

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**GRAND FORKS COUNTY
GRAND FORKS, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2011



GRAND FORKS COUNTY
Grand Forks, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2011

	<u>Page(s)</u>
County Officials	1
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 10
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13 - 14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16 - 17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Fiduciary Assets and Liabilities	19
Notes to the Financial Statements	20 - 37
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	38
Farm to Market Fund	39
Highway Tax Distribution Fund	40
Social Service Fund	41
Social Security Fund	42
Regional Correctional Center Fund	43
Emergency Fund	44
Notes to Required Supplementary Information	45
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity	46 - 47
Schedule of Expenditures of Federal Awards	48 - 49
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	50 - 51
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	52 - 53
Schedule of Findings and Questioned Costs	54 - 55

GRAND FORKS COUNTY
Grand Forks, North Dakota

COUNTY OFFICIALS

December 31, 2011

Gary Malm	Commissioner - Chairman
John Schmisek	Commissioner - Vice-Chairman
Cynthia Pic	Commissioner
William "Spud" Murphy	Commissioner
Diane Knauf	Commissioner
Debbie Nelson	Director of Finance and Tax
Ed Nierode	Director of Administration
Robert Rost	Sheriff
Amber Gudajtes	Tax Equalization Director
Peter Welte	State's Attorney
Dave Godfread	Superintendent of Schools

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Grand Forks County
Grand Forks, North Dakota

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, Grand Forks, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand Forks County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Grand Forks County Water Resource District, which represents 90%, 88%, and 84%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts for the Grand Forks County Water Resource District, is based on the report of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the discretely presented component units prepare financial statements on the modified cash basis, which is a comprehensive basis of accounting other than principles generally accepted in the United States of America.

In our opinion, based on our report and the report of other auditors, the aggregate discretely presented component unit financial statements referred to previously present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities of the aggregate discretely presented component units as of December 31, 2011, and the respective changes in financial position – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Forks County, Grand Forks, North Dakota, as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

GRAND FORKS COUNTY

Independent Auditor's Report – Continued

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012 on our consideration of Grand Forks County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 38 through 44 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand Forks County's financial statements. The schedule of fund activity and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of fund activity and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.



Robert R. Peterson
State Auditor

June 25, 2012

GRAND FORKS COUNTY
Grand Forks, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

The Management's Discussion and Analysis (MD&A) of Grand Forks County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2011. The intent of the MD&A is to look at the County's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2011 are as follows:

- The assets of Grand Forks County exceeded its liabilities at the close of the most recent fiscal year by \$61,588,723. Of this amount, \$5,883,474 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets of Grand Forks County increased \$2,593,653, which included a \$314,291 prior period adjustment that reduced net assets equity, as a result of the most recently completed fiscal year's operations.
- Total revenues from all sources were \$33,870,594 on the government-wide statement of activities and \$34,058,944 on the modified accrual basis.
- Total expenses were \$30,962,650 on the government-wide statement of activities and total expenditures were \$30,795,436 on the modified accrual basis.
- The County's general fund had \$8,899,631 in total revenues and \$7,838,198 in total expenditures. There was a total of \$308,323 added by other financing sources. Overall, the general fund balance increased by \$1,369,756 for the year ended December 31, 2011. Unassigned fund balance of the general fund totaled \$4,156,255 or 53% of general fund expenditures.
- At the close of the report year, Grand Forks County's governmental funds reported a combined ending fund balance of \$14,153,491. The unassigned governmental fund combined balance is \$3,814,715 or 27% of total fund balances, which is available for spending at the government's discretion.
- Long-term liabilities decreased by \$1,456,813 (6%) for year ended December 31, 2011.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Grand Forks County's basic financial statements. Grand Forks County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Grand Forks County's finances, in a manner similar to a private-sector business.

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

GRAND FORKS COUNTY

Management's Discussion and Analysis – Continued

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Grand Forks County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Grand Forks County include general government, public safety, highways and bridges, health and welfare, culture and recreation, conservation of natural resources, economic development, other and capital outlay.

The government-wide financial statements include not only Grand Forks County itself (known as the *primary government*), but also a legally separate water resource district and fair association for which Grand Forks County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Grand Forks County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Grand Forks County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

Grand Forks County maintains 43 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, social services fund, farm to market road fund, highway tax fund, social security fund, emergency fund, and regional correctional center fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation and are summarized under the heading "Other Governmental Funds".

Grand Forks County adopts an annual appropriated budget for its governmental funds, except for capital projects funds. Budgetary comparison statements have been provided for the general fund, highway tax distribution, social services, social security and regional correctional center funds to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found on pages 13-18 of this report.

GRAND FORKS COUNTY

Management's Discussion and Analysis – Continued

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Grand Forks County's own programs.

The basic fiduciary fund financial statement can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-37 of the report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Grand Forks County, assets exceeded liabilities by \$61,588,723 at the close of the most recent fiscal year.

By far the largest portion of Grand Forks County's net assets totaling \$48,583,088 (79%) reflects its investment in capital assets (e.g., land, building, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. Grand Forks County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Grand Forks County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Grand Forks County's net assets totaling \$7,122,161 (11.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$5,883,474) or 9.5% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Grand Forks County is able to report positive balances in all three categories of net assets. The government's net assets increased by \$2,593,653 during the current fiscal year.

TABLE I
NET ASSETS
December 31, 2011 and 2010

<u>Assets:</u>	2011	2010
Current Assets	\$18,710,002	\$15,600,329
Capital Assets (net of accumulated depreciation)	69,734,338	71,529,470
Total Assets	<u>\$88,444,340</u>	<u>\$87,129,799</u>
<u>Liabilities:</u>		
Current Liabilities	\$ 5,889,443	\$ 4,138,100
Long-Term Liabilities	20,966,174	23,996,629
Total Liabilities	<u>\$26,855,617</u>	<u>\$28,134,729</u>
<u>NET ASSETS:</u>		
Invested in Capital Assets, net of Related Debt	\$48,583,088	\$48,921,407
Restricted	7,122,161	5,974,820
Unrestricted	5,883,474	4,098,843
Total Net Assets	<u>\$61,588,723</u>	<u>\$58,995,070</u>

GRAND FORKS COUNTY

Management's Discussion and Analysis – Continued

Table II shows the changes in net assets for the fiscal year ended December 31, 2011.

TABLE II		
CHANGES IN NET ASSETS		
As of December 31, 2011 and 2010		
Revenues	<u>2011</u>	<u>2010</u>
<u>Program Revenues:</u>		
Charges for Services	\$ 4,102,190	\$ 3,968,277
Operating Grants & Contributions	7,368,850	5,903,951
Capital Grants & Contributions	53,696	3,321,104
<u>General Revenues:</u>		
Property Taxes	18,335,725	19,899,185
Non restricted grants and contributions	3,070,864	2,031,650
Interest Earnings	59,808	112,878
Miscellaneous Revenue	879,461	1,038,220
Total Revenues	<u>\$33,870,594</u>	<u>\$36,275,265</u>
Expenses		
General Government	\$ 9,033,191	\$ 9,053,083
Public Safety	8,337,667	8,777,584
Highways and Bridges	6,194,922	5,415,488
Flood Repair	110,837	-
Health and Welfare	5,389,684	5,555,919
Culture and Recreation	4,100	721,962
Conservation of Natural Resources	682,180	647,190
Economic Development	114,357	352,100
Other	93,225	72,504
Capital Outlay	44,432	78,309
Interest and Fiscal Agent Charges	958,054	1,012,682
Total Expenses	<u>\$30,962,650</u>	<u>\$31,686,821</u>
Net Change in Assets	<u>\$ 2,907,944</u>	<u>\$ 4,588,444</u>
Net Assets - January 1	\$58,995,070	\$54,136,702
Prior Period Adjustment	<u>(314,291)</u>	<u>269,924</u>
Net Assets – January 1, as restated	<u>\$58,680,779</u>	<u>\$54,406,626</u>
Net Assets - December 31	<u><u>\$61,588,723</u></u>	<u><u>\$58,995,070</u></u>

An increase in current assets of \$3,109,673 (20%) was noted due to revenues exceeding expenditures and other financing sources by \$3,263,508. Capital assets equity, net of related debt of \$48,583,088 remained consistent with the prior year.

Property taxes constituted 54%, operating and capital grants and contributions 22%, charges for services 12%, non-restricted grants and contributions 9%, and interest earnings and miscellaneous revenue made up 3% of the total revenues of governmental activities of the County for year ended December 31, 2011. Total revenues decreased by \$2,404,671 or 7%. It was noted that property taxes decreased by \$1,563,460 (8%) due to reclassifying Economic Development, Health District, Library Service, Ambulance and Airport Authority Funds as Agency Funds.

GRAND FORKS COUNTY

Management's Discussion and Analysis – Continued

General government constituted 29%, public safety 27%, highways and bridges 20%, health & welfare 17%, interest and fiscal charges 3%, and the remaining 4% is split among six other categories of total expenses for governmental activities for the year ended December 31, 2011. Overall, expenses decreased by \$724,171 (2.3%). The largest decrease was in culture and recreation activity because the Library, Historical Society and Senior Citizens funds which were reclassified as agency funds in 2011.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues. Total cost of activities by function decreased overall by 2.3% (\$724,171) as noted in the previous paragraph. Net costs of activities by function in total increased 5% (\$944,425).

