

ADAMS COUNTY RETIREMENT PLAN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2016 AND 2015

**ADAMS COUNTY RETIREMENT PLAN
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YEARS ENDED DECEMBER 31, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Adams County Retirement Plan
Brighton, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the Adams County Retirement Plan (the Plan), which comprise the statements of fiduciary net position as of December 31, 2016 and 2015, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2016 and 2015, and the changes in fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, schedule of net pension liability, schedule of employer contributions, notes to schedule of employer contributions and schedule of investment returns listed in the table of contents 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 an opinion on the financial statements that collectively comprise the Adams County Retirement Plan's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Denver, Colorado
May 16, 2017

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

This discussion presents management's view of the Adams County Retirement Plan's (the Plan) financial activities and performance during the fiscal year ended December 31, 2016, and is to be read in conjunction with the Plan's financial statements.

FINANCIAL STATEMENT HIGHLIGHTS

The fiduciary net position of the Plan at the close of 2016 was \$237,457,660, compared to \$224,983,164 for 2015 and \$234,812,371 for 2014.

The Plan's total net position restricted for pension benefits increased by \$12,474,496 in 2016 or an increase of 5.55%, compared to a decrease of \$9,829,207 in 2015, or -4.19%, and an increase of \$10,511,257, or 4.69%, in 2014. The increase in 2016 was primarily a result of global stock market fluctuations as well as the increased contribution rates implemented at the beginning of 2015.

The Plan's funding objective is to meet the long-term benefit obligations through contributions and investment income. As of January 1, 2016, the date of the Plan's last actuarial valuation, the funded ratio for the Adams County Retirement Plan based on the actuarial value was 56.2% compared to a funded status of 57.1% as of January 1, 2015 and 56.4% as of January 1, 2014. As of January 1, 2016, the date of the Plan's last actuarial valuation, the funded ratio for the Adams County Retirement Plan based on market value was 53.6% compared to a funded status of 59.0% as of January 1, 2015 and 59.1% as of January 1, 2014.

At the end of 2016, the Plan's actuary rolled forward the total pension liability and compared it to the Plan fiduciary net position, as required under Government Accounting Standards Board Statement No. 67. The resulting ratio of 54.6% represents the Plan's fiduciary net position as a percentage of the total pension liability as of December 31, 2016.

Revenue (additions to Plan net position) for 2016 was \$39,399,607, which included employee and employer contributions totaling \$20,783,155 and net investment income of \$18,616,452. Revenue for 2015 and 2014, respectively, was \$15,583,999 and \$33,956,225, which included employee and employer contributions respectively for 2015 and 2014 of \$19,530,415 and \$18,212,122. The Plan had a net investment loss during 2015 of \$3,946,416, and net investment income of \$15,744,103 in 2015.

Annual gross pension benefits paid to retirees and beneficiaries were \$23,098,280, \$21,639,193, and \$19,385,185 for 2016, 2015, and 2014, respectively.

Refund of contributions paid to former members upon termination of employment were \$2,989,507, \$3,086,203 and \$3,253,473 for 2016, 2015, and 2014, respectively.

Administrative expenses increased in 2016 to \$837,324 compared to \$687,810 in 2015, and \$806,310 in 2014.

Investment manager fees and trustee fees for 2016 were \$1,587,699, compared to \$1,688,277 and \$1,504,419 in 2015 and 2014, respectively. The investment manager fees decreased due to the termination of certain higher fee investments, which were replaced by managers whose fees were slightly lower.

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS

Because of the long-term nature of a defined benefit plan, financial statements alone cannot provide sufficient information to properly reflect the Plan's future perspective. This discussion and analysis is intended to serve as an introduction to the Plan's Financial Statements, which are comprised of the following components:

Financial Statements

- Statements of Fiduciary Net Position
- Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Required Supplementary Information

- Management's Discussion and Analysis
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Net Pension Liability
- Schedule of Employer Contributions
- Notes to Schedule of Employer Contributions
- Schedule of Investment Returns

Other Supplementary Information

- Schedules of Administrative and Investment Expenses
- Ten Year Historical Trend Information

Financial Statements

The Statements of Fiduciary Net Position provide a snapshot of account balances at year-end and are presented comparatively. The statements indicate the assets available for future payments to retirees and any current liabilities that are owed as of the statement dates.

The Statements of Changes in Fiduciary Net Position, on the other hand, provide a view of the additions to and deductions from the Plan for the years presented.

The above noted statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources, using the accrual basis of accounting in accordance with generally accepted accounting principles applicable to governmental accounting in accordance with Governmental Accounting Statements Board.

Increases and decreases in the Plan's net position, over time, are one indication of whether the financial stability of the Plan is improving or deteriorating. Market conditions and other factors should be considered when measuring the Plan's overall financial structure.

Notes to the Financial Statements provide additional information that is essential to obtain a full understanding of the data provided in the financial statements.

(See Notes to the Financial Statements on pages 11-27 of this report).

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

Required Supplementary Information

Required Supplementary Information provides additional information. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Required Supplementary Information includes Management's Discussion and Analysis and the Schedules of Changes in Net Pension Liability, Net Pension Liability, Employer Contributions (and Notes to the Schedule of Contributions), and Investment Returns, which are presented to supplement the basic financial statements.

Other Supplementary Information

Schedules of Administrative and Investment Expenses include investment fees, professional contracts, personnel services and other operating expenses, which are presented as a supporting schedule to the financial section and are found on page 35.

Ten Year Historical Trend Information is designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due.

FINANCIAL ANALYSIS

The Plan provides retirement benefits to the employees of Adams County, Colorado, Rangeview Library District and their beneficiaries. Plan benefits are funded by employee and employer contributions and by earnings on plan investments. As noted earlier, net position may serve, over time, as an indication of the Plan's financial position. On the following pages are condensed snapshots of the Plan's fiduciary net position and changes in fiduciary net position over the previous three years.

Statements of Fiduciary Net Position (Condensed)

ASSETS	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash	\$ 19,855	\$ 25,360	\$ 67,684
Investments, at Fair Value:			
Total Investments	<u>237,482,623</u>	<u>224,941,180</u>	<u>234,660,148</u>
Total Cash and Investments	237,502,478	224,966,540	234,727,832
Receivables:			
Accrued Interest and Dividends	<u>145,504</u>	<u>162,090</u>	<u>231,811</u>
Total Receivables	145,504	162,090	231,811
Total Assets	237,647,982	225,128,630	234,959,643
LIABILITIES			
Accrued Liabilities	190,322	145,466	147,272
Total Liabilities	<u>190,322</u>	<u>145,466</u>	<u>147,272</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u><u>\$ 237,457,660</u></u>	<u><u>\$ 224,983,164</u></u>	<u><u>\$ 234,812,371</u></u>

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

Statements of Changes in Fiduciary Net Position (Condensed)

