits Fund by $121,962, County Reserve by $14,989, Weed Control Fund by $444,089, Dive Team Special Fund by $7,244, 24/7 by $155,995, States Attorney Witness by $842, Drug Forfeiture Money by $737, and Orphan Mineral Trust by $101,554, all of which were covered by excess revenues. No remedial action is required for the expenditures over appropriations.

## Note 10 - 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 completed information.

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

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

**Pension Benefits**

Benefits are set by statue. NDPERS has no provisions 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 of the Law Enforcement System are entitled to unreduced monthly pension benefits at normal retirement age (55) or the Rule of 85. The monthly pension benefit for the Law Enforcement is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

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

**Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System and Law Enforcement, 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 and Law Enforcement, 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 for 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 and Law Enforcement is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation for Public Employees Retirement System. Member contribution rates are 5.50% and employer contributions are 9.81% of covered compensation for Law Enforcement employees.

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

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

**Net Pension Liability**

At December 31, 2016, the Employer's proportionate share of the net pension liability for Main System and Law Enforcement is $5,840,414 and $1,251,946. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System and Law Enforcement pension plans relative to the covered payroll of all participating Main System and Law Enforcement employers. At July 1, 2015, the Employer's proportion was 0.858906 percent for the Main System and 20.6064 percent for Law Enforcement. The Employer's proportionate share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

**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 (Payroll Growth) | 4.50% per annum for Main System and Law Enforcement |
| Investment Rate of Return | 8.00%, net of investment expenses, including inflation |

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 31% | 6.60% |
| International Equity | 21% | 7.30% |
| Private Equity | 5% | 10.90% |
| Domestic Fixed Income | 17% | 1.49% |
| International Fixed Income | 5% | -0.45% |
| Global Real Assets | 20% | 5.24% |
| Cash Equivalents | 1% | 0.00% |

**Discount Rate**

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

**Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

| | 1% Decrease in Discount Rate (7.00%) | Discount Rate (8%) | 1% Increase in Discount Rate (9.00%) |
|---|---|---|---|
| District's proportionate share of the NDPERS net pension liability | $ 14,396,064 | $ 10,148,932 | $ 6,570,503 |

| | 1% Decrease in Discount Rate (7.00%) | Discount Rate (8%) | 1% Increase in Discount Rate (9.00%) |
|---|---|---|---|
| District's proportionate share of the NDPERS net pension liability | $ 2,615,285 | $ 1,593,296 | $ 749,874 |

**Pension Plan Fiduciary Net Position**

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

## Note 11 - Risk Management

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

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Williams County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and $11,132,462 for inland marine.

Williams County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Williams County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides Williams County with blanket fidelity bond coverage in the amount of $4,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

## Note 12 - Commitments

At December 31, 2016, the County had approximately $41,289,350 of commitments outstanding related to construction projects.

## Note 13 - Restatement

During 2016, the County improperly included the Facility Improvement Fund with the General Fund for reporting purposes. The County restated fund balance as of January 1, 2016 to reflect the activity of the Facility Improvement fund separate of the General Fund.

The effects of the restatement are as follows:

| | General | Public Safety 1% Sales Tax | County Road and Bridge/HTD | Facility Improvement | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| Fund balance - January 1, as previously reported | $ 54,325,659 | $ 2,804,400 | $ (3,418,197) | $ - | $ - | $ 17,841,640 | $ 71,553,502 |
| Restatement (Note 13) | (25,105,579) | - | - | 25,105,579 | - | - | |
| Fund balance - January 1, as restated | 29,220,080 | 2,804,400 | (3,418,197) | 25,105,579 | - | 17,841,640 | 71,553,502 |
| Fund balance - December 31 | $ 20,855,614 | $ 1,932,431 | $ (1,869,620) | $ 22,219,481 | $ - | $ 18,513,621 | $ 61,651,527 |

## Note 14 - Subsequent Events

Subsequent to December 31, 2016 the County signed an agreement with the City of Williston exchanging parcels of land with similar estimated values.