TABLE III
TOTAL AND NET COST OF SERVICES
As of December 31, 2011 and 2010

	Total Cost For Year Ended Dec. 31, 2011	Net Cost For Year Ended Dec. 31, 2011	Total Cost For Year Ended Dec. 31, 2010	Net Cost For Year Ended Dec. 31, 2010
General Government	\$ 9,033,191	\$ 7,412,558	\$ 9,053,083	\$ 7,490,003
Public Safety	8,337,667	5,290,690	8,777,584	6,129,464
Highways	6,194,922	1,392,227	5,415,488	(1,618,020)
Flood Repair	110,837	(3,763)	-	-
Health and Welfare	5,389,684	3,569,414	5,555,919	3,782,898
Culture and Recreation	4,100	4,100	721,962	601,850
Conserv. of Natural Resources	682,180	567,814	647,190	591,699
Economic Development	114,357	114,357	352,100	352,100
Other	93,225	88,030	72,504	72,504
Capital Outlay	44,432	44,432	78,309	78,309
Interest and Service Charges	958,054	958,054	1,012,682	1,012,682
Total Expenses	<u>\$30,962,650</u>	<u>\$19,437,914</u>	<u>\$31,686,821</u>	<u>\$18,493,489</u>

Financial Analysis of the Governmental Funds

As noted earlier, Grand Forks County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Grand Forks County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spending* resources. Such information is useful in assessing Grand Forks County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Grand Forks County's governmental funds reported combined ending fund balances of \$14,153,491, an increase of \$3,235,599 in comparison with the prior year. It is an unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of Grand Forks County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,156,255. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 53% of the total general fund expenditures.

GRAND FORKS COUNTY

Management's Discussion and Analysis – Continued

The fund balance of Grand Forks County's general fund increased by \$1,369,756 during the current fiscal year. A key factor in this increase was revenues exceeding expenditures.

General Fund Budgetary Highlights

The County amended the general fund 2011 budgeted expenditures by increasing them a total of \$35,732 (.4%). The budget was amended for legal fees in the States Attorney's budget, a Finance and Tax Office copier and PMDC Licenses, Upgrade and Software Maintenance for the Sheriff's Department. Expenditures were under budget by a total of \$48,547 (.62%). Revenues were greater than budgetary estimates in the general fund by \$1,207,394 (15.6%). The largest variances were receiving \$799,499 of intergovernmental revenue and \$427,055 more in charges for services. Additional information on Grand Forks County's budget amendments can be found in note 2 on page 27 of this report.

Capital Asset Administration

Grand Forks County's investment in capital assets for its governmental activities as of December 31, 2011 amounted to \$69,734,338 (net of accumulated depreciation). The investment in capital assets includes land, buildings, infrastructure, equipment, vehicles and furniture. The total decrease in Grand Forks County's investment in capital assets for the current fiscal year was \$1,795,132 and is mainly attributed to removal of a building that is no longer owned by the County.

TABLE IV
CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2011 and 2010

	2011	2010
Land	\$ 448,895	\$ 448,895
Construction in Progress	-	3,553,987
Buildings	34,687,384	36,336,808
Infrastructure	32,630,978	29,787,880
Equipment	873,029	499,291
Furniture	128,744	152,597
Vehicles	965,308	750,012
Total Capital Assets (net of accumulated depreciation)	<u>\$69,734,338</u>	<u>\$71,529,470</u>

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 7 to the audited financial statements that follow this analysis on pages 29-30.

Debt Administration

At the end of the current fiscal year, Grand Forks County had total debt outstanding of \$21,151,250. Of this amount, \$1,491,761 is due within one year.

Grand Forks County's total bond debt decreased by \$1,456,813 (6%) during the current fiscal year. The decrease in debt is due solely to scheduled debt principal payments. No new debt was issued in 2011.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. Grand Forks County's debt is well within the legal debt limit of \$104,939,000.

GRAND FORKS COUNTY

Management's Discussion and Analysis – Continued

TABLE V
OUTSTANDING LONG TERM DEBT
 December 31, 2011 and 2010

	Total		Total	
	Outstanding Dec. 31, 2011	Due Within One Year	Outstanding Dec. 31, 2010	Due Within One Year
2003 Courthouse Bonds	\$ 1,985,000	\$ 145,000	\$ 2,120,000	\$ 135,000
2008 G.O. Refunding Bonds	2,020,000	225,000	2,235,000	215,000
2008 Mortgage Revenue Bonds	2,230,000	245,000	2,470,000	240,000
2004 G.O. Bonds	1,340,000	145,000	1,485,000	145,000
2005 Lease Revenue Bonds	13,500,000	725,000	14,200,000	700,000
Special Assessments	76,250	6,761	98,063	12,043
Total Debt	<u>\$21,151,250</u>	<u>\$1,491,761</u>	<u>\$22,608,063</u>	<u>\$1,447,043</u>

For a detailed breakdown of the additions and deductions to long-term debt, as well as for information about each individual issue, readers are referred to Note 10 to the audited financial statements on pages 31-33.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Grand Forks County is approximately 3.9 percent, which is a same rate as the 2010 rate. This compares favorably to the national average rate of 8.6 percent.
- Inflationary trends in the region compare favorably to national indices.
- The total value of construction listed on building permit in Grand Forks City for 2011 was \$144,053,797 compared to \$82,175,820 in 2010.
- Expansion of Retail Sector with announcements and construction starts for major retailers including Olive Garden, Ruby Tuesdays, Planet Fitness, JL Beers, Fuji Restaurant, Macros Pizza, Riddles Jewelry, Cherry Berry, Pizza Range, Ferguson's Bookstore, Subway and Sleep Inn.
- The taxable valuation of the County increased from \$193,481,293 in 2010 to \$200,357,178 in 2011, an increase of 3.6 percent.

All of these factors were considered in preparing Grand Forks County's budget for the 2012 fiscal year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, residents, and creditors with a general overview of Grand Forks County's finances and to show the County's accountability for the money it receives to provide the best possible services to Grand Forks County residents. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Debbie Nelson, County Director of Tax and Finance, Grand Forks County, 151 South 4th Street, PO Box 5726, Grand Forks, ND 58206, phone 701-780-8200 or email debbie.nelson@gfcounty.org.

GRAND FORKS COUNTY
Grand Forks, North Dakota

STATEMENT OF NET ASSETS
December 31, 2011

	Primary	Component Units	
	Governmental Activities	Water Resource District	Fair Association
ASSETS:			
Cash and investments	\$ 16,806,063	\$ 2,551,922	\$ 37,000
Accounts receivable	181,827	-	-
Intergovernmental receivable	1,292,220	-	-
Taxes receivable	429,892	-	1,857
Other Assets:			
NSF Checks	-	-	50
Deferred Charges- Bond Issue Costs Net	-	17,655	-
Capital Assets not being depreciated:			
Land	448,895	329,785	85,420
Capital Assets net of accumulated depreciation:			
Infrastructure	32,630,978	-	-
Buildings	34,687,384	-	-
Leasehold improvements	-	-	180,830
Land Improvements	-	268,806	-
Equipment	873,029	210,961	57,921
Furniture	128,744	-	-
Vehicles	965,308	-	-
Total Capital Assets	<u>\$ 69,734,338</u>	<u>\$ 809,552</u>	<u>\$ 324,171</u>
Total Assets	<u>\$ 88,444,340</u>	<u>\$ 3,379,129</u>	<u>\$ 363,078</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 151,708	\$ -	\$ 242
Salaries payable	-	2,548	-
Sales tax payable	196	-	-
Due to other governments	-	3,470	-
Deposit for drain 57	-	25,000	-
Unearned revenue	3,974,715	-	-
Interest payable	120,007	-	145
Long-Term Liabilities:			
Due Within One Year:			
Special assessments payable	6,761	-	422
Loans payable	-	-	3,167
Bonds payable	1,485,000	75,000	-
Compensated absences payable	145,774	-	-
Due After One Year:			
Special assessments payable	69,489	-	4,167
Loans payable	-	-	10,337
Bonds payable	19,590,000	630,000	-
Compensated absences payable	1,311,967	-	-
Total Liabilities	<u>\$ 26,855,617</u>	<u>\$ 736,018</u>	<u>\$ 18,480</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 48,583,088	\$ 434,552	\$ 306,078
Restricted for:			
Debt service	-	413,344	-
Capital projects	51,296	-	-
Public safety	602,218	-	-
Highways and bridges	4,619,415	-	-
Flood repair	15,751	-	-
Health and welfare	775,411	-	-
Culture and recreation	75,427	-	-
Conservation of natural resources	113,958	-	-
Emergency	868,685	-	-
Drain maintenance	-	854,917	-
Drain repairs	-	111,310	-
Unrestricted	<u>5,883,474</u>	<u>828,988</u>	<u>38,520</u>
Total Net Assets	<u>\$ 61,588,723</u>	<u>\$ 2,643,111</u>	<u>\$ 344,598</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Governmental Activities	Water Resource District	Fair Association
Primary Government:							
Governmental Activities:							
General government	9,033,191	\$ 968,044	\$ 652,589	\$ -	\$ (7,412,558)		
Public safety	8,337,667	2,756,924	236,357	53,696	(5,290,690)		
Highways and bridges	6,194,922	372,674	4,430,021	-	(1,392,227)		
Flood repair	110,837	-	114,600	-	3,763		
Health and welfare	5,389,684	-	1,820,270	-	(3,569,414)		
Culture and recreation	4,100	-	-	-	(4,100)		
Conser. of natural resources	682,180	4,548	109,818	-	(567,814)		
Economic development	114,357	-	-	-	(114,357)		
Other	93,225	-	5,195	-	(88,030)		
Capital outlay	44,432	-	-	-	(44,432)		
Interest	953,748	-	-	-	(953,748)		
Fiscal agent charges	4,306	-	-	-	(4,306)		
Total Primary Government	\$ 30,962,650	\$ 4,102,190	\$ 7,368,850	\$ 53,696	\$ (19,437,914)		
Component Units:							
Water resource district	\$ 768,682	\$ 173,918	\$ 19,618	\$ -	\$ (575,146)	\$ -	
Fair association	243,041	120,171	-	-	-	(122,870)	
Total Component Units	\$ 1,011,723	\$ 294,089	\$ 19,618	\$ -	\$ (575,146)	\$ (122,870)	
General Revenues:							
Property Taxes:							
Property taxes; levied for general purposes					\$ 4,267,072	\$ 844,967	\$ 86,740
Property taxes; levied for special purposes					12,114,559	-	-
Property taxes; levied for debt service					1,954,095	-	-
Drain Assessments					-	173,002	-
Non Restricted Grants and Contributions					3,070,864	-	-
Interest Income					59,808	29,572	-
Miscellaneous Revenue					879,461	33,904	34,393
Total General Revenues					\$ 22,345,858	\$ 1,081,445	\$ 121,133
Change in Net Assets					\$ 2,907,944	\$ 506,299	\$ (1,737)
Net Assets - January 1					\$ 58,995,070	\$ 2,136,812	\$ 360,312
Prior Period Adjustments					(314,291)	-	(13,977)
Net Assets - January 1, as restated					\$ 58,680,779	\$ 2,136,812	\$ 346,335
Net Assets - December 31					\$ 61,588,723	\$ 2,643,111	\$ 344,598

