

OFFICE OF STATE AUDITOR

AUDIT REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 2013



GRAND FORKS COUNTY
Grand Forks, North Dakota

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GRAND FORKS COUNTY
Grand Forks, North Dakota

COUNTY OFFICIALS

December 31, 2013

Cynthia Pic	Commissioner - Chairman
William "Spud" Murphy	Commissioner - Vice-Chairman
Gary Malm	Commissioner
Diane Knauf	Commissioner
John Schmisek	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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, Grand Forks, North Dakota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Forks County, Grand Forks, North Dakota, as of December 31, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* and on pages 4-10 and 40-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand Forks County's basic 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2014 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* in considering Grand Forks County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
July 1, 2014

GRAND FORKS COUNTY
Grand Forks, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

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, 2013. 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, 2013 are as follows:

- The assets of Grand Forks County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$68,970,517. Of this amount, \$6,673,372 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position of Grand Forks County increased \$3,277,681, which included a \$4,729 prior period adjustment that increased net position, as a result of the most recently completed fiscal year's operations
- Total revenues from all sources were \$38,823,234 on the government-wide statement of activities and \$38,839,487 on the modified accrual basis.
- Total expenses were \$35,545,553 on the government-wide statement of activities and total expenditures were \$45,555,154 on the modified accrual basis.
- The County's general fund had \$10,447,718 in total revenues and \$9,653,766 in total expenditures. There was a total of \$410,038 added by other financing sources. Overall, the general fund balance increased by \$1,203,990 for the year ended December 31, 2013. Unassigned fund balance of the general fund totaled \$6,935,248 or 72% of general fund expenditures.
- *At the close of the report year, Grand Forks County's governmental funds reported a combined ending fund balance of \$22,039,666. The unassigned governmental fund combined balance is \$6,935,248 or 31% of total fund balances, which is available for spending at the government's discretion.*
- Long-term liabilities decreased by \$995,254 (4%) for year ended December 31, 2013.

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 position* presents information on all of Grand Forks County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in 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 41 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, regional correctional center fund, and the 2013 lease revenue refunding bond, 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 20-39 of the report.

Government-wide Financial Analysis

As noted earlier, net position 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 \$68,970,517 at the close of the most recent fiscal year.

By far the largest portion of Grand Forks County's net position totaling \$48,282,769 (70%) reflects its net investment in capital assets (e.g., land, building, machinery, and equipment). 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 position totaling \$14,014,376 (20%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$6,673,372) or 10% 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 position. The government's net position increased by \$3,277,682 during the current fiscal year.

TABLE I
NET POSITION
December 31, 2013 and 2012

<u>ASSETS:</u>	2013	2012
Current Assets	\$27,181,196	\$23,727,443
Capital Assets (net of accumulated depreciation)	69,284,407	70,521,201
Total Assets	<u>\$96,465,603</u>	<u>\$94,248,644</u>
<u>LIABILITIES:</u>		
Current Liabilities	\$ 411,091	\$ 230,760
Long-Term Liabilities	22,667,755	23,663,010
Total Liabilities	<u>\$23,078,846</u>	<u>\$23,893,770</u>
<u>DEFERRED INFLOWS:</u>		
Taxes Received in Advance	<u>\$ 4,416,240</u>	<u>\$ 4,662,039</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	\$48,282,769	\$48,333,237
Restricted	14,014,376	11,812,942
Unrestricted	6,673,372	5,546,656
Total Net Position	<u><u>\$68,970,517</u></u>	<u><u>\$65,692,835</u></u>

GRAND FORKS COUNTY

Management's Discussion and Analysis – Continued

Table II shows the changes in net position for the fiscal year ended December 31, 2013.