Supplementary Information
December 31, 2016

# Williams County

| Pension Plan | Measurement Date | Employer's Proportion (Percentage) of the Net Pension Liability (Asset) | Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a) | Employer's Covered-Employee Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|
| NDPERS Main System | 6/30/2015 | 0.858906% | $ 5,840,414 | $ 7,651,808 | 76.33% | 77.15% |
| NDPERS Main System | 6/30/2016 | 1.041346% | $ 10,148,932 | $ 10,494,308 | 96.71% | 70.46% |
| NDPERS Law Enforcement | 6/30/2015 | 20.6064% | $ 1,251,946 | $ 3,020,167 | 41.45% | 83.61% |
| NDPERS Law Enforcement | 6/30/2016 | 13.904978% | $ 1,593,296 | $ 3,924,798 | 40.60% | 78.73% |

**Schedule of Employer's Contributions**

| Pension Plan | Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Employer's Covered-Employee Payroll (d) | Contributions as a Percentage of Covered-Employee Payroll (a/d) |
|---|---|---|---|---|---|---|
| NDPERS Main System | 12/31/2015 | $ 1,531,005 | $ (1,531,005) | $ - | $ 10,033,099 | 15.26% |
| NDPERS Main System | 12/31/2016 | $ 759,771 | $ (744,575) | $ 15,196 | $ 10,494,308 | 7.24% |
| NDPERS Law Enforcement | 12/31/2015 | $ 601,399 | $ (601,399) | $ - | $ 3,655,915 | 16.45% |
| NDPERS Law Enforcement | 12/31/2016 | $ 331,508 | $ (395,489) | $ (63,981) | $ 3,924,801 | 8.45% |

## Note 1 - Schedule of Employer Pension Liability and Contributions

GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, Williams County will present information for those years for which information is available.

## Note 2 - Changes of Assumptions

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

CPAs & BUSINESS ADVISORS

**Independent Auditor's 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***

Board of County Commissioners
Williams County
Williston, North Dakota

We have audited, 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, the modified cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Williams County, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Williams County's basic financial statements and have issued our report thereon dated January 26, 2018.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2015-A, 2015-B, and 2015-C to be material weaknesses.

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.  We consider finding 2016-D to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Williams 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*.

## Williams County's Responses to Findings

Williams County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Williams County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

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

Eide Bailly LLP

Bismarck, North Dakota
January 26, 2018

## Section II – Financial Statement Findings

**2016-A Segregation of Duties Related to Department Controls over Cash**
**Material Weakness**

Criteria: A good system of internal accounting control contemplates an adequate paper trail and proper segregation of duties so no one individual handles a transaction from beginning to end to mitigate abuse or fraud.

Condition: The County has a lack of effective internal controls related to the receipting process in various departments of the County that collect funds and remit them to the Treasurer's office. Specifically, it was noted that there have been significant increases in the activity and funds handled directly by departments such as the Highway Department, Planning and Zoning Department, the Recorder's Office and the Building Department. These departments have limited staff to handle the transactions and do not maintain detailed records of all transactions to support the activity. This was also a finding in the prior year.

Cause: The departments have limited staff available to properly segregate the duties related to the cash receipt process. The procedures followed for receipting cash also involve several manual steps which result in an inadequate audit trail.

Effect: Inadequate controls over cash receipts could affect the County's ability to detect errors or fraud.

Recommendation: We recommend the County eliminate as many manual procedures related to receipting cash as possible and maintain detailed records of all transactions handled in the departments. We also recommend the duties of entering and adjusting charges in the system, taking customer payments, receipting payments, and preparing the deposits be segregated. The County should also determine if there are additional controls that can be implemented to mitigate the risks due to limited staff in the departments.

Views of Responsible Officials: The County agrees with the finding.

**2016-B Preparation of Financial Statements**
**Material Weakness**

Criteria*:* A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements.

Condition: The County does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Cause*:* The County does not have staff trained in GASB reporting standards.

Effect*:* Inadequate control over financial reporting of the County could result in the more than a remote likelihood that the County would not be able to draft the financial statements and accompanying notes to the financial statements without material errors.

Recommendation*:* The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials*:* The County agrees with the finding.

**2016-C Recording of Transactions and Restatement**
**Material Weakness**

Criteria: A good system of internal accounting control contemplates proper reconciliations of all accounts and adjustments of those accounts to the proper balances.

Condition: We identified a misstatement in the County's financial statements causing us to propose a material audit adjustments including an audit adjustment involving a restatement to beginning fund balance for the General Fund and Facility Improvement Fund.

Cause: Misstatements to the financial statements result from inadequate controls over recording of transactions.

Effect: Inadequate controls over recording of transactions affects the County's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation: We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted.

Views of Responsible Officials: The County agrees with the finding.