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2011

	General	Social Services	Farm to Market Road	Highway Tax Distribution	Social Security	Regional Correctional Center
ASSETS						
Cash and investments	\$ 4,253,819	\$ 1,730,619	\$ 1,113,848	\$ 3,483,702	\$ 842,539	\$ 1,210,610
Accounts receivable	12,070	-	-	-	-	169,757
Intergovernmental receivable	488,484	160,004	29,141	371,358	71,256	49,142
Due from other funds	341,539	-	-	-	-	-
Taxes receivable	100,596	88,362	25,588	-	64,202	43,764
Total Assets	\$ 5,196,508	\$ 1,978,985	\$ 1,168,577	\$ 3,855,060	\$ 977,997	\$ 1,473,273
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 24,708	\$ 82,637	\$ -	\$ -	\$ -	\$ 44,363
Sales tax payable	196	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue - taxes receivable	100,596	88,362	25,588	-	64,202	43,764
Deferred revenue - unearned revenue	914,753	841,572	238,439	-	583,028	402,089
Total Liabilities	\$ 1,040,253	\$ 1,012,571	\$ 264,027	\$ -	\$ 647,230	\$ 490,216
Fund Balances:						
Committed For:						
Park Related Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County Improvements	-	-	-	-	-	-
Restricted For:						
General Government	-	-	-	-	330,767	-
Public safety	-	-	-	-	-	983,057
Highways and bridges	-	-	904,550	3,855,060	-	-
Flood Repair	-	-	-	-	-	-
Health and welfare	-	966,414	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Emergency	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Unassigned	4,156,255	-	-	-	-	-
Total Fund Balances	\$ 4,156,255	\$ 966,414	\$ 904,550	\$ 3,855,060	\$ 330,767	\$ 983,057
Total Liabilities and Fund Balances	\$ 5,196,508	\$ 1,978,985	\$ 1,168,577	\$ 3,855,060	\$ 977,997	\$ 1,473,273

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

Emergency Fund	Other Governmental Funds	Total Governmental Funds
\$ 895,329	\$ 3,275,597	\$ 16,806,063
-	-	181,827
-	122,835	1,292,220
-	-	341,539
1,342	106,038	429,892
<u>\$ 896,671</u>	<u>\$ 3,504,470</u>	<u>\$ 19,051,541</u>

\$ -	\$ -	\$ 151,708
-	-	196
-	341,539	341,539
1,342	106,038	429,892
-	994,834	3,974,715
<u>\$ 1,342</u>	<u>\$ 1,442,411</u>	<u>\$ 4,898,050</u>

\$ -	\$ 75,427	\$ 75,427
-	931,684	931,684
-	651,724	982,491
-	93,937	1,076,994
-	27,254	4,786,864
-	203,582	203,582
-	109,438	1,075,852
-	112,665	112,665
895,329	-	895,329
-	146,592	146,592
-	51,296	51,296
-	(341,540)	3,814,715
<u>\$ 895,329</u>	<u>\$ 2,062,059</u>	<u>\$ 14,153,491</u>
<u>\$ 896,671</u>	<u>\$ 3,504,470</u>	<u>\$ 19,051,541</u>

GRAND FORKS COUNTY
Grand Forks, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2011

Total *Fund Balances* of Governmental Funds \$ 14,153,491

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources,
and, therefore are not reported in the governmental funds.

Cost of Capital Assets	\$ 100,499,143	
Less: Accumulated Depreciation	<u>(30,764,805)</u>	
Net Capital Assets		69,734,338

Property taxes receivable will be collected after year-end, but are not
available soon enough to pay for the current period's expenditures
and therefore are reported as deferred revenues in the funds. 429,892

Long-term liabilities applicable to the County's governmental activities are
not due and payable in the current period and accordingly are not reported
as fund liabilities. Interest on long-term debt is not accrued in governmental
funds, but rather is recognized as an expenditure when due. All liabilities-
both current and long-term- are reported in the statement of net assets.
Balances at December 31, 2011 are:

General Obligation Bonds Payable	\$ (21,075,000)	
Special Assessments Payable	(76,250)	
Interest Payable	(120,007)	
Compensated Absences	<u>(1,457,741)</u>	
Total Long-Term Liabilities		<u>(22,728,998)</u>

Total Net Assets of Governmental Activities \$ 61,588,723

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General	Social Services	Farm to Market Road	Highway Tax Distribution	Social Security	Regional Correctional Center
Revenues:						
Property taxes	\$ 4,319,131	\$ 3,934,412	\$ 1,110,262	\$ -	\$ 2,831,197	\$ 1,884,237
Licenses, permits and fees	74,899	-	-	-	-	-
Intergovernmental	2,706,605	1,942,714	124,746	4,389,916	315,784	213,049
Charges for services	1,489,886	-	-	372,674	-	2,081,872
Interest income	46,663	-	-	-	-	-
Miscellaneous	262,447	21,468	-	49,362	-	13,441
Total Revenues	\$ 8,899,631	\$ 5,898,594	\$ 1,235,008	\$ 4,811,952	\$ 3,146,981	\$ 4,192,599
Expenditures:						
Current:						
General government	\$ 3,775,089	\$ -	\$ -	\$ -	\$ 2,675,589	\$ -
Public safety	3,904,320	-	-	-	-	3,975,406
Highways and bridges	-	-	1,519,218	3,752,675	-	-
Flood repair	-	-	-	-	-	-
Health and welfare	-	5,352,509	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Economic development	114,357	-	-	-	-	-
Other	-	-	-	-	-	-
Capital Outlay	44,432	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Fiscal agent charges	-	-	-	-	-	-
Total Expenditures	\$ 7,838,198	\$ 5,352,509	\$ 1,519,218	\$ 3,752,675	\$ 2,675,589	\$ 3,975,406
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,061,433	\$ 546,085	\$ (284,210)	\$ 1,059,277	\$ 471,392	\$ 217,193
Other Financing Sources (Uses):						
Transfers in	\$ 320,655	\$ -	\$ -	\$ -	\$ 5,858	\$ -
Transfers out	(12,332)	-	-	-	(319,962)	-
Total Other Financing Sources and Uses	\$ 308,323	\$ -	\$ -	\$ -	\$ (314,104)	\$ -
Net Change in Fund Balances	\$ 1,369,756	\$ 546,085	\$ (284,210)	\$ 1,059,277	\$ 157,288	\$ 217,193
Fund Balance - January 1	\$ 2,786,499	\$ 420,329	\$ 1,188,760	\$ 2,795,783	\$ 173,479	\$ 765,864
Prior Period Adjustment	-	-	-	-	-	-
Fund Balance - Jan. 1, as restated	\$ 2,786,499	\$ 420,329	\$ 1,188,760	\$ 2,795,783	\$ 173,479	\$ 765,864
Fund Balance - December 31	\$ 4,156,255	\$ 966,414	\$ 904,550	\$ 3,855,060	\$ 330,767	\$ 983,057

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

Emergency Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,277	\$ 4,493,255	\$ 18,577,771
-	-	74,899
88	746,812	10,439,714
-	82,859	4,027,291
-	13,145	59,808
-	532,743	879,461
<u>\$ 5,365</u>	<u>\$ 5,868,814</u>	<u>\$ 34,058,944</u>
\$ -	\$ 1,889,873	\$ 8,340,551
-	80,644	7,960,370
-	398,179	5,670,072
-	110,837	110,837
-	6,858	5,359,367
-	679,763	679,763
-	-	114,357
-	93,209	93,209
-	-	44,432
-	1,456,829	1,456,829
-	961,342	961,342
-	4,306	4,306
<u>\$ -</u>	<u>\$ 5,681,841</u>	<u>\$ 30,795,436</u>
<u>\$ 5,365</u>	<u>\$ 186,973</u>	<u>\$ 3,263,508</u>
\$ -	\$ 1,685,809	\$ 2,012,322
-	(1,680,028)	(2,012,322)
<u>\$ -</u>	<u>\$ 5,781</u>	<u>\$ -</u>
<u>\$ 5,365</u>	<u>\$ 192,754</u>	<u>\$ 3,263,508</u>
\$ 889,964	\$ 1,897,214	\$ 10,917,892
-	(27,909)	(27,909)
<u>\$ 889,964</u>	<u>\$ 1,869,305</u>	<u>\$ 10,889,983</u>
<u>\$ 895,329</u>	<u>\$ 2,062,059</u>	<u>\$ 14,153,491</u>

GRAND FORKS COUNTY
Grand Forks, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Net Change in *Fund Balances* - Total Governmental Funds \$ 3,263,508

Amounts reported for governmental activities in the statement of activities are 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 the capital contribution and capital outlays exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 751,472	
Current Year Capital Contribution	53,696	
Current Year Depreciation Expense	<u>(2,312,588)</u>	(1,507,420)

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Loss on Disposals of Capital Assets		(1,330)
-------------------------------------	--	---------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt repayment exceeded debt proceeds.

Issuance of Debt - Special Assessments	\$ (17)	
Repayment of Debt - Bonds	1,435,000	
Repayment of Debt - Special Assessments	<u>21,829</u>	1,456,812

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

Net Increase in Compensated Absences	\$ (69,174)	
Net Decrease in Interest Payable	<u>7,594</u>	(61,580)

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

(242,046)

Change in Net Assets of Governmental Activities		<u>\$ 2,907,944</u>
---	--	---------------------

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2011

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 11,878,839</u>
<u>Liabilities:</u>	
Due to other governments/entities	<u>\$ 11,878,839</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Grand Forks County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The financial statements of the Grand Forks County Water Resource District, a component unit of Grand Forks County, are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Water Resource District recognizes revenues when received rather than when earned, and recognizes expenditures when paid rather than when the obligation is incurred. 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 county's accounting policies are described below.