ADDITIONS TO FIDUCIARY NET POSITION

	2016	2015	2014
Contributions:			
Employer	\$ 10,316,491	\$ 9,709,230	\$ 8,964,812
Plan Member	10,316,491	9,709,230	8,964,812
Purchase of Service	150,173	111,955	282,498
Total Contributions	20,783,155	19,530,415	18,212,122
Investment Income (Loss):			
Net Appreciation (Depreciation) in Fair Value of Investments	16,305,478	(6,089,002)	13,829,930
Interest	1,125,745	1,418,630	967,680
Dividends	2,743,886	2,259,684	2,333,605
Other Income	29,042	152,549	117,307
Total Investment Income (Loss)	20,204,151	(2,258,139)	17,248,522
Less: Investment Expenses	(1,587,699)	(1,688,277)	(1,504,419)
Net Investment Gain (Loss)	18,616,452	(3,946,416)	15,744,103
Total Additions to Plan Net Position	39,399,607	15,583,999	33,956,225
DEDUCTIONS FROM FIDUCIARY NET POSITION			
Benefit Payments	23,098,280	21,639,193	19,385,185
Refund of Contributions	2,989,507	3,086,203	3,253,473
Other Administrative Costs	837,324	687,810	806,310
Total Deductions from Plan Net Position	26,925,111	25,413,206	23,444,968
NET INCREASE (DECREASE) IN PLAN NET POSITION	12,474,496	(9,829,207)	10,511,257
NET POSITION RESTRICTED FOR PENSION BENEFITS			
Beginning of Year	224,983,164	234,812,371	224,301,114
End of Year	\$ 237,457,660	\$ 224,983,164	\$ 234,812,371

SECURITIES LENDING TRANSACTIONS

State Statutes and the Adams County Board of Retirement (the Board) policies permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future. There were no securities lending arrangements for 2016, 2015 or 2014.

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

REVENUE – ADDITIONS TO PLAN NET POSITION

Additions to the Plan net position held in trust include employee and employer contributions, as well as investment income or loss. The total contribution rate remained at 18% for 2015 and 2016, split equally between the employee and the employers.

Contributions totaling \$20,783,155 (\$10,316,491 employers, \$10,316,491 employees, \$150,173 purchase of service), \$19,530,415 (\$9,709,230 employers, \$9,709,230 employees and \$111,955 purchase of service), and \$18,212,122 (\$8,964,812 employers, \$8,964,812 employees and \$282,498 purchase of service), were made during the years ended December 31, 2016, 2015 and 2014, respectively. Plan members who were hired before January 1, 2010, who have at least five years of continuous service, but less than seven years of continuous service, may purchase service credit under the regular purchase of service provisions.

For actuarial funding calculations, the Plan's actuary uses a five-year smoothed market to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution requirements due to fluctuations in the markets.

DESCRIPTION OF THE PLAN AND PLAN CHANGES

The Adams County Board of Retirement is the administrator of the Plan, which is a cost-sharing multiple-employer plan. The Plan is a qualified tax-exempt plan under Sections 401(a) and 501(a) of the Internal Revenue Code and is not subject to the provisions of the Employee's Retirement Income Security Act of 1974 (ERISA). The Plan is a defined benefit pension plan for eligible employees of Adams County, Colorado and Rangeview Library District.

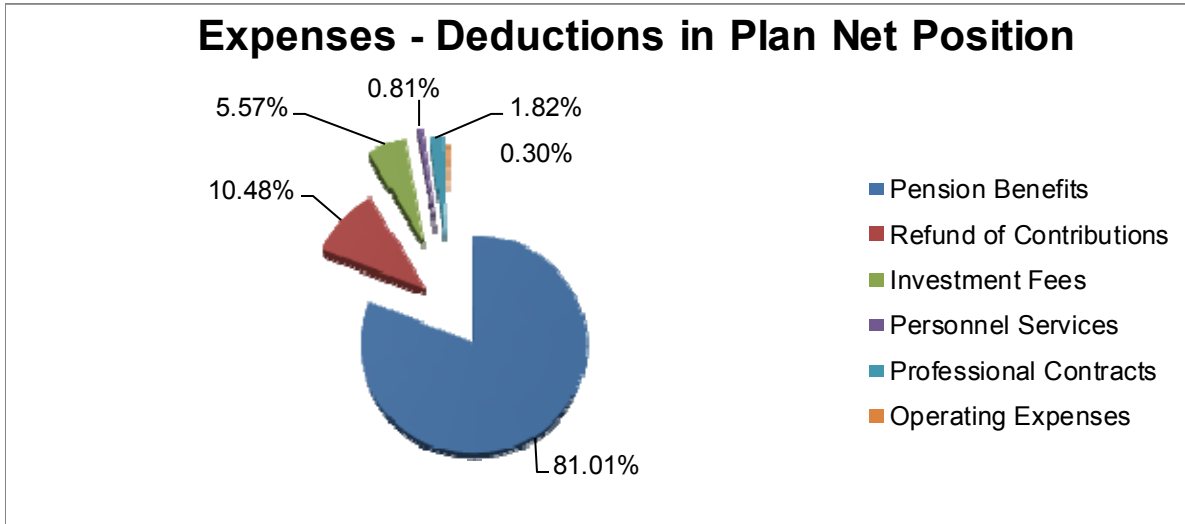
The Plan received a favorable determination letter from the Department of the Treasury for Adams County and Rangeview Library District, effective October 14, 2014.

Effective January 1, 2017, any employee who terminates employment and is reemployed and was otherwise entitled to the Rule of 70 (with or without a minimum age of 50), and who is reemployed on or after January 1, 2017 (Post-December 31, 2016 Rehire), shall be eligible for a Special Early Retirement (a) with respect to the portion of such employee's accrued benefit attributable to Credited Service earned prior to the period of reemployment when the sum of his age plus service (including purchase of service) equals 70 or more and he is not employed by any Employer as an employee, and (b) with respect to the portion of such employee's accrued benefit attributable to Credited Service earned after the period of reemployment when the sum of his age plus service (including purchase of service) equals 80 or more and he is not employed by any Employer as an employee, if the Rule of 80 date is not earlier than the date the employee would have been eligible for a Special Early Retirement if the employee had remained in-service since December 31, 2016.

EXPENSES – DEDUCTIONS FROM PLAN NET POSITION

The Plan was created to provide lifetime retirement annuities, survivor benefits and disability benefits to qualified members and their beneficiaries. The cost of these programs includes recurring benefit payments, as designated by the Plan, refund of contributions to terminated members, and the cost of administering the system. The Plan had an increase in pension annuities due to an increase in the number of retirees in 2016. The Plan noted a slight decrease in participant refunds and an increase in administrative expenditures. The investment manager fees decreased due to the addition of money managers with decreased fee structures and the termination of managers with higher fee structures.

**ADAMS COUNTY RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**



ADAMS COUNTY RETIREMENT PLAN - FIDUCIARY RESPONSIBILITY

The Adams County Board of Retirement are fiduciaries of the pension trust fund. Under Colorado State Statutes the assets can only be used for the exclusive benefit of such employees or beneficiaries and the payment of the Plan expenses.