TABLE II		
CHANGES IN NET POSITION		
As of December 31, 2013 and 2012		
Revenues	<u>2013</u>	<u>2012</u>
<u>Program Revenues:</u>		
Charges for Services	\$ 3,804,142	\$ 4,193,240
Operating Grants & Contributions	10,330,577	8,391,270
Capital Grants & Contributions	-	-
<u>General Revenues:</u>		
Property Taxes	19,906,200	18,996,038
Non restricted grants and contributions	3,946,226	3,670,890
Interest Earnings	47,081	43,668
Miscellaneous Revenue	789,006	1,013,288
Total Revenues	<u>\$38,823,234</u>	<u>\$36,308,394</u>
Expenses		
General Government	\$11,446,214	\$ 9,654,070
Public Safety	8,374,589	8,498,929
Highways and Bridges	6,978,919	6,488,396
Flood Repair	50,058	305,002
Health and Welfare	6,358,508	5,551,970
Culture and Recreation	4,100	4,100
Conservation of Natural Resources	764,535	711,190
Economic Development	112,053	121,407
Other	104	104
Interest on Long Term Debt	1,426,943	-
Fiscal Agent Charges	29,530	884,474
Total Expenses	<u>\$35,545,553</u>	<u>\$32,219,642</u>
Net Change in Position	<u>\$ 3,277,681</u>	<u>\$ 4,088,752</u>
Net Position - January 1	\$65,688,107	\$61,588,721
Prior Period Adjustment	4,729	10,634
Net Position – January 1, as restated	<u>\$65,692,836</u>	<u>\$61,599,355</u>
Net Position - December 31	<u>\$68,970,517</u>	<u>\$65,688,107</u>

An increase in current assets of \$3,453,753 (15%) was noted due to revenues exceeding expenditures and other financing sources by \$3,507,289. Net investment in capital assets of \$48,282,769 remained consistent with the prior year.

Property taxes constituted 51%, operating and capital grants and contributions 27%, charges for services 10%, non-restricted grants and contributions 10%, and interest earnings and miscellaneous revenue made up 2% of the total revenues of governmental activities of the County for year ended December 31, 2013. Total revenues increased by \$2,514,840 or 6%.

GRAND FORKS COUNTY

Management's Discussion and Analysis – Continued

General government constituted 32%, public safety 23.5%, highways and bridges 20%, health & welfare 18%, interest and fiscal charges 4%, and the remaining 2.5% is split among six other categories of total expenses for governmental activities for the year ended December 31, 2013. Overall, expenses increased by \$3,325,911 (10%).

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 increased overall by 10% (\$3,325,911) as noted in the previous paragraph. Net costs of activities by function in total increased by 9% (\$1,775,702).

TABLE III
TOTAL AND NET COST OF SERVICES
As of December 31, 2013 and 2012

	Total Cost For Year Ended Dec. 31, 2013	Net Cost For Year Ended Dec. 31, 2013	Total Cost For Year Ended Dec. 31, 2012	Net Cost For Year Ended Dec. 31, 2012
General Government	\$11,446,214	\$ 9,712,372	\$ 9,654,070	\$ 7,938,876
Public Safety	8,374,589	5,034,379	8,498,929	5,315,644
Highways	6,978,919	80,643	6,488,396	1,141,536
Flood Repair	50,058	50,058	305,002	(150,300)
Health and Welfare	6,358,508	4,291,868	5,551,970	3,765,829
Culture and Recreation	4,100	4,100	4,100	4,100
Conserv. of Natural Resources	764,535	668,784	711,189	614,647
Economic Development	112,053	112,053	121,407	121,407
Other	104	104	104	(1,081)
Interest on Long Term Debt	1,426,943	1,426,943	-	-
Fiscal Agent Charges	29,530	29,530	884,474	884,474
Total Expenses	\$35,545,553	\$21,410,834	\$32,219,642	\$19,635,132

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 \$22,039,666, an increase of \$3,507,289 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 \$6,935,248. 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 72% of the total general fund expenditures.

The fund balance of Grand Forks County's general fund increased by \$1,203,990 during the current fiscal year. A key factor in this increase was revenues exceeding expenditures.

GRAND FORKS COUNTY

Management's Discussion and Analysis – Continued

General Fund Budgetary Highlights

The County amended the general fund 2013 budgeted expenditures by increasing them a total of \$15,000. The budget was amended for BRIC travel costs. Expenditures were over budget by a total of \$175,647 (1.85%). Revenues were greater than budgetary estimates in the general fund by \$1,586,366 (18%). The largest variance was receiving \$1,645,159 of intergovernmental revenue. 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, 2013 amounted to \$69,284,407 (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 \$1,236,794 and is mainly attributed to annual depreciation expense exceeding capital asset additions.

TABLE IV
CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2013 and 2012

	2013	2012
Land	\$ 505,895	\$ 448,895
Construction in Progress	29,456	-
Buildings	33,218,831	33,732,151
Infrastructure	31,625,490	32,102,141
Equipment	2,938,581	3,192,990
Furniture	68,055	92,690
Vehicles	898,099	952,335
Total Capital Assets (net of accumulated depreciation)	<u>\$69,284,407</u>	<u>\$70,521,201</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 \$21,001,638. Of this amount, \$1,947,590 is due within one year.