A. Reporting Entity

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

Based on these criteria, there are three component units to be included within Grand Forks County as a reporting entity.

COMPONENT UNITS

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

Blended Component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Grand Forks County Building Authority - serves only Grand Forks County. All members of the board of county commissioners also serve as the board of the Building Authority. The sole purpose of the Building Authority is to issue bonds for various construction projects (courthouse remodeling and jail/correctional center construction), and to lease these structures to the county. The funds of the Building Authority are blended with the capital projects and debt service funds of the county.

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

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

Greater Grand Forks Fair Association - The County's governing board appoints a voting majority of the members of the Greater Grand Forks Fair Association Board. Although the county does not have the authority to approve or modify the Fair Board operational and capital budgets, the tax levy established by the fair board must be approved by the county's governing board. The fair board cannot buy, sell, lease and mortgage property in its own name, and the county is legally obligated for the fair board's debt.

Grand Forks County Water Resource District - The County's governing board appoints a voting majority of the members of the Grand Forks County Water Resource District Board. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy established by the Water Resource District. For the Audit of the period ending December 31, 2011, Drees, Risky & Vallager, Ltd. conducted the audit for the Grand Forks County Water Resource District.

Component Unit Financial Statements: The financial statements of each of the two discretely presented component units are presented in the basic financial statements. Complete financial statements of the individual component units can be obtained from the County Director of Tax and Finance at 151 S. 4th St, Grand Forks, North Dakota, 58206-0726.

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

Grand Forks Economic Development	\$236,666
Senior Citizens	333,114
Historical Society	50,177

B. Basis of Presentation

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

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

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

The county reports the following major governmental funds:

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

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

Social Services Fund. This fund accounts for the costs of providing social service benefits and programs to needy residents of the county. The primary revenue sources in this fund are restricted grants and tax levy.

Farm to Market Road Fund. This fund accounts for repair and improvement of highways financed primarily through a tax levy.

Highway Tax Distribution Fund. This fund accounts for repair and improvement of highways that are legally restricted from state highway tax distribution revenue sources.

Social Security Fund. This fund accounts for amounts levied and legally restricted to meet the County's share of social security payments on wages and salaries paid to employees. The primary revenue source in this fund is a restricted tax levy.

Regional Correctional Center Fund. This fund accounts for costs of operating the law enforcement center and maintaining prisoners. The primary revenue source in this fund is a restricted tax levy.

Emergency Fund. This fund accounts for amounts levied for County emergencies that may occur during any year. Emergency declarations need to be made before monies can be spent from this particular fund. The primary revenue source in this fund is a restricted tax levy.

The county reports the following fund type:

Agency Funds. These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's agency funds are used to account for property taxes collected on behalf of other governments.

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

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

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

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

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

D. Cash and Investments

Cash include amounts in demand deposits and money market accounts.

Cash and investments are combined on the balance sheet as investments are not designated by fund. The only investments of the primary government consist of certificates of deposit. The Water Resource District, a component unit, only invests in certificates of deposit.

Investments are stated at cost.

E. Capital Assets**PRIMARY GOVERNMENT:**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

General infrastructure assets acquired prior to January 1, 2002 consist of the road and bridge network assets that were acquired or received substantial improvements subsequent to January 1, 1980 and are reported at estimated historical cost using deflated replacement cost. 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.

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

Assets	Years
Buildings	50 - 60
Vehicles	7
Office Equipment	10
Machinery and Equipment	5 - 20
Infrastructure	50 - 60

DISCRETELY PRESENTED COMPONENT UNITS:Grand Forks County Water Resource District:

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

Equipment and vehicle capital assets of the Water Resource District are depreciated using the straight-line method over useful lives ranging from 5 to 7 years.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

Greater Grand Forks Fair Association:

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

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

Assets	Years
Equipment	5 - 10
Leasehold Improvements	20

F. Compensated Absences

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 hours of vacation leave may be carried over. Sick leave benefits are earned at the rate of one day per month regardless of the years of service. An unlimited number of sick leave hours may be carried over and employees are paid for 25% of their accumulated sick, to a maximum of 900 hours of leave, at retirement. When intent to terminate employment is submitted, the employee must have 5 continuous years of service to be eligible for monetary compensation. Vested or accumulated vacation and sick leave is reported in government-wide statement of net assets.

Vacation leave is earned as follows:

Years of Service	Hours per Month
1 through 3 years	8
4 through 7 years	10
8 through 12 years	12
13 through 18 years	14
19 years and above	16

G. Long-Term Obligations

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

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

H. Fund Balances / Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

Fund Balance Spending Policy:

It is the policy of Grand Forks County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Minimum Fund Balance Policy:

Grand Forks County established a 12.5% - 15% general fund carryover balance target to help with financial stability. The 12.5% - 15% fund balance range is a part of the county's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the county. Unassigned general fund balance of \$4,156,255 at December 31, 2011 represented 53% of annual 2011 general fund expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (socials services, farm to market road, highway tax distribution, social security, regional correctional center, and emergency) are disclosed in more detail in Note 1B in the discussion of major funds.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

Grand Forks County did not have any non-spendable balances or assigned fund balances but did have committed balances reported in the balance sheet at December 31, 2011.

Restricted Fund Balances – consist of the following items at December 31, 2011:

Restricted fund balances are shown by primary function on the balance sheet for debt service, public safety, highways & bridges, health & welfare, culture & recreation, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for various tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements and bond indentures).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes social welfare/services and highways & bridges, as well as disaster type grants in FEMA funds, and other grant funds.
- (b) Committed fund balances (special revenue funds) – committed by governing board county commission action;
- Committed in special revenue funds for park related projects and county improvement projects.

Net Assets Equity:

When both unrestricted and restricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Restrictions of net assets equity shown in the net assets statement are due to restricted tax levies, restricted Federal & State grants/reimbursements, and restricted amounts for unspent bond proceeds reported in debt service and capital projects funds. Additionally, invested in capital assets, net of related debt equity is shown. Unrestricted net assets equity consists of activity primarily related to the general fund.

Restricted net assets equity in the statement of net assets is shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for debt service, capital projects, public works, public safety, loans, job/economic development, culture & recreation, and other purposes.

I. Interfund Transactions

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

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

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

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS**BUDGET AMENDMENTS**

The board of county commissioners amended the county budget for 2011 as follows:

	EXPENDITURES / TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
General Fund	\$7,866,013	\$ 35,732	\$7,901,745
County Road and Bridge	51,800	700	52,500
Highway Tax Distribution	3,311,497	460,000	3,771,497
FEMA 2009	-	80,000	80,000
FEMA 2010	-	90,200	90,200
FEMA 2011	-	287,800	287,800
Refunding Improve Bonds/95	-	700	700
Historical Society	49,250	1,000	50,250
Crime Prevention Fund	-	1,500	1,500
GF Narcotics Task Force	-	8,500	8,500
Keys Grant	-	1,700	1,700
Victim's Reparation Program	500	200	700
Court Improv. Grant – Fire Alarm	-	11,600	11,600
Correctional Center	4,222,424	5,400	4,227,824
Parking Ramp Maintenance	50,500	43,000	93,500
Audit Drug Court	-	200	200
GFCSS Client Opportunity	-	7,000	7,000
County Recorder Tech Fund	-	35,000	35,000
Hazard Chemical Prep	-	50	50
Contract Policing	-	40,000	40,000
GFC Water Rescue Unit	-	20,000	20,000

NOTE 3: DEPOSITS

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

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

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

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

At year ended December 31, 2011, the county's carrying amount of deposits was \$26,935,048 and the bank balances of deposits totaled \$27,544,479. Of the bank balances, \$6,983,353 was covered by Federal Depository Insurance. Of the remaining bank balances totaling \$20,561,126, all were collateralized with securities held by the pledging financial institution's agent in the government's name, except for Wells Fargo Bank, which was under pledged by \$520,410. At year end, the County had cash on hand totaling \$9,347 and checks and drafts totaling \$1,733,304.

At year ended December 31, 2011, the Grand Forks Fair Board's carrying amount of deposits was \$37,000 and the bank balances of deposits totaled \$37,147. Of the bank balances, \$37,147 was covered by Federal Depository Insurance. At year ended December 31, 2011, the water resource district's bank balances were adequately covered with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

The county and its component units 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, 2011, the county had certificates of deposit totaling \$98,393 and the water resource district had certificates of deposit totaling \$1,222,536.

The County's most recent bond rating received bond ratings from Moody's of A1 for the 2008 G.O. refunding bonds and A2 for the 2008 lease revenue refunding bonds.

Concentration of Credit Risk:

The county has a formal investment policy, while the component units do not have a formal investment policy. The county and its component units do not have a limit on the amount it may invest in any one issuer.

NOTE 4: TAXES RECEIVABLE

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes.

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

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

Most property owners choose to pay property taxes on or before February 15 and receive the 5% discount on the property taxes.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due for sheriff's fees, contract policing, and prisoner boarding fees. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 6: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due for expenses in the operation various welfare, road and emergency management programs. These amounts consist of a mix of state and federal dollars.