The members of the Adams County Board of Retirement have each acknowledged and signed a Conflict of Interest and Adherence to Colorado Code of Ethics Acknowledgement Form, which states that as members of the Adams County Board of Retirement for the Plan, their behavior was in accordance with the requirements of Section 24-18-108.5 of the Colorado Revised Statutes.

NEW ACCOUNTING STANDARDS

In 2016, the Plan implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements, This pronouncement addresses the requirement for financial statement presentation and certain disclosures for state and local governmental entities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for the Retirement Board, Plan participants, taxpayers, and investment managers. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Adams County Retirement Plan
4430 South Adams County Parkway
Suite C3406
Brighton, Colorado 80601-8202

Prepared and Submitted By:
Pamela R. Mathisen, CEBS
Executive Director
Adams County Retirement Plan
May 16, 2017

**ADAMS COUNTY RETIREMENT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2016 AND 2015**

ASSETS	2016	2015
CASH	\$ 19,855	\$ 25,360
INVESTMENTS (at Fair Value)		
Money Market Funds	4,387,756	5,447,224
US Government Agency Obligations	4,269,990	4,968,314
Corporate Bonds	8,102,798	9,213,459
Municipal Bonds	1,546,938	1,366,769
Foreign Bonds	1,027,106	715,734
Equity Securities	27,448,335	16,513,648
Real Estate Funds	43,677,030	38,364,933
Common Stock Funds	12,036,816	10,733,349
Fixed Income Funds	18,628,218	15,479,240
Hedge Funds	14,718,064	26,941,659
Private Equity	9,846,483	9,167,428
Mutual Funds	91,793,089	86,029,423
Total Investments	237,482,623	224,941,180
Total Cash and Investments	237,502,478	224,966,540
RECEIVABLES		
Accrued Interest and Dividends	145,504	162,090
Total Assets	237,647,982	225,128,630
LIABILITIES		
ACCRUED LIABILITIES	190,322	145,466
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 237,457,660	\$ 224,983,164

See accompanying Notes to Financial Statements.

**ADAMS COUNTY RETIREMENT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
ADDITIONS:		
CONTRIBUTIONS		
Employer	\$ 10,316,491	\$ 9,709,230
Plan Members	10,316,491	9,709,230
Purchase of Service	150,173	111,955
Total Contributions	20,783,155	19,530,415
INVESTMENT INCOME (LOSS)		
Net Appreciation (Depreciation) in Fair Value of Investments	16,305,478	(6,089,002)
Interest	1,125,745	1,418,630
Dividends	2,743,886	2,259,684
Other Income	29,042	152,549
Total Investment Income (Loss)	20,204,151	(2,258,139)
Less: Investment Expense	(1,587,699)	(1,688,277)
Net Investment Income (Loss)	18,616,452	(3,946,416)
Total Additions	39,399,607	15,583,999
DEDUCTIONS:		
BENEFIT PAYMENTS	23,098,280	21,639,193
REFUNDS OF CONTRIBUTIONS	2,989,507	3,086,203
OTHER ADMINISTRATIVE COSTS	837,324	687,810
Total Deductions	26,925,111	25,413,206
NET INCREASE (DECREASE) IN NET POSITION	12,474,496	(9,829,207)
NET POSITION RESTRICTED FOR PENSION BENEFITS:		
Beginning of Year	224,983,164	234,812,371
End of Year	\$ 237,457,660	\$ 224,983,164

See accompanying Notes to Financial Statements.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 DESCRIPTION OF PLAN

The Adams County Retirement Board (the Board) is the administrator of Adams County Retirement Plan (the Plan). The Plan is a multiple-employer defined benefit pension plan covering substantially all full-time employees of Adams County (the County) and Rangeview Library District (Library District). The authority under which obligations to contribute to the Plan by Plan members and employers are established and may be amended by the Board. The Plan was amended and restated effective January 1, 2014.

The Plan is not subject to the provisions of the Employee's Retirement Income Security Act of 1974 (ERISA). It is qualified as a tax-exempt plan under Sections 401(a) and 501(a) of the Internal Revenue Code. Employee contributions are required as a condition of employment and are matched, dollar for dollar, by the employer. Contribution provisions are established by the Adams County Board of County Commissioners and ratified by the Adams County Retirement Board for the members and the employers' contributions.

Membership

The Plan includes any person who is an elected or appointed County official or Deputy, and staff of such person, and any person who is employed by the employer in a position budgeted for thirty (30) hours or more per week. Any employee of the Retirement Board who meets these requirements shall be considered an employee of the employer for purposes of the Plan. The Plan excludes temporary employees and employees who are in a position budgeted for less than thirty (30) hours per week.

Employee membership data follows:

	January 1,	
	2016	2015
Retirees and Beneficiaries Currently		
Receiving Benefits	991	930
Members with Deferred Benefits	186	181
Active Members	1,986	1,934
Members Due a Refund of Contribution	99	98
Total Members	3,262	3,143

Purchase of Credited Service

Effective November 1, 1994, Plan members with five years credited service may purchase up to five years of credited service for any period of full-time, non-vested previous employment with any private or public employer in the United States subject to certain conditions. Members who were eligible on this date could make a one-time election to purchase service credits by December 31, 1996. After November 1, 1994, members hired prior to January 1, 2010, could make an election to purchase service credits within two years after the completion of five years of continuous service.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Benefits

The Plan provides retirement benefits, as well as death and disability benefits. Employees hired before January 1, 2010 with less than five years of continuous service at the date of termination may elect to receive a refund of their contributions. Employees hired on or after January 1, 2010 with less than 10 years of continuous service at the date of termination may elect to receive a refund of their contributions. The refunds include interest at the current rate of 3%. Depending on their hire date, employees with at least five or ten years of continuous service at the time of termination may choose a refund of their contributions, including interest and the accumulated value of the amounts paid for purchase of service credit, if any, or a deferred vested benefit when retirement eligibility is reached.

Normal retirement begins at age 65 with full benefit, regardless of credited service. However, the Plan has provisions for early and delayed retirement. A reduced early retirement may be elected if the employee has reached age 55 and completed at least five years of service, and the employee was hired in covered employment before January 1, 2005, or has met the reemployment rule. Employees hired in covered employment on or after January 1, 2005 can take a reduced early retirement after reaching the age of 55 with at least 10 years of service. Employees hired prior to January 1, 2010 will be eligible for an unreduced retirement ("Special Early Retirement") once their age plus service (including purchase of service) equals 70 or more, and for an employee hired on or after January 1, 2005 and prior to January 1, 2010 if he has attained the age of 50 prior to termination of employment. Employees hired on or after January 1, 2010 will be eligible for Special Early Retirement once their age plus service (including purchase of service) equals 80 or more and they have attained the age of 55 prior to termination of employment. Elected officials are eligible for immediate vesting if not reelected or reemployed by an Employer within 30 days after their term expires.