Grand Forks County's total bond debt decreased by \$1,186,414, (5%) during the current fiscal year. The decrease in debt is due solely to scheduled debt principal payments. The 2004 G.O. Bonds and the 2005 Lease Revenue Bonds were refunded in 2013. The 2005 Lease Revenue Bond was an advanced refunding with a December 2014 call date. The principal of the 2005 Lease Revenue Bond increased by \$235,000. The net savings on the 2004 bond was just under \$73,000 and the net savings on the 2005 bond was \$1,150,000.

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 \$118,748,308.

GRAND FORKS COUNTY

Management's Discussion and Analysis – Continued

TABLE V
OUTSTANDING LONG TERM DEBT
December 31, 2013 and 2012

	Total		Total	
	Outstanding Dec. 31, 2013	Due Within One Year	Outstanding Dec. 31, 2012	Due Within One Year
2003 Courthouse Bonds	\$ 1,670,000	\$ 170,000	\$ 1,825,000	\$ 155,000
2008 G.O. Refunding Bonds	1,565,000	240,000	1,795,000	230,000
2008 Mortgage Revenue Bonds	1,730,000	260,000	1,985,000	255,000
2004 G.O. Bonds	1,040,000	165,000	1,195,000	155,000
2005 Lease Revenue Bonds	12,260,000	875,000	12,775,000	750,000
Bond Premium-Unamortized	351,933	32,087	-	-
Lease Payable	2,365,720	203,510	2,561,654	195,935
Special Assessments	18,985	1,993	51,398	5,531
Total Debt	<u>\$21,001,638</u>	<u>\$1,947,590</u>	<u>\$22,188,052</u>	<u>\$1,746,466</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 12 to the audited financial statements on pages 31-34.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Grand Forks County is approximately 3.3 percent, which is .3 percent lower than the 2012 rate. This compares favorably to the national average rate of 7.4 percent.
- Inflationary trends in the region compare favorably to national indices.
- The total value of construction listed on building permits in Grand Forks City for 2013 was \$212,067,083, compared to \$129,729,350 in 2012, or a 63% increase.
- Demand for residential housing both within Grand Forks City and extraterritorial areas was strong in 2013.
- Expansion of Retail Sector with announcements and construction starts for major retailers including Wal-Mart, Scheels, Hobby Lobby, Panera Bread, Expressway Suites Hotel, Citizens Community Credit Union, My Place Hotel, Acme Tools, Dakota Pediatric Dentistry, HB Sound & Light, Wild Bill's, Hot Springs Spa and Shotgun Sally's.
- The taxable valuation of the County increased from \$212,068,470 in 2012 to \$225,425,010 in 2013, an increase of 5.85 percent.

All of these factors were considered in preparing Grand Forks County's budget for the 2014 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 POSITION
December 31, 2013