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2011:

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1-1-11	Adjustments	Increases	Decreases	Transfers	Balance 12-31-11
<i>Capital assets not being depreciated:</i>						
Land	\$ 448,895	\$ -	\$ -	\$ -	\$ -	\$ 448,895
Construction in Progress	3,553,987	-	-	-	(3,553,987)	-
Total Capital assets, not being depreciated	\$ 4,002,882	\$ -	\$ -	\$ -	\$(3,553,987)	\$ 448,895
<i>Capital assets being depreciated:</i>						
Buildings	\$46,937,749	\$(929,740)	\$ -	\$ -	\$ -	\$ 46,008,009
Equipment	2,814,839	396,733	136,367	(35,369)	-	3,312,570
Furniture	858,687	-	12,202	(52,036)	-	818,853
Vehicles	2,226,300	(156,698)	476,599	(146,184)	-	2,400,017
Infrastructure	43,776,810	-	180,000	-	3,553,987	47,510,797
Total Capital Assets, Being Depreciated	\$96,614,385	\$(689,705)	\$ 805,168	\$(233,589)	\$ 3,553,987	\$100,050,246
<i>Less Accumulated Depreciation for:</i>						
Buildings	\$10,600,941	\$(235,550)	\$ 955,234	\$ -	\$ -	\$ 11,320,625
Equipment	2,315,548	(17,881)	175,913	(34,039)	-	2,439,541
Furniture	706,091	-	36,054	(52,036)	-	690,109
Vehicles	1,476,288	(149,892)	254,497	(146,184)	-	1,434,709
Infrastructure	13,988,930	-	890,889	-	-	14,879,819
Total Accumulated Depreciation	\$29,087,798	\$(403,323)	\$ 2,312,587	\$(232,259)	\$ -	\$ 30,764,803
Total Capital Assets Being Depreciated, Net	\$67,526,587	\$(286,382)	\$(1,507,419)	\$ (1,330)	\$ 3,553,987	\$ 69,285,443
Governmental Activities Capital Assets, Net	\$71,529,469	\$(286,382)	\$(1,507,419)	\$ (1,330)	\$ -	\$ 69,734,338

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

Governmental Activities:	Amounts
General Government	\$ 715,522
Public Safety	491,678
Highways and Bridges	1,082,080
Health and Welfare	19,207
Culture and Recreation	4,100
Total Depreciation Expense - Governmental Activities	\$2,312,587

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

DISCRETELY PRESENTED COMPONENT UNITS:Grand Forks County Water Resource District:

The following is a summary of changes in capital assets for the Grand Forks County Water Resource District, a discretely presented component unit of Grand Forks County for the year ended December 31, 2011:

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
<i>Capital assets not being depreciated:</i>				
Land	\$329,785	\$ -	\$ -	\$329,785
<i>Capital assets being depreciated:</i>				
Equipment	\$331,064	\$53,860	\$(24,000)	\$360,924
Land Improvements	235,517	39,533	-	275,050
Total Capital Assets, Being Depreciated	\$566,581	\$93,393	\$(24,000)	\$635,974
<i>Less Accumulated Depreciation for:</i>				
Equipment	\$147,109	\$ 7,754	\$ (4,900)	\$149,963
Land Improvements	744	5,500	-	6,244
Total Accumulated Depreciation	\$147,853	\$13,254	\$ (4,900)	\$156,207
Total Capital Assets Being Depreciated, Net	\$418,728	\$80,139	\$(19,100)	\$479,767
Governmental Activities Capital Assets, Net	\$748,513	\$80,139	\$(19,100)	\$809,552

Depreciation expense totaling \$13,254 was charged to the conservation of natural resources function.

Greater Grand Forks Fair Association:

The following is a summary of changes in capital assets for the year ended December 31, 2011:

Governmental Activities:	Balance 1-1-11	Adjustment	Increases	Decreases	Balance 12-31-11
<i>Capital assets not being depreciated:</i>					
Land	\$ 99,398	\$(13,978)	\$ -	\$ -	\$ 85,420
<i>Capital assets being depreciated:</i>					
Equipment	\$151,695	\$ -	\$17,585	\$ -	\$169,280
Leasehold Improvements	377,585	-	50,493	-	428,078
Total Capital Assets, Being Depreciated	\$529,280	\$ -	\$68,078	\$ -	\$597,358
<i>Less Accumulated Depreciation for:</i>					
Equipment	\$ 97,203	\$ -	\$14,156	\$ -	\$111,359
Leasehold Improvements	229,015	-	18,233	-	247,248
Total Accumulated Depreciation	\$326,218	\$ -	\$32,389	\$ -	\$358,607
Total Capital Assets Being Depreciated, Net	\$203,062	\$ -	\$35,689	\$ -	\$238,751
Governmental Activities Capital Assets, Net	\$302,460	\$(13,978)	\$35,689	\$ -	\$324,171

Depreciation expense totaling \$32,389 was charged to the culture and recreation function.

NOTE 8: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2011 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 9: DEFERRED REVENUES

Deferred revenue consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. These amounts consist of prepaid taxes and uncollected taxes.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

NOTE 10: LONG-TERM DEBT

Primary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in long-term liabilities for Grand Forks County:

Governmental Activities:	Restated Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Bonds Payable	\$22,510,000	\$ -	\$(1,435,000)	\$21,075,000	\$1,485,000
Special Assessments	98,063	16	(21,829)	76,250	6,761
Compensated Absences *	1,388,566	69,175	-	1,457,741	145,774
Total Governmental Activities	\$23,996,629	\$69,191	\$(1,456,829)	\$22,608,991	\$1,637,535

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding debt (excluding compensated absences) at December 31, 2011 consists of the following issues:

Bonds Payable:

\$16,750,000 of 2008 Lease Revenue Bonds, due in annual installments of \$800,000 to \$1,275,000 through December 1, 2025; interest at 3.625% to 5.0% \$13,500,000

\$2,850,000 2004 Lease Revenue Bonds due in annual installments of \$115,000 to \$225,000 through October 2022; interest at 3.5% to 4.9%. 1,985,000

\$2,945,000 of 2008 Mortgage Revenue Bonds due in annual installments of \$235,000 to \$315,000 through March 2019 with interest at 2.7% to 4.0%. 2,230,000

\$2,645,000 of 2008 General Obligation Building Bonds due in annual installments of \$205,000 to \$285,000 through April 2013; interest at 3.25% to 3.8%. 2,020,000

\$1,880,000 General Obligation Refunding Bonds of 2004 due in annual installments of \$125,000 to \$190,000 from May 1, 2008 through May 2019; interest at 3.25% to 4.1%. 1,340,000

Total Primary Government Bonds Payable \$21,075,000

Special Assessments:

\$347,042 in special assessments for Flood Control (2001/2003) in which total yearly principle payments of \$8,391 are paid to the City of Grand Forks at an average interest rate of 5%. \$ 76,250

Total Primary Government Long-Term Debt
(Excluding Compensated Absences and Leases Payable) \$21,151,250

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

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

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	G.O. Bonds Payable		Special Assessment Payable	
	Principal	Interest	Principal	Interest
2012	\$ 1,485,000	\$ 908,554	\$ 6,761	\$ 3,902
2013	1,540,000	855,621	6,761	3,523
2014	1,585,000	798,003	6,761	3,143
2015	1,645,000	737,114	6,761	2,764
2016	1,725,000	670,897	6,761	2,385
2017 – 2021	8,095,000	1,935,471	38,125	12,104
2022 – 2026	5,000,000	924,198	4,320	244
Total	\$21,075,000	\$6,829,858	\$76,250	\$28,065

DISCRETELY PRESENTED COMPONENT UNITS:

Grand Forks County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in liabilities reported in long-term liabilities of governmental activities for the Grand Forks County Water Resource District:

	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Special Assessment Bonds	\$760,000	\$ -	\$(55,000)	\$705,000	\$75,000

Outstanding governmental activities WRD debt at December 31, 2011 is comprised of the following individual issues:

Special Assessment Bonds:

\$680,000 Refunding Improvement Bonds of 2002 due in annual installments of \$35,000 to \$60,000 through 2017; interest at 2.5% to 4.7%. \$330,000

\$375,000 Improvement Bond; due in annual installments of \$25,000 through 2026; interest at 1% to 3.2%. 375,000

Total Water Resource District Special Assessment Bonds \$705,000

Debt service requirements on long-term debt for governmental activities of the water resource district at December 31, 2011 are as follows:

GOVERNMENTAL ACTIVITIES - WRD		
Year Ending December 31	Special Assessment Bonds	
	Principal	Interest
2012	\$ 75,000	\$ 22,996
2013	75,000	20,546
2014	80,000	17,889
2015	80,000	14,956
2016	85,000	11,775
2017 - 2021	185,000	30,135
2022-2026	125,000	9,975
Totals	\$705,000	\$128,272

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

Greater Grand Forks Fair Association:

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in liabilities reported in long-term liabilities of governmental activities for the Greater Grand Forks Fair Association:

	Restated Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Special Assessments	\$ 5,011	\$ -	\$ (422)	\$ 4,589	\$ 422
Loans	16,543	-	(3,039)	13,504	3,167
Total Governmental Activities	\$21,554	\$ -	\$(3,461)	\$18,093	\$3,589

Outstanding debt at December 31, 2011 consists of the following individual items:

Special Assessments:

\$10,804 in special assessments for the Grand Forks Fair Grounds in which principle payments of \$422 are paid to the City of Grand Forks at an average interest rate of 5%.

\$ 4,589

Fair Board Loans Payable:

\$30,000 Loan from First State Bank for a land purchase in annual installments of \$3,742 through September 30, 2015 with interest at 4.25%.

13,504

Total Fair Board Long-Term Debt

\$18,093

Debt service requirements on fair long-term debt at December 31, 2011 are as follows:

GOVERNMENTAL ACTIVITIES - FAIR				
Year Ending December 31	Fair Loans Payable		Special Assessments Payable	
	Principal	Interest	Principal	Interest
2012	\$ 3,167	\$ 575	\$ 422	\$ 233
2013	3,303	439	422	209
2014	3,444	299	422	186
2015	3,590	153	422	162
2016	-	-	422	162
2017 – 2021	-	-	1,688	507
2022 - 2025	-	-	791	76
Totals	\$13,504	\$1,466	\$4,589	\$1,535

NOTE 11: OPERATING LEASES

The County entered into 7-year operating leases for twelve motor graders that are cancellable on an annual basis; thus, they are considered year to year operating leases. There are balloon purchase amounts available at the end of the lease term available to the County should they decide to purchase them. It is the County's intention to only rent the motor graders.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

The County is engaged in various operating leases which include copiers, postage machines, and printers. The County departments are listed along with the piece of equipment that is being leased by that department in the following schedules.

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	County Social Services HASLER-Postage	County Social Services CANNON-Copier	County Sheriff ABM - Copier	County Social Services BTA-Printers
2012	\$ 895	\$5,208	\$2,004	\$2,096
2013	895	1,736	2,004	2,096
2014	895	-	2,004	699
2015	895	-	1,002	-
2016	224	-	-	-
Totals	\$ 3,804	\$6,944	\$7,014	\$4,891

NOTE 12: DEFICIT BALANCES

The following funds were in a deficit fund balance position at December 31, 2011:

Governmental Funds	Balance
2005 Lease Revenue Bonds	\$(158,228)
FEMA 2011	(187,832)

Deficits in the funds listed above should be eliminated when the county receives reimbursements, fee charges, tax collections and interfund transfers.