Effective January 1, 2017, any employee who terminates employment and is reemployed and was otherwise entitled to the Rule of 70 (with or without a minimum age of 50), and who is reemployed on or after January 1, 2017 (Post-December 31, 2016 Rehire), shall be eligible for a Special Early Retirement (a) with respect to the portion of such employee's accrued benefit attributable to Credited Service earned prior to the period of reemployment when the sum of his age plus service (including purchase of service) equals 70 or more and he is not employed by any Employer as an employee, and (b) with respect to the portion of such employee's accrued benefit attributable to Credited Service earned after the period of reemployment when the sum of his age plus service (including purchase of service) equals 80 or more and he is not employed by any Employer as an employee, if the Rule of 80 date is not earlier than the date the employee would have been eligible for a Special Early Retirement if the employee had remained in-service since December 31, 2016.

For employees hired in covered employment before January 1, 2005, the average monthly compensation is calculated using a 36 month average, multiplied by 2.5% and then multiplied by the total years of credited service through December 31, 2013, to determine Component A of the employee's retirement benefit. Career Compensation earned on or after January 1, 2014 is multiplied by 1.75% and divided by 12 to determine Component B of the employee's retirement benefit. The sum of components A and B will equal the employee's monthly benefit under the Plan, subject to minimum benefit provisions and an 80% Cap described by the Plan.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Benefits (Continued)

For employees hired in covered employment after January 1, 2005 and prior to January 1, 2010, the average monthly compensation is calculated using a 60-month average, multiplied by 2.5% and then multiplied by the total years of credited service through December 31, 2013 to determine Component A of the employee's retirement benefit. Career Compensation earned on or after January 1, 2014 is multiplied by 1.75% and divided by 12 to determine Component B of the employee's retirement benefit. The sum of components A and B will equal the employee's monthly benefit under the Plan, subject to minimum benefit provisions and an 80% Cap described by the Plan.

For employees hired in covered employment after January 1, 2010, the retirement benefit is based on the employees Career Compensation, multiplied by 1.75% and divided by 12, subject to minimum benefit provisions and an 80% Cap described by the Plan.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental accounting in accordance with Governmental Accounting Standards Board (the GASB). Both Plan member and employer contributions are recognized as revenues in the period in which employee services are performed. Benefit and refund payments are recognized when due and payable in accordance with the terms of the Plan. Certain prior period information has been reclassified in accordance with current period presentation.

Investments

Investments are reported at fair value. Securities and funds traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value. The fair value of real estate investments is based upon the net asset value (NAV) of the funds in which the Plan is invested. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Fair value for investments in private equity, partnerships/joint ventures and hedge funds are estimated by adjusting the most recent market values reported by the funds. These adjustments are made by estimates from investment managers as to market values at year-end, including known cash activity such as capital calls, distributions and management fees, as well as, adjustments to audited financial statements of the funds.

The Plan presents, in the statement of changes in fiduciary net position, the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains and losses and the unrealized appreciation and depreciation on those investments.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Purchases and sales are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

There are certain market risks, credit risks, foreign currency exchange risks, and event risks which may subject the Plan to economic changes occurring in certain industries, sectors or geographies.

Fixed Assets

As of December 31, 2016 and 2015, all real property and workstations used by the Plan are owned by the County, and as a result, are not reported in the financial statements.

Administrative Expenses

The cost of administering the Plan is financed through the contributions and investment earnings that it receives.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. Actuarially determined future benefit payments require the use of significant estimates. The Plan believes that the techniques and assumptions used in establishing these estimates are appropriate.

New Accounting Standards

In 2016, the Plan implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This pronouncement addresses the requirement for financial statement presentation and certain disclosures for state and local governmental entities. See Note 4 for inclusion of the requirements of this standard.

Actuarial Valuation

The information included in the required supplementary schedules is based on the actuarial valuation performed as of January 1, 2016, which is the date of the latest available information. Significant actuarial assumptions used in the valuation are included in the notes to the required supplementary schedules.

NOTE 3 CASH DEPOSITS

Cash Deposits

At December 31 2016 and 2015, the Plan has deposits in financial institutions with bank balances of \$19,855 and \$25,360, respectively, and carrying values of \$19,855 and \$25,360, respectively, all of which was covered by the Federal Depository Insurance Corporation.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 INVESTMENTS

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial risk, concentration of credit risk, and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings, performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. The Plan has established investment policies to provide the basis for the management of a prudent investment program appropriate to the particular fund types.

Credit Risk

Fixed income securities are subject to credit risk, which is the risk that a bond issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause prices to decline. A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies such as Moody's Investors Service or Standard and Poor's. The lower the rating, the greater the chance that the bond issuer will default or fail to meet its payment obligations.

Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed income securities, including obligations of the U.S. Government or those explicitly backed by the U.S. Government, are not considered to have credit risk.

The Plan has policies and guidelines for each fixed income portfolio, prohibiting direct investment in derivative securities and non-dollar denominated investments, and requiring securities to be 'BB' rated or higher and no more than 10% of the portfolio may be invested in 'BB' rated securities.

Rating	2016				% of Total
	Corporate Bonds	Municipal Bonds	Foreign Bonds	Total	
AAA	\$ 702,824	\$ 309,826	\$ -	\$ 1,012,650	6.8%
AA	864,548	572,463	-	1,437,011	9.6%
A	2,775,496	378,274	282,164	3,435,934	23.0%
BBB/BAA	3,318,173	104,988	486,764	3,909,925	26.1%
BB/BA	441,757	181,387	258,178	881,322	5.9%
Total Exposed to Credit Risk	<u>\$ 8,102,798</u>	<u>\$ 1,546,938</u>	<u>\$ 1,027,106</u>	10,676,842	71.4%
U.S. Government Agency Obligations				<u>4,269,990</u>	28.6%
Total Fixed Income Portfolio				<u>\$ 14,946,832</u>	100.0%

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 INVESTMENTS (CONTINUED)

Credit Risk (Continued)

Rating	2015				% of Total
	Corporate Bonds	Municipal Bonds	Foreign Bonds	Total	
AAA	\$ 1,244,476	\$ 192,860	\$ -	\$ 1,437,336	8.9%
AA	1,035,360	779,956	-	1,815,316	11.2%
A	2,763,084	293,098	135,023	3,191,205	19.6%
BBB/BAA	3,610,735	100,855	387,007	4,098,597	25.2%
BB/BA	559,804	-	193,704	753,508	4.6%
Total Exposed to Credit Risk	<u>\$ 9,213,459</u>	<u>\$ 1,366,769</u>	<u>\$ 715,734</u>	11,295,962	69.5%
U.S. Government Agency Obligations				<u>4,968,314</u>	30.5%
Total Fixed Income Portfolio				<u>\$ 16,264,276</u>	100.0%

At December 31, 2015, the Plan had a \$11,108,615 investment in a mutual fund that was comprised of primarily bonds with varying investment quality ratings; the average rating for the underlying investments for the mutual funds were AA- for 2015.