	Primary	Component Units	
	Governmental Activities	Water Resource District	Fair Association
ASSETS:			
Cash and Investments	\$ 24,894,000	\$ 2,698,691	\$ 121,071
Accounts Receivable	220,230	-	-
Intergovernmental Receivable	1,676,621	-	-
Special Assessments Receivable	-	522,851	-
Due from County	-	3,293	-
Other Receivable	-	11,248	-
Taxes Receivable	390,345	15,788	1,745
Other Assets:			
NSF Checks	-	-	669
Capital Assets not being depreciated:			
Land	505,895	329,785	85,420
Construction in Progress	29,456	-	-
Capital Assets net of accumulated depreciation:			
Infrastructure	31,625,490	-	-
Buildings	33,218,831	-	-
Leasehold Improvements	-	-	173,311
Land Improvements	-	421,959	-
Office Equipment	-	2,572	-
Equipment	2,938,581	181,119	59,762
Furniture	68,055	-	-
Vehicles	898,099	-	-
Total Capital Assets	<u>\$ 69,284,407</u>	<u>\$ 935,435</u>	<u>\$ 318,493</u>
Total Assets	<u>\$ 96,465,603</u>	<u>\$ 4,187,306</u>	<u>\$ 441,978</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 334,767	\$ 21,601	\$ 1,700
Salaries Payable	-	3,378	157
Sales tax Payable	178	-	-
Due to Other Governments	-	3,470	-
Deposit on Proposed Drains	-	47,000	-
Interest Payable	76,146	-	75
Grants Received in Advance	-	91,582	-
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	203,510	-	-
Special Assessments Payable	1,993	-	422
Loans Payable	-	-	3,303
Bonds Payable	1,710,000	80,000	-
Bond Premium-Unamortized	32,087	-	-
Compensated Absences Payable	166,612	-	-
Due After One Year:			
Capital Leases Payable	2,162,209	-	-
Special Assessments Payable	16,993	-	3,323
Loans Payable	-	-	3,724
Bonds Payable	16,555,000	475,000	-
Bond Premium-Unamortized	319,846	-	-
Compensated Absences Payable	1,499,505	-	-
Total Liabilities	<u>\$ 23,078,846</u>	<u>\$ 722,031</u>	<u>\$ 12,704</u>
DEFERRED INFLOWS:			
Taxes Received in Advance	<u>\$ 4,416,240</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 48,282,769	\$ 610,435	\$ 311,466
Restricted for:			
Debt Service	204,990	136,401	-
Capital Projects	82,906	-	-
Public Safety	424,338	-	-
Highways and Bridges	7,872,810	-	-
Flood Repair	172,366	-	-
Health and Welfare	1,371,266	-	-
Culture and Recreation	75,427	-	-
Conservation of Natural Resources	181,338	-	-
Emergency	937,457	-	-
Other Purposes	2,691,478	-	-
Drain Maintenance	-	896,851	-
Unrestricted	<u>6,673,372</u>	<u>1,821,588</u>	<u>117,808</u>
Total Net Position	<u>\$ 68,970,517</u>	<u>\$ 3,465,275</u>	<u>\$ 429,274</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Fair Association
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	\$ 11,446,214	\$ 1,018,552	\$ 715,290	\$ -	\$ (9,712,372)		
Public Safety	8,374,589	2,370,698	969,512	-	(5,034,379)		
Highways and Bridges	6,978,919	360,996	6,537,280	-	(80,643)		
Flood Repair	50,058	-	-	-	(50,058)		
Health and Welfare	6,358,508	-	2,066,640	-	(4,291,868)		
Culture and Recreation	4,100	-	-	-	(4,100)		
Conser. of Natural Resources	764,535	53,896	41,855	-	(668,784)		
Economic Development	112,053	-	-	-	(112,053)		
Other	104	-	-	-	(104)		
Interest on Long-Term Debt	1,426,943	-	-	-	(1,426,943)		
Fiscal Agent Charges	29,530	-	-	-	(29,530)		
Total Primary Government	\$ 35,545,553	\$ 3,804,142	\$ 10,330,577	\$ -	\$ (21,410,834)		
<u>Component Units:</u>							
Water Resource District	\$ 938,674	\$ 209,350	\$ -	\$ -		\$ (729,324)	\$ -
Fair Association	269,251	166,731	-	-		-	(102,520)
Total Component Units	\$ 1,207,925	\$ 376,081	\$ -	\$ -		\$ (729,324)	\$ (102,520)
<u>General Revenues:</u>							
<u>Property Taxes:</u>							
Property taxes; levied for general purposes					\$ 4,665,191	\$ 884,054	\$ 97,423
Property taxes; levied for special purposes					13,309,384	-	-
Property taxes; levied for debt service					1,931,627	-	-
Drain Assessments					-	28,570	-
Non Restricted Grants and Contributions					3,946,226	-	-
Interest Income					47,081	9,801	-
Miscellaneous Revenue					789,006	50,310	30,879
Total General Revenues					\$ 24,688,515	\$ 972,735	\$ 128,302
Change in Net Position					\$ 3,277,681	\$ 243,411	\$ 25,782
Net Position - January 1					\$ 65,688,107	\$ 2,781,101	\$ 403,492
Prior Period Adjustments					4,729	440,763	-
Net Position - January 1, as restated					\$ 65,692,836	\$ 3,221,864	\$ 403,492
Net Position - December 31					\$ 68,970,517	\$ 3,465,275	\$ 429,274