NOTE 13: PENSION PLANNorth Dakota Public Employee's Retirement System

Grand Forks County contributes to the North Dakota Public Employee's Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 4% of their annual covered salary. The county is required to contribute 5.26% of the employee's salary, which consists of 4.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The County's contributions to NDPERS for the years ending December 31, 2011, 2010, and 2009 were \$626,896, \$604,870, and \$552,475, respectively, equal to the required contributions for the year.

NOTE 14: RISK MANAGEMENT

Grand Forks 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. Grand Forks County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF for automobile and general liability is limited to losses of two million dollars per occurrence. Public assets coverage is limited to \$4,711,861.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

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

Grand Forks County has workers compensation with the ND Workforce Safety and Insurance.

Grand Forks County pays annual premiums for flood insurance with the Harleysville insurance company and the Lexington Insurance Company. The County also pays an annual premium to the Hartford Steam Boiler Inspection and Insurance Company for the County boiler.

NOTE 15: CONDUIT DEBT

From time to time, the county has issued Community Development Block Grant Loans and Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans and bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans and bonds, ownership of the acquired facilities transfers to the private-sector entity served by the loan issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

As of December 31, 2011, there were no CDBG loans outstanding that had a balance at the end of the audit period.

As of December 31, 2011, there were the following Industrial Revenue Bonds issued:

Bonds Issued	Amount
Valley Home Nursing Services	\$ 2,000,000
UND Aerospace Hangar Construction	2,000,000
UND Sports Facilities	6,851,000
Easter Seals Good Will, Inc.	500,000
Northland Rescue Mission	450,000
St. Anne's Building Corporation	725,000
UND Research Foundation Project	6,500,000
Valley Homes and Services Project	6,195,000
YMCA Project	2,100,000
Special Olympics	243,693
Total	\$27,564,693

As of the year ending December 31, 2011, Grand Forks County is currently involved in a program that had issued Recovery Zone Facility Bonds. Recovery Zone Facility Bonds are a new type of tax-exempt private activity bond created by the American Recovery and Reinvestment Act, passed by Congress in February 2009. They may be used to finance certain kinds of business development activities in areas of significant economic distress.

As of December 31, 2011, there were five Recovery Zone Facility bond issuances which had a combined total of \$38,358,000.

As of the year ending December 31, 2011, Grand Forks County is currently involved in a program that had issued Recovery Economic Development Bonds. Recovery Zone Economic Development Bonds are a new type of bond created by the American Recovery and Reinvestment Act (ARRA) passed by Congress in February 2009. They may be used to finance government projects with economic development outcomes.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

As of December 31, 2011, there were two Recovery Zone Economic Development Bond issuances which had a combined total of \$28,420,000.

As of the year ending December 31, 2011, Grand Forks County is currently involved in a program that had issued Qualified Zone Academy Bonds. Qualified Zone Academy Bonds (QZABs) are a U.S. debt instrument created by Section 226 of the Taxpayer Relief Act of 1997. QZABs allow certain qualified schools to borrow at nominal interest rates (as low as zero percent) for costs incurred in connection with the establishment of special programs in partnership with the private sector.

As of December 31, 2011, there was one Qualified Zone Academy Bond issuance which totaled \$5,000,000.

As of the year ending December 31, 2011, Grand Forks County is currently involved in a program that had issued Qualified School Construction Bonds. Qualified School Construction Bond (QSCB) is a U.S. debt instrument created by Section 1521 of the American Recovery and Reinvestment Act of 2009. Section 54F of the Internal Revenue code covers QSCBs. QSCBs allow schools to borrow at nominal at zero percent for the rehabilitation, repair and equipping of schools. In addition, QSCB funds can be used to purchase land on which a public school will be built. The QSCB lender receives a Federal tax credit in lieu of receiving an interest payment. The tax credit rate is set by the IRS each day.

As of December 31, 2011, there was one Qualified School Construction Bond issuance which totaled \$6,230,000.

As of the year ending December 31, 2011, Grand Forks County is currently involved in a program that had issued Taxable Wellness Center Revenue Bonds. These bonds have been given to entities that do not have or wish to improve wellness centers within municipals.

As of December 31, 2011, there was one Taxable Wellness Center Revenue Bond issuance which totaled \$1,350,000.

NOTE 16: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2011:

	Transfers In	Transfers Out
General Fund	\$ 320,655	\$ 12,332
Social Security	5,858	319,962
Comprehensive Health	6,474	-
Refunding Imp. Bonds 95	-	693
Mortgage Revenue Bonds 1998	-	322,210
2005 Lease Revenue Bonds	-	1,357,125
Lease Revenue Bonds 2005	1,357,125	-
Lease Revenue Bonds 2008	322,210	-
Total Transfers	\$2,012,322	\$2,012,322

Transfers are used to 1) move unrestricted general fund revenues to finance various programs including the regional correctional center; and 3) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.

NOTE 17: JOINT VENTURES

Under authorization of state statutes, Rush River Water Resource District joined Southeast Cass Water Resource District, North Cass Water Resource District, Maple River Water Resource District, and the water resource districts of Richland County, Grand Forks County, Pembina County, Traill County, Steele County, Walsh County, Nelson County, Ransom County, & Sargent County to establish and operate a joint exercise of powers agreement for

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

the water management districts located within the Red River Valley. Known as the Red River Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution each year depends on where Red River Joint Water Resource Board projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2011, which is the most current audited information available:

Total Assets	\$4,972,670
Total Liabilities	447,210
Total Equity	<u>4,525,460</u>
Revenues	1,440,397
Expenses	<u>897,230</u>
Change in Net Assets	<u>\$ 543,167</u>

Complete financial statements for the Red River Joint Water Resource District may be obtained from the Treasurer's office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

NOTE 18: PRIOR PERIOD ADJUSTMENTS

There were prior period adjustments for the period ending December 31, 2011 for Governmental Activities involving adjustments to the net capital assets and to the beginning fund balance to remove agency funds from the reported government funds.

Governmental Activities (County):	Amounts
Beginning Net Assets, as previously reported	\$58,995,070
Adjustments to restate the January 1, 2011 Net Assets:	
Fund Balance net adjustment to remove agency funds	(27,909)
Capital Assets net adjustment for cost and depreciation	(286,382)
Net Assets January 1, as restated	<u>\$58,680,779</u>

	Other Other Governmental Funds
Governmental Funds (County):	
Beginning fund balance	\$10,917,892
Adjustments to restate the January 1, 2009 fund balance:	
Fund Balance net adjustment to remove agency funds	(27,909)
Fund Balance, January 1, as restated	<u>\$10,889,983</u>

Governmental Activities (Fair Board):	Amounts
Beginning Net Assets, as previously reported	\$360,312
Adjustments to restate the January 1, 2011 Net Assets:	
Capital Assets net adjustment for cost of land reduction	(13,977)
Net Assets January 1, as restated	<u>\$346,335</u>

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,471,200	\$ 4,471,200	\$ 4,319,131	\$ (152,069)
Licenses, Permits and Fees	54,500	54,500	74,899	20,399
Intergovernmental	1,907,106	1,907,106	2,706,605	799,499
Charges for Services	1,062,831	1,062,831	1,489,886	427,055
Interest Income	150,000	150,000	46,663	(103,337)
Miscellaneous	46,600	46,600	262,447	215,847
Total Revenues	\$ 7,692,237	\$ 7,692,237	\$ 8,899,631	\$ 1,207,394
<u>Expenditures:</u>				
Current:				
General Government	\$ 4,116,619	\$ 4,138,506	\$ 3,775,089	\$ 363,417
Public Safety	3,415,540	3,429,385	3,904,320	(474,935)
Economic Development	128,854	128,854	114,357	14,497
Capital Outlay	190,000	190,000	44,432	145,568
Total Expenditures	\$ 7,851,013	\$ 7,886,745	\$ 7,838,198	\$ 48,547
Excess (Deficiency) of Revenues Over Expenditures	\$ (158,776)	\$ (194,508)	\$ 1,061,433	\$ 1,255,941
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 314,601	\$ 314,601	\$ 320,655	\$ 6,054
Transfers Out	(15,000)	(15,000)	(12,332)	2,668
Total Other Financing Sources and Uses	\$ 299,601	\$ 299,601	\$ 308,323	\$ 8,722
Net Change in Fund Balances	\$ 140,825	\$ 105,093	\$ 1,369,756	\$ 1,264,663
Fund Balance - January 1	\$ 2,786,499	\$ 2,786,499	\$ 2,786,499	\$ -
Fund Balance - December 31	\$ 2,927,324	\$ 2,891,592	4,156,255	\$ 1,264,663