At December 31, 2016 and 2015, respectively, the Plan had a \$9,695,689 and \$9,360,045 investment in a limited partnership comprised of corporate loan obligations; there is no rating available for this investment in 2016 or 2015.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through the specific identification method, the Plan manages its exposure to fair value losses arising from changes in interest rates by requiring the average maturity of the portfolio be maintained in the range of plus or minus 25% of the benchmark index.

Using the specific identification method, the Plan had the following investments and maturities at December 31, 2016:

Descriptions	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	>10
Corporate Bonds	\$ 8,102,798	\$ 357,024	\$ 3,907,443	\$ 2,804,062	\$ 1,034,269
Municipal Bonds	1,546,938	-	-	-	1,546,938
Foreign Bonds	1,027,106	-	220,967	492,971	313,168
U.S. Government Agency Obligations	4,269,990	-	1,406,332	408,736	2,454,922
Total	<u>\$ 14,946,832</u>	<u>\$ 357,024</u>	<u>\$ 5,534,742</u>	<u>\$ 3,705,769</u>	<u>\$ 5,349,297</u>

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

Using the specific identification method, the Plan had the following investments and maturities at December 31, 2015:

Descriptions	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	>10
Corporate Bonds	\$ 9,213,459	\$ 611,731	\$ 5,260,242	\$ 2,092,390	\$ 1,249,096
Municipal Bonds	1,366,769	-	-	-	1,366,769
Foreign Bonds	715,734	-	135,023	93,202	487,509
U.S. Government Agency Obligations	4,968,314	458,199	1,388,807	839,162	2,282,146
Total	<u>\$ 16,264,276</u>	<u>\$ 1,069,930</u>	<u>\$ 6,784,072</u>	<u>\$ 3,024,754</u>	<u>\$ 5,385,520</u>

At December 31, 2016 and 2015, respectively, the Plan had a \$9,695,689 and \$9,360,045 investment in a limited partnership comprised of corporate loan obligations with varying maturities; the average maturity for the limited partnership is 4.80 years in 2016 and 4.90 years 2015.

At December 31, 2015, the Plan had a \$11,108,615 investment in a mutual fund that was comprised of primarily bonds with varying investment maturities; the effective duration for the mutual fund was 4.59 for 2015. All other investments have indeterminable lives.

Custodial Credit Risk

Custodial credit risk for deposits and investments is the risk that in the event of the failure of the custodian, the Plan may not be able to recover the value of the investment securities that are in the possession of an outside party.

The Retirement Board is responsible for oversight of the Plan's investments. Investments in U.S. Government agency obligations, corporate and foreign bonds, equity and foreign securities and real estate investments are insured or registered and are held by the Plan or by U.S. Bank, the custodian, in the Plan's name. Investments in open-ended mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual users, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. For its corporate bond portfolio, no more than 2% of the portfolio may be invested in the securities of any one issuer, except debt obligations issued or guaranteed by the U.S. Government or its agencies and instrumentalities. For its U.S. Small Capitalization Stock portfolio, no more than 5% of the market value of the portfolio may be invested in the stock of any one issuer, and no more than 7% of the market value of the Mid-Capitalization Stocks portfolio may be invested in the stock of any one issuer.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

The following information presents investments that represent 5% or more of the Plan's net position as of December 31:

<u>Investment</u>	2016	
	Value	% of Investments
State Street S&P 500 Index Fund	\$ 38,133,588	16%
Principal Real Estate Fund	29,841,016	13
Tortoise Capital	28,022,580	12
World Ex US Value Portfolio	16,938,945	7
American Euro Pacific Growth Fund	15,386,554	6
Denver Corporate Issues	15,370,147	6
Grosvenor Institutional Partners LP	14,718,064	6
Pyramis Smid Core Commingled Fund	12,036,816	5

<u>Investment</u>	2015	
	Value	% of Investments
State Street S&P 500 Index Fund	\$ 34,038,561	15%
Principal Real Estate Fund	29,281,310	13
American Euro Pacific Growth Fund	20,467,812	9
World Ex US Value Portfolio	20,414,435	9
Master Series of Grosvenor Institutional Partners, L.P.	14,401,321	6
GAM U.S. Institutional Trading II, L.P.	12,540,338	6

Foreign Currency Risk

Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. The Plan's investment policy allows 20% - 30% of total investments to be in foreign equities, and no more than 15% of the market value of the Mid-Capitalization Stocks portfolio may be invested in foreign securities. The Plan has no policy for investment in foreign bond issues. Plan investments in international equity mutual funds, foreign equity securities and foreign bond issues have exposure to foreign currency risk. Exposure to foreign currency risk as of December 31 is as follows:

	2016	2015
Foreign Portfolio (All Are U.S. Dollar Denominations)	\$ 1,027,106	\$ 715,734

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 INVESTMENTS (CONTINUED)

Fair Value of Investments

The Governmental Accounting Standards Board (GASB) implemented Statement No. 72, which addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Plan has adopted GASB Statement No. 72 and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of December 31, 2016 and 2015:

**Investments and Derivative Instruments Measured at Fair Value
(\$ in thousands)**

	December 31 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Government Bonds	\$ 4,269,990	\$ 3,203,030	\$ 1,066,960	\$ -
Municipal Bonds	1,546,938	-	1,546,938	-
Corporate Bonds	8,102,798	-	8,102,798	-
Foreign Bonds	1,027,106	-	1,027,106	-
Total Debt Securities	14,946,832	3,203,030	11,743,802	-
Equity Securities				
Common Stock	27,448,335	27,448,335	-	-
Total Equity Securities	27,448,335	27,448,335	-	-
Mutual Funds				
Mutual Funds - equity	80,685,118	-	80,685,118	-
Mutual Funds - fixed income	11,107,971	-	11,107,971	-
Total Mutual Funds	91,793,089	-	91,793,089	-
Total Investments by Fair Value Level	134,188,256	\$ 30,651,365	\$ 103,536,891	\$ -
Investments Measured at the Net Asset Value (NAV)				
Real Estate Funds	43,677,030			
Common Stock Funds	12,036,816			
Hedge Funds	14,718,064			
Fixed Income Funds	18,628,218			
Private Equity Funds	9,846,483			
Total Investments Measured at the NAV	98,906,611			
Investments Measured at Amortized Cost				
Money Market Funds	4,387,756			
Total Investments Measured at Fair Value	\$ 237,482,623			

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 INVESTMENTS (CONTINUED)

Fair Value of Investments (Continued)

Investments and Derivative Instruments Measured at Fair Value
(\$ in thousands)