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, 2013

	General	Social Services	Farm to Market Road	Highway Tax Distribution	Social Security	Regional Correctional Center
<u>ASSETS AND DEFERRED</u>						
<u>OUTFLOWS OF RESOURCES</u>						
Assets:						
Cash and Investments	\$ 7,183,829	\$ 2,385,621	\$ 1,345,592	\$ 6,621,459	\$ 1,062,447	\$ 1,185,467
Accounts Receivable	16,423	-	-	-	-	203,807
Intergovernmental Receivable	637,726	246,246	40,334	381,455	94,326	71,136
Taxes Receivable	90,227	81,133	23,153	-	59,231	39,660
Total Assets	\$ 7,928,205	\$ 2,713,000	\$ 1,409,079	\$ 7,002,914	\$ 1,216,004	\$ 1,500,070
<u>LIABILITIES, DEFERRED INFLOWS OF</u>						
<u>RESOURCES AND FUND BALANCES</u>						
Liabilities:						
Accounts Payable	\$ 40,260	\$ 110,696	\$ -	\$ 93,156	\$ -	\$ 90,655
Sales Tax Payable	178	-	-	-	-	-
Total Liabilities	\$ 40,438	\$ 110,696	\$ -	\$ 93,156	\$ -	\$ 90,655
Deferred Inflows of Resources:						
Taxes Receivable	\$ 90,227	\$ 81,133	\$ 23,153	\$ -	\$ 59,231	\$ 39,660
Taxes Received in Advance	862,292	1,048,695	274,520	-	641,999	484,162
Total Deferred Inflows of Resources	\$ 952,519	\$ 1,129,828	\$ 297,673	\$ -	\$ 701,230	\$ 523,822
Fund Balances:						
Committed For:						
Park Related Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County Improvements	-	-	-	-	-	-
Restricted For:						
General Government	-	-	-	-	514,774	-
Public Safety	-	-	-	-	-	885,593
Highways and Bridges	-	-	1,111,406	6,909,758	-	-
Flood Repair	-	-	-	-	-	-
Health and Welfare	-	1,472,476	-	-	-	-
Conservation of Natural Resources	-	-	-	-	-	-
Emergency	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Unassigned	6,935,248	-	-	-	-	-
Total Fund Balances	\$ 6,935,248	\$ 1,472,476	\$ 1,111,406	\$ 6,909,758	\$ 514,774	\$ 885,593
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,928,205	\$ 2,713,000	\$ 1,409,079	\$ 7,002,914	\$ 1,216,004	\$ 1,500,070

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

Emergency Fund	2013 Lease Revenue Refunding Bond	Other Governmental Funds	Total Governmental Funds
\$ 976,874	\$ -	\$ 4,132,711	\$ 24,894,000
-	-	-	220,230
11,762	-	193,636	1,676,621
1,401	-	95,540	390,345
<u>\$ 990,037</u>	<u>\$ -</u>	<u>\$ 4,421,887</u>	<u>\$ 27,181,196</u>
\$ -	\$ -	\$ -	\$ 334,767
-	-	-	178
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,945</u>
\$ 1,401	\$ -	\$ 95,540	\$ 390,345
20,819	-	1,083,753	4,416,240
<u>\$ 22,220</u>	<u>\$ -</u>	<u>\$ 1,179,293</u>	<u>\$ 4,806,585</u>
\$ -	\$ -	\$ 75,427	\$ 75,427
-	-	941,684	941,684
-	-	1,137,651	1,652,425
-	-	122,064	1,007,657
-	-	38,649	8,059,813
-	-	172,366	172,366
-	-	247,175	1,719,651
-	-	182,125	182,125
967,817	-	-	967,817
-	-	242,547	242,547
-	-	82,906	82,906
-	-	-	6,935,248
<u>\$ 967,817</u>	<u>\$ -</u>	<u>\$ 3,242,594</u>	<u>\$ 22,039,666</u>
<u>\$ 990,037</u>	<u>\$ -</u>	<u>\$ 4,421,887</u>	<u>\$ 27,181,196</u>

GRAND FORKS COUNTY
Grand Forks, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2013

Total *Fund Balances* of Governmental Funds \$ 22,039,666

Amounts reported for governmental activities in the statement of net position 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	\$ 105,325,782	
Less: Accumulated Depreciation	<u>(36,041,375)</u>	
Net Capital Assets		69,284,407

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 inflow of resources in the funds. 390,345

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2013 are the following:

Capital Leases Payable	\$ (2,365,719)	
General Obligation Bonds Payable	(18,265,000)	
Special Assessments Payable	(18,986)	
Interest Payable	(76,146)	
Bond Premium-Unamortized Balance	(351,933)	
Compensated Absences	<u>(1,666,117)</u>	
Total Long-Term Liabilities		<u>(22,743,901)</u>