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,163,576	\$ 1,163,576	\$ 1,110,262	\$ (53,314)
Intergovernmental	60,700	60,700	124,746	64,046
Total Revenues	<u>\$ 1,224,276</u>	<u>\$ 1,224,276</u>	<u>\$ 1,235,008</u>	<u>\$ 10,732</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 1,852,729</u>	<u>\$ 1,852,729</u>	<u>\$ 1,519,218</u>	<u>\$ 333,511</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (628,453)</u>	<u>\$ (628,453)</u>	<u>\$ (284,210)</u>	<u>\$ 344,243</u>
Fund Balance - January 1	<u>\$ 1,188,760</u>	<u>\$ 1,188,760</u>	<u>\$ 1,188,760</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 560,307</u>	<u>\$ 560,307</u>	<u>\$ 904,550</u>	<u>\$ 344,243</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 2,371,593	\$ 2,371,593	\$ 4,389,916	\$ 2,018,323
Charges for Services	371,866	371,866	372,674	808
Miscellaneous	10,523	10,523	49,362	38,839
Total Revenues	<u>\$ 2,753,982</u>	<u>\$ 2,753,982</u>	<u>\$ 4,811,952</u>	<u>\$ 2,057,970</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 3,311,497</u>	<u>\$ 3,771,497</u>	<u>\$ 3,752,675</u>	<u>\$ 18,822</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (557,515)</u>	<u>\$ (1,017,515)</u>	<u>\$ 1,059,277</u>	<u>\$ 2,076,792</u>
Fund Balance - January 1	<u>\$ 2,795,783</u>	<u>\$ 2,795,783</u>	<u>\$ 2,795,783</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 2,238,268</u>	<u>\$ 1,778,268</u>	<u>\$ 3,855,060</u>	<u>\$ 2,076,792</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,106,750	\$ 4,106,750	\$ 3,934,412	\$ (172,338)
Intergovernmental	1,533,330	1,533,330	1,942,714	409,384
Miscellaneous	-	-	21,468	21,468
Total Revenues	<u>\$ 5,640,080</u>	<u>\$ 5,640,080</u>	<u>\$ 5,898,594</u>	<u>\$ 258,514</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	<u>\$ 5,477,520</u>	<u>\$ 5,477,520</u>	<u>\$ 5,352,509</u>	<u>\$ 125,011</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 162,560</u>	<u>\$ 162,560</u>	<u>\$ 546,085</u>	<u>\$ 383,525</u>
Fund Balance - January 1	<u>\$ 420,329</u>	<u>\$ 420,329</u>	<u>\$ 420,329</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 582,889</u>	<u>\$ 582,889</u>	<u>\$ 966,414</u>	<u>\$ 383,525</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SECURITY FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,955,552	\$ 2,955,552	\$ 2,831,197	\$ (124,355)
Intergovernmental	147,425	147,425	315,784	168,359
Total Revenues	<u>\$ 3,102,977</u>	<u>\$ 3,102,977</u>	<u>\$ 3,146,981</u>	<u>\$ 44,004</u>
<u>Expenditures:</u>				
Current:				
General Government	<u>\$ 2,799,978</u>	<u>\$ 2,799,978</u>	<u>\$ 2,675,589</u>	<u>\$ 124,389</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 302,999</u>	<u>\$ 302,999</u>	<u>\$ 471,392</u>	<u>\$ 168,393</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 5,858	\$ 5,858
Transfers Out	<u>(314,601)</u>	<u>(314,601)</u>	<u>(319,962)</u>	<u>(5,361)</u>
Total Other Financing Sources and Uses	<u>\$ (314,601)</u>	<u>\$ (314,601)</u>	<u>\$ (314,104)</u>	<u>\$ 497</u>
Net Change in Fund Balances	<u>\$ (11,602)</u>	<u>\$ (11,602)</u>	<u>\$ 157,288</u>	<u>\$ 168,890</u>
Fund Balance - January 1	<u>\$ 173,479</u>	<u>\$ 173,479</u>	<u>\$ 173,479</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 161,877</u></u>	<u><u>\$ 161,877</u></u>	<u><u>\$ 330,767</u></u>	<u><u>\$ 168,890</u></u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
REGIONAL CORRECTIONAL CENTER FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,956,700	\$ 1,956,700	\$ 1,884,237	\$ (72,463)
Intergovernmental	109,825	109,825	213,049	103,224
Charges for Services	2,131,700	2,131,700	2,081,872	(49,828)
Miscellaneous	4,000	4,000	13,441	9,441
Total Revenues	<u>\$ 4,202,225</u>	<u>\$ 4,202,225</u>	<u>\$ 4,192,599</u>	<u>\$ (9,626)</u>
<u>Expenditures:</u>				
Current:				
Public Safety	<u>\$ 4,222,424</u>	<u>\$ 4,227,824</u>	<u>\$ 3,975,406</u>	<u>\$ 252,418</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (20,199)</u>	<u>\$ (25,599)</u>	<u>\$ 217,193</u>	<u>\$ 242,792</u>
Fund Balance - January 1	<u>\$ 765,864</u>	<u>\$ 765,864</u>	<u>\$ 765,864</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 745,665</u>	<u>\$ 740,265</u>	<u>\$ 983,057</u>	<u>\$ 242,792</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
EMERGENCY FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 5,277	\$ 5,277
Intergovernmental	-	-	88	88
Total Revenues	\$ -	\$ -	\$ 5,365	\$ 5,365
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,000,000)	\$ (1,000,000)	\$ 5,365	\$ 1,005,365
Fund Balance - January 1	\$ 889,964	\$ 889,964	\$ 889,964	\$ -
Fund Balance - December 31	\$ (110,036)	\$ (110,036)	\$ 895,329	\$ 1,005,365

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The county commission adopts an “appropriated budget” on the modified accrual basis of accounting.
- The county auditor prepares an annual budget for the general fund and each special revenue fund of the county. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.
- The county commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The board of county commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the county auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

GRAND FORKS COUNTY
Grand Forks, North Dakota

Schedule of Fund Activity - Client Basis
For the Year Ended December 31, 2011

	Balance 1-1-2011	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12-31-2011
Major Funds:						
General Fund (1000)	\$ 2,439,491.31	\$ 8,766,678.37	\$ 320,655.20	\$ 12,332.23	\$ 7,822,014.11	\$ 3,692,478.54
Farm to Market Roads (2110)	1,188,759.38	1,205,868.19	-	-	1,519,218.42	875,409.15
Highway Tax Distribution (2150)	2,486,795.22	4,757,352.16	-	-	3,760,445.72	3,483,701.66
Social Services (2210)	260,947.66	5,897,971.17	-	-	5,269,872.22	889,046.61
Emergency Fund (2910)	889,964.15	5,364.38	-	-	-	895,328.53
Social Security (2930)	173,478.91	3,075,725.02	5,858.17	319,962.15	2,675,589.88	259,510.07
Regional Correctional Center (2980)	800,005.07	4,095,661.34	-	-	3,965,183.48	930,482.93
Total Major Funds	\$ 8,239,441.70	\$ 27,804,620.63	\$ 326,513.37	\$ 332,294.38	\$ 25,012,323.83	\$ 11,025,957.49
Nonmajor Funds:						
Special Revenue Funds:						
County Reserve (2120)	\$ 893,093.51	\$ 38,590.00	\$ -	\$ -	\$ -	\$ 931,683.51
County Road & Bridge (2140)	27,068.31	51,363.70	-	-	52,406.93	26,025.08
FEMA 2009 (2161)	128,380.11	10,885.72	-	-	78,706.66	60,559.17
FEMA 2010 (2162)	233,143.18	-	-	-	90,119.89	143,023.29
FEMA 2011 (2163)	-	99,951.07	-	-	287,782.77	(187,831.70)
Crime Prevention Fund (2505)	967.75	479.95	-	-	1,447.70	-
Grand Forks Narcotics Task Force (2520)	379.47	8,789.94	-	-	8,261.38	908.03
Keys Grant JABG - 2001 (2542)	11,206.60	-	-	-	1,617.96	9,588.64
Victims Reparation Program (2550)	7,017.08	2,713.26	-	-	576.19	9,154.15
Court Improve Grant-Fire Alarm (2572)	-	11,559.38	-	-	11,559.38	-
Veteran Service (2920)	24,399.14	156,912.50	-	-	160,509.03	20,802.61
Comprehensive Health (2935)	(17,396.86)	1,637,579.54	6,474.06	-	1,356,886.86	269,769.88
Insurance Reserve (2938)	185,979.07	417,097.59	-	-	355,729.56	247,347.10
Advertising (2940)	16,469.40	10,512.10	-	-	12,423.33	14,558.17
NDSU Extension (2960)	58,709.63	362,090.68	-	-	363,053.14	57,747.17
Weed Control (2970)	91,017.77	253,492.54	-	-	304,286.58	40,223.73
Asset Forfeiture (2990)	35,636.16	11,445.10	-	-	2,558.00	44,523.26
Adult Drug Court (2991)	187.47	-	-	-	175.83	11.64
GFCSS Client Opportunity (6010)	103,151.40	13,144.60	-	-	6,858.34	109,437.66
County Recorder Technology Fund (7001)	43,702.23	32,967.00	-	-	29,808.88	46,860.35
County Park (8012)	75,427.16	-	-	-	-	75,427.16
Hazardous Chemicals (8027)	13,835.70	3,300.00	-	-	33.53	17,102.17
Contract Policing (8094)	(5,278.84)	46,181.57	-	-	39,852.20	1,050.53
Water Rescue Unit (8098)	15,430.61	9,700.00	-	-	17,295.35	7,835.26
Total Nonmajor Special Revenue Funds	\$ 1,942,526.05	\$ 3,178,756.24	\$ 6,474.06	\$ -	\$ 3,181,949.49	\$ 1,945,806.86
Debt Service Funds:						
Refunding Imp. Bonds 95 (2170)	\$ -	\$ 693.05	\$ -	\$ 693.05	\$ -	\$ -
Courthouse Building Sinking-2003 (2986)	21,431.23	245,331.84	-	-	224,770.01	41,993.06
GO Bonds 1999 COB (4002)	16,752.27	285,999.75	-	-	290,842.53	11,909.49
Mortgage Revenue Bonds 1998 (4003)	7,808.77	332,483.94	-	322,210.24	1,700.00	16,382.47
GO Bonds 1999B Parking Ramp (4004)	36,260.76	179,392.35	-	-	198,716.25	16,936.86
2005 Lease Revenue Bonds (4005)	(206,283.83)	1,406,930.65	-	1,357,125.00	1,750.00	(158,228.18)
Special Assessments (5000)	6,636.83	31,851.02	-	-	25,361.00	13,126.85
Lease Revenue Bonds 2005 (off-book)	-	-	1,357,125.00	-	1,357,125.00	-
Lease Revenue Bonds 2008 (off-book)	2.27	-	322,210.24	-	322,212.50	0.01
Total Nonmajor Debt Service Funds	\$ (117,391.70)	\$ 2,482,682.60	\$ 1,679,335.24	\$ 1,680,028.29	\$ 2,422,477.29	\$ (57,879.44)
Capital Projects Funds:						
Parking Ramp Maintenance (2989)	\$ 59,963.92	\$ 84,540.60	\$ -	\$ -	\$ 93,208.95	\$ 51,295.57
Total Nonmajor Capital Projects Funds	\$ 59,963.92	\$ 84,540.60	\$ -	\$ -	\$ 93,208.95	\$ 51,295.57
Total Nonmajor Governmental Funds	\$ 1,885,098.27	\$ 5,745,979.44	\$ 1,685,809.30	\$ 1,680,028.29	\$ 5,697,635.73	\$ 1,939,222.99
Total Governmental Funds	\$ 10,124,539.97	\$ 33,550,600.07	\$ 2,012,322.67	\$ 2,012,322.67	\$ 30,709,959.56	\$ 12,965,180.48

Continued on next page....