	December 31 2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Government Bonds	\$ 4,968,314	\$ -	\$ 4,968,314	\$ -
Municipal Bonds	1,366,769	-	1,366,769	-
Corporate Bonds	9,213,459	-	9,213,459	-
Foreign Bonds	715,734	-	715,734	-
Total Debt Securities	16,264,276	-	16,264,276	-
Equity Securities				
Common Stock	16,513,648	16,513,648	-	-
Total Equity Securities	16,513,648	16,513,648	-	-
Mutual Funds				
Mutual Funds - equity	75,802,395	-	75,802,395	-
Mutual Funds - fixed income	10,227,028	-	10,227,028	-
Total Mutual Funds	86,029,423	-	86,029,423	-
Total Investments by Fair Value Level	118,807,347	\$ 16,513,648	\$ 102,293,699	\$ -
Investments Measured at the Net Asset Value (NAV)				
Real Estate Funds	38,364,933			
Common Stock Funds	10,733,349			
Hedge Funds	26,941,659			
Fixed Income Funds	15,479,240			
Private Equity Funds	9,167,428			
Total Investments Measured at the NAV	100,686,609			
Investments Measured at Amortized Cost				
Money Market Funds	5,447,224			
Total Investments Measured at Fair Value	\$ 224,941,180			

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued based on evaluated prices using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Pricing for all securities was provided by a third party pricing vendor and developed in accordance with the provisions of GASB Statement No. 72.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 INVESTMENTS (CONTINUED)

Fair Value of Investments (Continued)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented below:

**Investments Measured at the NAV
(\$ in thousands)**

	<u>Fair Value as of December 31, 2016</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real Estate Funds	\$ 43,677,030	\$ 6,476,025	Daily/None	1 day/N/A
Common Stock Funds	12,036,816	-	Daily	1-2 Days
Hedge Funds	14,718,064	-	Quarterly	70 Days
Fixed Income Funds	18,628,218	11,183,751	Daily/Monthly	1-30 Days
Private Equity Funds	9,846,483	9,635,738	None	N/A
Total Investments Measured at the NAV	<u>\$ 98,906,611</u>	<u>\$ 27,295,514</u>		

	<u>Fair Value as of December 31, 2015</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real Estate Funds	\$ 38,364,933	\$ 2,402,553	Daily/None	1 day/N/A
Common Stock Funds	10,733,349	-	Daily	1-2 Days
Hedge Funds	26,941,659	-	Quarterly	70 Days
Fixed Income Funds	15,479,240	3,537,946	Daily/Monthly	1-30 Days
Private Equity Funds	9,167,428	5,100,848	None	N/A
Total Investments Measured at the NAV	<u>\$ 100,686,609</u>	<u>\$ 11,041,347</u>		

Common Stock Funds

This fund category includes an investment in an external investment pool that invests in publicly listed U.S. and International Equities. Unitized external investment pools are reported at fair value based upon the NAV of shares/units held at year end, provided by fund administrators. Based on the valuation policies and procedures provided by investment managers, all investments contained in the pooled funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures. Funds are available for withdrawal daily.

Fixed Income Funds

This fund category includes investments in external investment pools that primarily invests in U.S. fixed income securities including bonds and leveraged loans. Unitized external investment pools are reported at fair value based upon the NAV of shares/units held at year end, provided by fund administrators. Closed-end funds Principal Real Estate Debt fund and Debt fund II are reported at fair value based upon the net value of the Plan's ownership interest in partners' capital, as provided by the investment administrator. Based on the valuation policies and procedures provided by investment managers, all investments contained in the real estate funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures. Based on the valuation policies and procedures provided by investment managers, all investments contained in the pooled funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 INVESTMENTS (CONTINUED)

Real Estate Funds

This fund category includes open-end and closed-end real estate funds. Principal U.S. Property invests primarily in U.S. commercial real estate. Open-end funds are reported at fair value based upon the NAV of shares/units held at year end, provided by fund administrators. Closed-end funds Harbert United States Real Estate Fund V & Fund VI, L.P., are reported at fair value based upon the net value of the Plan's ownership interest in partners' capital, as provided by the investment administrator. Generally, individual holdings contained in the real estate funds are recorded at their estimated fair value using a combination of the income, cost and sales comparison methods. Managers use independent appraisers to determine the value of the holdings at least on an annual basis. Amounts ultimately realized from each investment may vary materially from the fair values reflected in the manager statements.

Investments in the open-end real estate funds can be redeemed with the fund managers at any time. Redemption requests are subject to certain restrictions and the availability of cash. Should redemption requests exceed such available cash, the funds prorate available cash among withdrawing investors according to the ratio of the requesting investor's units to the total units of all investors then requesting redemptions. The funds are not obligated to sell assets, borrow funds, alter investment or capital improvement plans or reduce reserves in order to honor redemption requests. The investment in the closed-end funds cannot be redeemed. Distributions from the fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next seven to 10 years.

Hedge Funds

This fund category includes investments in a hedge fund-of-funds that is a multi-strategy fund pursuing a variety of absolute return strategies, investing in a wide range of financial instruments, including, but not limited to, long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate or sovereign debt, bonds, notes or other debentures or debt participations, commodities, partnership interests, interests in investment companies, convertible securities, swaps, options (purchased or written), futures contracts and other derivative instruments markets and relative value, as well as private investment funds (hedge fund of funds). The fair values of the investments in this category have been determined using the NAV per share of the investments, as provided by the investment administrator. Based on the valuation policies and procedures provided by investment managers, all investments contained in hedge funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures.

Private Equity Funds

This fund category includes investments in private equity funds and private equity fund-of-funds, which invest in private investment funds. Private equity funds are reported at fair value based upon the net value of the Plan's ownership interest in partners' capital, as provided by the investment administrators. Based on the valuation policies and procedures provided by investment managers, all investments contained in private equity funds of funds are valued in accordance with the authoritative guidance on fair value measurements and disclosures.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 INVESTMENTS (CONTINUED)

Private Equity Funds (Continued)

Fund of funds managers rely on the values reported by the underlying private equity managers to prepare the funds' financial reports. If audited capital values are not available, a combination of the roll forward method of valuation, independent auditor confirmation of valuation, and review of the unaudited values is used as an alternative valuation method.

NOTE 5 CONTRIBUTIONS

The total contribution rates were 18% for December 31, 2016 and 2015, respectively, split equally between the employee and the employers.

Contributions totaling \$20,632,982 (\$10,316,491 employers and \$10,316,491 employees) and \$19,418,460 (\$9,709,230 employers and \$9,709,230 employees) were made during the years ended December 31, 2016 and 2015, respectively. These contribution amounts fall below the actuarial required contribution amount for the years ended December 31, 2016 and 2015.