Total Net Position of Governmental Activities \$ 68,970,517

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, 2013

	General	Social Services	Farm to Market Road	Highway Tax Distribution	Social Security	Regional Correctional Center
Revenues:						
Property Taxes	\$ 4,668,718	\$ 4,132,695	\$ 1,182,849	\$ -	\$ 3,079,093	\$ 2,038,661
Licenses, Permits and Fees	77,484	-	-	-	-	-
Intergovernmental	4,224,002	2,164,383	136,734	6,537,280	345,365	258,113
Charges for Services	1,258,081	-	-	360,996	-	1,948,653
Interest Income	25,613	-	-	-	-	-
Miscellaneous	193,820	23,984	-	60,108	-	19,591
Total Revenues	\$ 10,447,718	\$ 6,321,062	\$ 1,319,583	\$ 6,958,384	\$ 3,424,458	\$ 4,265,018
Expenditures:						
Current:						
General Government	\$ 4,411,626	\$ -	\$ -	\$ -	\$ 3,061,816	\$ -
Public Safety	4,011,325	-	-	-	-	4,452,026
Highways and Bridges	-	-	1,129,228	4,781,348	-	-
Flood Repair	-	-	-	-	-	-
Health and Welfare	-	6,309,413	-	-	-	-
Conserv. of Natural Resources	-	-	-	-	-	-
Economic Development	112,053	-	-	-	-	-
Capital Outlay	1,118,762	-	-	-	-	-
Debt Service:						
Principal	-	-	-	195,934	-	-
Interest	-	-	-	93,954	-	-
Fiscal Agent Charges	-	-	-	-	-	-
Total Expenditures	\$ 9,653,766	\$ 6,309,413	\$ 1,129,228	\$ 5,071,236	\$ 3,061,816	\$ 4,452,026
Excess (Deficiency) of Revenues Over Expenditures	\$ 793,952	\$ 11,649	\$ 190,355	\$ 1,887,148	\$ 362,642	\$ (187,008)
Other Financing Sources (Uses):						
Proceeds of Bond Issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Discount	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	410,038	-	-	-	-	-
Transfers Out	-	-	-	-	(410,038)	-
Total Other Financing Sources and Uses	\$ 410,038	\$ -	\$ -	\$ -	\$ (410,038)	\$ -
Net Change in Fund Balances	\$ 1,203,990	\$ 11,649	\$ 190,355	\$ 1,887,148	\$ (47,396)	\$ (187,008)
Fund Balance - January 1	\$ 5,731,258	\$ 1,460,827	\$ 921,051	\$ 5,022,610	\$ 562,170	\$ 1,072,601
Fund Balance - December 31	\$ 6,935,248	\$ 1,472,476	\$ 1,111,406	\$ 6,909,758	\$ 514,774	\$ 885,593

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

Emergency Fund	2013 Lease Revenue Refunding Bond	Other Governmental Funds	Total Governmental Funds
\$ 100,245	\$ -	\$ 4,720,194	\$ 19,922,455
-	-	-	77,484
19,995	-	590,931	14,276,803
-	-	158,928	3,726,658
-	-	21,468	47,081
-	-	491,503	789,006
<u>\$ 120,240</u>	<u>\$ -</u>	<u>\$ 5,983,024</u>	<u>\$ 38,839,487</u>
\$ -	\$ -	\$ 2,236,237	\$ 9,709,679
-	-	65,363	8,528,714
-	-	56,958	5,967,534
49,364	-	694	50,058
-	-	23,541	6,332,954
-	-	762,777	762,777
-	-	-	112,053
-	-	78,490	1,197,252
-	8,725,000	2,617,518	11,538,452
-	426,801	805,396	1,326,151
-	-	29,530	29,530
<u>\$ 49,364</u>	<u>\$ 9,151,801</u>	<u>\$ 6,676,504</u>	<u>\$ 45,555,154</u>
\$ 70,876	\$ (9,151,801)	\$ (693,480)	\$ (6,715,667)
\$ -	\$ 8,960,000	\$ 1,040,000	\$ 10,000,000
-	-	(7,469)	(7,469)
-	(153,594)	-	(153,594)
-	345,395	38,624	384,019
-	-	1,677,411	2,087,449
-	-	(1,677,411)	(2,087,449)
<u>\$ -</u>	<u>\$ 9,151,801</u>	<u>\$ 1,071,155</u>	<u>\$ 10,222,956</u>
<u>\$ 70,876</u>	<u>\$ -</u>	<u>\$ 377,675</u>	<u>\$ 3,507,289</u>
<u>\$ 896,941</u>	<u>\$ -</u>	<u>\$ 2,864,919</u>	<u>\$ 18,532,377</u>
<u>\$ 967,817</u>	<u>\$ -</u>	<u>\$ 3,242,594</u>	<u>\$ 22,039,666</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, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ 3,507,289