GRAND FORKS COUNTY
Grand Forks, North Dakota

Schedule of Fund Activity - Client Basis
For the Year Ended December 31, 2011

CONTINUED....	Balance 1-1-2011	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12-31-2011
Agency Funds:						
County Fair (2410)	\$ 434.78	\$ 86,378.38	\$ -	\$ -	\$ 87,787.63	\$ (974.47)
Extension Office Special (7015)	100,120.95	133,267.55	-	-	112,303.78	121,084.72
State Tax (8001)	1,007.27	191,793.43	-	-	194,973.37	(2,172.67)
Airport Authority (8019)	741.62	159,160.30	-	-	163,404.06	(3,502.14)
Economic Development (2950)	1,164.01	233,207.93	-	-	236,666.17	(2,294.23)
Health District (2965)	16,966.08	549,962.73	-	-	442,285.00	124,643.81
County Library Services (8007)	1,754.93	460,972.68	-	-	467,712.54	(4,984.93)
Domestic Violence (8004)	1,085.00	17,850.00	-	-	18,235.00	700.00
Historical Society (2310)	251.64	49,373.75	-	-	50,177.44	(552.05)
Senior Citizens (2350)	1,007.22	329,934.74	-	-	333,113.98	(2,172.02)
Garrison Diversion (8005)	1,008.96	206,070.36	-	-	209,251.55	(2,172.23)
Water Resource District (8006)	3,423.95	676,794.56	-	-	687,586.40	(7,367.89)
Red River Joint Board (8008)	993.28	397,260.54	-	-	402,704.39	(4,450.57)
Ambulance Fund (8010)	6,023.63	1,228,724.04	-	-	1,247,797.69	(13,050.02)
State Aid (8011)	-	2,733,037.91	-	-	2,733,037.91	-
Western Soil Cons. (8013)	-	1.88	-	-	1.88	-
Paid Under Protest (8014)	5,974.15	-	-	-	-	5,974.15
Prepaid Taxes (8015)	24.54	50,750.19	-	-	49,884.52	890.21
Bond Money (8018)	300.00	36,763.03	-	-	36,613.03	450.00
GF County Bonds (8020)	2,300.00	150,351.00	-	-	149,801.00	2,850.00
AFLAC-Flexible Spending (8028)	38,880.78	178,068.39	-	-	176,706.36	40,242.81
Electric Tax (8029)	-	330,768.69	-	-	330,768.69	-
Homestead Credit (8030)	-	348,808.63	-	-	348,808.63	-
Disabled Veterans Credit (8031)	-	324,837.66	-	-	324,837.66	-
Eastern Soil Cons. (8033)	5.31	19.94	-	-	24.97	0.28
Financial Institution Tax (8034)	-	690,709.54	-	-	690,709.54	-
Telecommunications Tax (8036)	-	667,387.14	-	-	667,387.14	-
Road & Bridge Townships (8041)	-	478,799.97	-	-	478,799.97	-
State Game & Fish Tax (8045)	-	12,203.30	-	-	12,203.30	-
Waterfowl Protection (8046)	-	6,092.00	-	-	6,092.00	-
ND State Land Department (8054)	-	188.61	-	-	188.61	-
GFC Soil Conservation District (8063)	1,314.57	299,817.21	-	-	304,410.59	(3,278.81)
UAS Contract #09-11.041 (8070)	-	44,624.97	-	-	44,624.97	-
BRIC-OEA Grant 2011 (8071)	-	77,049.00	-	-	77,048.85	0.15
BRIC-OEA Grant (8076)	1,338.56	642.00	-	-	1,234.49	746.07
Sheriff's Trust (8082)	8,054.80	43,774.88	-	-	44,351.04	7,478.64
States Attorney Trust (8083)	22,189.33	-	-	-	22,189.33	-
Juvenile Donations (8084)	994.98	-	-	-	844.98	150.00
Social Service Special Depository (8086)	20,506.76	24,483.56	-	-	29,106.29	15,884.03
HIDA-Special Deposit (8087)	-	2,321.88	-	-	2,223.20	98.68
Game and Fish (8088)	184,185.00	243,972.00	-	-	263,244.00	164,913.00
Sheriff Reserve Fund (8089)	2,669.00	-	-	-	2,669.00	-
GF City Unpaid Specials (8090)	-	45,595.55	-	-	420.07	45,175.48
Payroll Deductions	2,975.98	16,728,636.29	-	-	16,732,103.62	(491.35)
Total Cities	3,644,664.57	23,684,092.36	-	-	23,516,850.49	3,811,906.44
Total Parks	912,380.85	5,703,246.66	-	-	5,607,944.71	1,007,682.80
Total Townships	227,649.72	838,335.60	-	-	824,698.52	241,286.80
Total School Districts	5,034,116.65	27,250,017.76	-	-	27,036,256.62	5,247,877.79
Total Drains	84,371.17	253,909.97	-	-	243,099.29	95,181.85
Total Fire Districts	48,174.30	186,755.83	-	-	183,906.01	51,024.12
Total Agency Funds	\$ 10,379,054.34	\$ 86,156,814.39	\$ -	\$ -	\$ 85,597,090.28	\$ 10,938,778.45
Total Primary Government	\$ 20,503,594.31	\$ 119,707,414.46	\$ 2,012,322.67	\$ 2,012,322.67	\$ 116,307,049.84	\$ 23,903,958.93

GRAND FORKS COUNTY
Grand Forks, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u>		
<u>Passed Through State Department of Human Services:</u>		
Foster Grandparent Program	94.011	\$ 7,650
<u>U.S. DEPARTMENT OF JUSTICE:</u>		
<u>Passed Through State's Association of Counties:</u>		
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	\$ 2,480
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed Through State Department of Human Services:</u>		
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	\$ 10,138
Projects for Assistance in Transition from Homelessness (PATH)	93.150	221
Promoting Safe and Stable Families	93.556	43,145
Temporary Assistance for Needy Families	93.558	** 414,043
Child Support Enforcement	93.563	50,032
Low-Income Home Energy Assistance	93.568	79
Child Care and Development Block Grant	93.575	5,669
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	28,772
Stephanie Tubbs Jones Child Welfare Services Program	93.645	9,331
Foster Care-Title IV-E	93.658	** 348,124
Adoption Assistance	93.659	3,677
Chafee Foster Care Independence Program	93.674	67,433
Children's Health Insurance Program	93.767	6,444
Medical Assistance Program	93.778	130
Maternal and Child Health Services Block Grant to the States	93.994	7,029
National Family Caregiver Support, Title III, Part E	93.052	2,006
Block Grants for Community Mental Health Services	93.958	1,288
Block Grants for Prevention and Treatment of Substance Abuse	93.959	16,770
Social Services Block Grant	93.667	20,229
Total U.S. Department of Health and Human Services		\$ 1,034,560
<u>U.S. DEPARTMENT OF EDUCATION:</u>		
<u>Passed Through State Department of Human Services:</u>		
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	\$ 63,055
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>		
<u>Passed Through State Department of Human Services:</u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 433
<u>U.S. DEPARTMENT OF COMMERCE:</u>		
<u>Passed Through State Department of Emergency Services:</u>		
Public Safety Interoperable Communications Grant Program	11.555	\$ 4,272
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed Through State Department of Emergency Services:</u>		
Boating Safety Financial Assistance	97.012	\$ 4,850
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	** 402,889
Emergency Management Performance Grants	97.042	69,180
Homeland Security Grant Program	97.067	** 363,254
Total U.S. Federal Management Agency		\$ 840,173.00

GRAND FORKS COUNTY
Grand Forks, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
CONTINUED.....		
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through State Highway Department:</u>		
State and Community Highway Safety	20.600	\$ 7,500
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>40,900</u>
Total U.S. Department of Transportation		<u>\$ 48,400</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 2,001,023</u>

** - Major Program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Grand Forks County under programs of the federal government for the year ended December 31, 2011. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Grand Forks County, it is not intended to and does not present the financial position or changes in net assets of Grand Forks County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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

Board of County Commissioners
Grand Forks County
Grand Forks, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County as of and for the year ended December 31, 2011, which collectively comprise Grand Forks County's basic financial statements and have issued our report thereon dated June 25, 2012. 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.

Internal Control Over Financial Reporting

Management of Grand Forks County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Grand Forks County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grand Forks County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grand Forks County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grand Forks 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*.

We noted one matter that we reported to the management of Grand Forks County in a separate letter dated June 25, 2012.

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the county, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bob Peterson". The signature is written in black ink and is positioned above the printed name and title.

Robert R. Peterson
State Auditor

June 25, 2012

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Grand Forks County
Grand Forks, North Dakota

Compliance

We have audited Grand Forks County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Grand Forks County's major federal programs for the year ended December 31, 2011. Grand Forks County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Grand Forks County's management. Our responsibility is to express an opinion on Grand Forks County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grand Forks County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Grand Forks County's compliance with those requirements.

In our opinion, Grand Forks County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Grand Forks County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Grand Forks County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grand Forks County's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the county, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bob Peterson".

Robert R. Peterson
State Auditor

June 25, 2012

GRAND FORKS COUNTY
Grand Forks, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	
Governmental Activities	Unqualified
Aggregate discretely presented component units	Unqualified on modified cash basis
Major Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal Control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u>
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal Control over major programs:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified?	_____ Yes	_____ <u>X</u> None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	_____ <u>X</u> No

Identification of major programs:

CFDA Numbers	Name of Federal Program Or Cluster
93.558	Temporary Assistance for Needy Families
93.658	Foster Care - Title IV E
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes _____ No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.