NOTE 6 NET PENSION LIABILITY

The components of the net pension liability of the Plan at December 31, 2016 is as follows:

Net Pension Liability	
Total Pension Liability	\$ 435,043,318
Fiduciary Net Position	237,457,660
Net Pension Liability	<u>\$ 197,585,658</u>
Fiduciary Net Position as a % of Total Pension Liability	54.58%
Covered Payroll	\$ 108,466,001
Net Pension Liability as a % of Covered Payroll	182.16%

The assumptions and methods presented below were determined based upon the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	<u>January 1, 2016</u>	<u>January 1, 2015</u>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar - Open	Level Dollar - Open
Amortization Period	30 Years	30 Years
Asset Valuation Method	5-Year Smoothed Market	5-Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return*	7.5%	7.5%
Projected Salary Increases*	3.8% - 9.3%	3.8% - 9.3%
Included Inflation at	2.8%	2.8%

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 NET PENSION LIABILITY (CONTINUED)

Long-Term Expected Return on Plan Assets

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 were adopted by the Plan's trustees after considering input from the Plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of January 1, 2016, these best estimates are summarized in the following table:

Asset Class	Asset Allocation	
	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	5.00%	7.90%
Public Equity	50.00%	4.60%
Hedge Funds of Funds	10.00%	4.80%
Real Estate	20.00%	4.20%
Fixed Income	15.00%	-0.40%
Total	100.00%	

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.93%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Single Discount Rate

A Single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions, by ordinance will equal to the member contributions. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. 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.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 NET PENSION LIABILITY (CONTINUED)

Sensitivity of Results

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Plan's net liability, calculated using a single discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

Sensitivity of Net Position Liability to the Single Discount Rate Assumption		
1% Decrease 6.50%	Current Single Discount Rate Assumption 7.50%	1% Increase 8.50%
\$ 248,728,197	\$ 197,585,658	\$ 155,136,828

NOTE 7 COMMITMENTS

Partnership Capital Commitments

The Plan is a party to multiple private equity limited partnership agreements. Under the terms of the partnership agreements, the Plan has pledged to invest \$54,800,000 and \$38,300,000 in portfolios of limited partnerships as of December 31, 2016 and 2015, respectively. Failure by the Plan to fund a capital call is considered a default under the agreements and various penalties, as defined, may be imposed upon the Plan for such failure. The commitment period for all partnerships extends until the Plan's capital commitment is fulfilled, or the partnership's term is reached. At December 31, 2016 and 2015, the Plan had remaining unfunded capital commitments of \$27,295,514 and \$11,041,347, respectively.

NOTE 8 FINANCIAL OBLIGATIONS WITH OFF BALANCE SHEET RISK

Derivatives

Mutual Fund Investment

The Plan is permitted to own derivative investments. During the years ended December 31, 2016 and 2015, the Plan's owned indirect derivative investments in connection with managed (mutual) funds. Because the Plan does not own any specific identifiable investment securities held by managed funds, the market risk associated with any derivative investments held in these funds is not apparent. The degree of market risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines including risk assessment.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 8 FINANCIAL OBLIGATIONS WITH OFF BALANCE SHEET RISK (CONTINUED)

Derivatives (Continued)

Hedge Fund of Funds Investment

The hedge fund's investments in portfolio funds are subject to various risk factors arising from the investment activities of the portfolio funds including market, credit, and currency risk. The portfolio funds owned by the hedge fund transact in short sales and various domestic and international derivative investments, including forward foreign currency contracts, futures, written and purchased options and swaps. Investments in securities of non-U.S. issuers may be subject to greater illiquidity and price volatility than securities of U.S. issuers. Investments denominated in currencies other than the portfolio fund's reporting currency expose the portfolio fund to risks that the exchange rate of the portfolio fund's currency relative to other currencies may change in a manner which has an adverse effect on the value of the portfolio fund's foreign currency denominated assets.

NOTE 9 RISK MANAGEMENT

The Plan is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. Some losses, particularly regarding the occupancy of office space in the County building, are covered by the County's risk management policies and agreements. For other losses, commercial insurance has been purchased by the Plan. The Plan has not had claims on losses in the past three years.

NOTE 10 TAX STATUS

The Plan received two favorable determination letters (one for Adams County, and one for Rangeview Library District) from the Internal Revenue Service dated October 14, 2014, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended and restated since receiving the determination letters, the Plan Administrator and the Plan's legal counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and remains in tax exempt status. The letters relate only to the status of the Plan under the Internal Revenue Code and are not a determination regarding the effect of other federal or local statutes.

**ADAMS COUNTY RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 11 PLAN TERMINATION

The Retirement Board intends to continue the Plan indefinitely but reserves the right to change the Plan or discontinue it. Any changes to the Plan must be for the exclusive benefit of the eligible employees of the employers and their beneficiaries.

Upon termination or partial termination of the Plan, or a permanent discontinuance of contributions, the benefits accrued up to the date of termination by the affected employees and their beneficiaries, respectively, shall be nonforfeitable; however, actual payment of such benefits shall only be to the extent permitted from Plan assets. No funds may be returned to the employers unless all liabilities to members or their beneficiaries have been satisfied. The Retirement Board will determine when benefits are to be paid.

NOTE 12 RELATED PARTY

The Plan is administered by a Retirement Board consisting of five members, one of whom is the incumbent County Treasurer, two of whom are non-elected County employees elected by said employees, and two of whom are registered electors of the County appointed by the Board of County Commissioners. Adams County provides office space, use of office furniture and information systems as well as payroll and human resources support for the Plan. The Plan employs U.S. Bank to act as custodian over plan assets.

REQUIRED SUPPLEMENTARY INFORMATION

**ADAMS COUNTY RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(ULTIMATELY 10 FISCAL YEARS WILL BE DISPLAYED)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY			
Service Cost	\$ 10,890,125	\$ 10,685,864	\$ 10,504,796
Interest on the Total Pension Liability	30,882,010	29,329,180	28,030,202
Benefit Changes	-	-	-
Difference Between Expected and Actual Experience	5,993,817	2,376,203	-
Assumption Changes	-	-	-
Benefit Payments	(23,098,280)	(21,639,193)	(19,385,185)
Refunds	<u>(2,989,507)</u>	<u>(3,086,203)</u>	<u>(3,253,473)</u>
Net Change in Total Pension Liability	21,678,165	17,665,851	15,896,340
Total Pension Liability - Beginning of Year	<u>413,365,153</u>	<u>395,699,302</u>	<u>379,802,962</u>
TOTAL PENSION LIABILITY - END OF YEAR	<u>\$ 435,043,318</u>	<u>\$ 413,365,153</u>	<u>\$ 395,699,302</u>
PLAN FIDUCIARY NET POSITION			
Employer Contributions	\$ 10,316,491	\$ 9,709,230	\$ 8,964,812
Employee Contributions	10,316,491	9,709,230	8,964,812
Pension Plan Net Investment Gain (Loss)	18,616,452	(3,946,416)	15,626,796
Benefit Payments	(23,098,280)	(21,639,193)	(19,385,185)
Refunds	(2,989,507)	(3,086,203)	(3,253,473)
Pension Plan Administrative Expense	(837,324)	(687,810)	(806,310)
Other	<u>150,173</u>	<u>111,955</u>	<u>399,805</u>
Net Change in Plan Fiduciary Net Position	12,474,496	(9,829,207)	10,511,257
Plan Fiduciary Net Position - Beginning of Year	<u>224,983,164</u>	<u>234,812,371</u>	<u>224,301,114</u>
PLAN FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 237,457,660</u>	<u>\$ 224,983,164</u>	<u>\$ 234,812,371</u>
NET PENSION LIABILITY - END OF YEAR	<u>\$ 197,585,658</u>	<u>\$ 188,381,989</u>	<u>\$ 160,886,931</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	54.58%	54.43%	59.34%
Covered Employee Payroll	\$ 108,466,001	\$ 102,644,533	\$ 97,274,662
Net Pension Liability as a Percentage of Covered Employee Payroll	182.16%	183.53%	165.39%

NOTES TO SCHEDULE

N/A

**ADAMS COUNTY RETIREMENT PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF NET PENSION LIABILITY
 (ULTIMATELY 10 FISCAL YEARS WILL BE DISPLAYED)**

Year	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 395,699,302	\$ 234,812,371	\$ 160,886,931	59.34%	\$ 97,274,662	165.39%
2015	413,365,153	224,983,164	188,381,989	54.43%	102,644,533	183.53%
2016	435,043,318	237,457,660	197,585,658	54.58%	108,466,001	182.16%

**ADAMS COUNTY RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEN YEARS ENDED DECEMBER 31, 2016**

Year	Actuarially Determined Contributions	Actual Employer Contributions	Percentage Contributed	Covered Payroll	Contributions as a % of Covered Payroll
2016	\$ 15,858,211	\$ 10,316,491	65.05%	\$ 108,466,001	9.51%
2015	15,254,244	9,709,230	63.65%	102,644,533	9.46%
2014	15,406,279	8,964,812	58.19%	97,274,662	9.22%
2013	19,659,013	8,289,767	42.17%	96,443,158	8.60%
2012	18,762,499	7,533,395	40.15%	94,160,223	8.00%
2011	17,559,138	7,235,764	41.21%	95,737,553	7.56%
2010	16,856,144	7,153,366	42.44%	98,982,060	7.23%
2009	16,237,097	7,048,276	43.41%	94,396,658	7.47%
2008	11,542,116	6,445,284	55.84%	87,215,518	7.39%
2007	11,320,501	5,740,166	50.71%	81,386,811	7.05%

**ADAMS COUNTY RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Valuation Date: January 1, 2016

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar, open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year smoothed market; 20% corridor
Inflation	2.80%
Salary Increases	3.80% to 9.30% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2009 – 2013.
Mortality	RP-2000 Blue Collar Healthy Annuitant Generational Mortality Table set back one year for females

Other Information:

Notes Employee and employer are contributing at the rate of 9.00% of members monthly compensation for 2016.

**ADAMS COUNTY RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS**

<u>Fiscal Year Ending December 31,</u>	<u>Annual Return*</u>
2014	6.67 %
2015	(1.93)
2016	7.93

*Annual money-weighted rate of return, net of investment expenses.

This schedule is intended to show 10 years of information. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

**ADAMS COUNTY RETIREMENT PLAN
SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
INVESTMENT EXPENSE		
Investment Manager Fees	\$ 1,551,025	\$ 1,651,501
Trustee Fees	36,674	36,776
Total Investment Expense	<u>1,587,699</u>	<u>1,688,277</u>
PROFESSIONAL CONTRACTS		
Audit and Consulting Fees	33,604	32,625
Legal Counsel	125,910	87,173
Insurance and Bonding	222,515	128,274
Actuarial Fees	52,551	44,148
Investment Consulting	84,575	85,680
Total Professional Contracts	<u>519,155</u>	<u>377,900</u>
PERSONNEL SERVICES		
Salaries	168,928	161,741
Employee Benefits	63,227	57,218
Total Personnel Services	<u>232,155</u>	<u>218,959</u>
OTHER OPERATING EXPENSES		
Bank Fees	6,143	5,602
Computer Expense	52,528	55,203
Other	6,724	8,516
Subscriptions, Education, and Dues	1,930	354
Postage	3,665	4,234
Printing and Mailing	1,067	4,460
Retirement Services	9,692	5,705
Supplies	3,487	6,267
Research Expense	778	610
Total Other Operating Expenses	<u>86,014</u>	<u>90,951</u>
Total Administrative and Investment Expenses	<u><u>\$ 2,425,023</u></u>	<u><u>\$ 2,376,087</u></u>

**ADAMS COUNTY RETIREMENT PLAN
TEN-YEAR HISTORICAL TREND INFORMATION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Ten-year historic trend information, designed to provide information about Adams County Retirement Plan's progress made in accumulating sufficient assets to pay benefits when due is presented below:

Revenues by Source

Fiscal Year	Employee Contributions	Employer Contributions	Total Contributions	Investment Income (Loss)*	Total
2007	\$ 5,740,166	\$ 5,740,166	\$ 11,480,332	\$ 16,059,633	\$ 27,539,965
2008	6,445,284	6,445,284	12,890,568	(51,768,066)	(38,877,498)
2009	7,048,276	7,048,276	14,096,552	19,649,223	33,745,775
2010	7,153,366	7,153,366	14,306,732	16,978,240	31,284,972
2011	7,235,773	7,235,764	14,471,537	45,494	14,517,031
2012	7,533,416	7,533,395	15,066,811	22,745,953	37,812,764
2013	8,289,767	8,289,767	16,579,534	28,959,935	45,539,469
2014	8,964,812	8,964,812	17,929,624	17,248,522	35,178,146
2015	9,709,230	9,709,230	19,418,460	(2,258,139)	17,160,321
2016	10,316,491	10,316,491	20,632,982	20,204,151	40,837,133

Contributions were made in accordance with the Plan's funding policy and are not actuarially determined.

* Income includes unrealized gains and losses on investments.

Expenses by Type

Fiscal Year	Benefits	Administrative*	Refunds	Total
2007	** \$ 9,793,923	\$ 1,554,075	\$ 1,187,708	\$ 10,908,942
2008	10,626,452	1,661,702	1,220,911	12,535,706
2009	11,703,164	1,506,785	1,043,307	13,509,065
2010	12,925,593	1,545,534	910,161	14,253,256
2011	14,669,214	1,661,305	1,761,213	18,091,732
2012	16,095,266	1,863,194	1,870,042	19,828,502
2013	17,392,107	1,901,667	2,029,377	21,323,151
2014	19,385,185	2,310,729	3,253,473	24,949,387
2015	21,639,193	2,376,087	3,086,203	27,101,483
2016	23,098,280	2,425,023	2,989,507	28,512,810

* Administrative expenses include both investment expenses and other administrative costs.

**The increase in administrative fees in 2007 includes management's estimates for money managers that were previously included in investment gains/losses.