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 depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	\$ 1,703,178	
Current Year Depreciation Expense	<u>(2,924,821)</u>	(1,221,643)

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	(15,151)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt repayment exceeded debt proceeds.

Issuance of Debt - Bonds	\$ (10,000,000)	
Issuance of Debt - Special Assessments	(105)	
Premium Amortization	(384,019)	
Repayment of Debt - Bonds	11,310,000	
Repayment of Debt - Special Assessments	32,518	
Repayment of Debt - Capital Lease	<u>195,934</u>	1,154,328

Bond premium amortization is a reduction to interest expense as it is amortized over the life of the outstanding bonds using the straight-line method. Bond discounts are amortized over the life of the bond using the straight-line method (as interest expense):

Premium Amortization	32,086
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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	\$ (191,160)	
Net Decrease in Interest Payable	<u>28,185</u>	(162,975)

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.

Change in Net Position of Governmental Activities	<u>\$ 3,277,681</u>
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The notes to the financial statements are an integral part of this financial statement.

GRAND FORKS COUNTY
Grand Forks, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2013

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 13,222,889</u>
<u>Liabilities:</u>	
Due to Other Governments/Entities	<u>\$ 13,222,889</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, 2013

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 as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

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 criterion 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.

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

Notes to the Financial Statements - Continued

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.

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.

B. Basis of Presentation

Government-wide statements: The statement of net position 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 non-exchange 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.

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

Fund Financial Statements: The fund financial statements provide information about the county's funds including its fiduciary funds 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 non-major 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.

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.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

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.

2013 Lease Revenue Refunding Bond. This fund accounts for transactions resulting in the refunding of the 2005 Lease Revenue Bond.

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. Non-exchange 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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Cash and Investments

Cash 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.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

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

Grand Forks Water Resource District:

Capital assets of the Grand Forks Water Resource District include land, land improvements, office equipment 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 \$500 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
Office Equipment	5 - 10

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 position.

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

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, when significant, are amortized over the life of the bonds. Bond premiums and discounts when not significant are recognized in the year of issuance. Bond issuance costs are recognized in the current period in accordance with current standards.

In the fund financial statements, governmental fund types recognize bond issuance costs in the current period. Bond premiums when significant are amortized over the life of the bonds. Bond discounts are recognized 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 other financing uses.

H. Fund Balances / Net Position

GASB Statement No. 54 established 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.

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.

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

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

CLASSIFICATION	DEFINITION	EXAMPLES
Non-spendable	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.

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GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

Continued from previous page....

CLASSIFICATION	DEFINITION	EXAMPLES
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 county auditor.	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. (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

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, 2013.

Restricted Fund Balances – consist of the following items at December 31, 2013:

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 (\$75,427) and county improvement projects (\$941,684).

Net Position:

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, and any related debt used to finance the purchase or construction of those capital assets. These assets are not available for future spending.

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position in the statement of net position is also shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, flood repair, health & welfare, culture & recreation, conservation of resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for negative funds (highway fund). The unrestricted net position is available to meet the district's ongoing obligations.

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.

NOTE 2: LEGAL COMPLIANCE - BUDGETSBUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2013 as follows:

	EXPENDITURES / TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
General Fund	\$9,779,354	\$ 15,000	\$9,794,354
Highway Tax Distribution	5,136,312	450,000	5,586,312
FEMA 2009	-	700	700
Social Services	6,014,407	262,700	6,277,107
GF Narcotics Task Force	8,000	4,000	12,000
Insurance Reserve	375,000	112,000	487,000
Advertising	15,000	2,000	17,000
Weed Control	326,340	1,600	327,940
Parking Ramp Maintenance	55,500	23,000	78,500
General Obligation Bond/99B PR	198,800	1,059,000	1,257,800
GFCSS Client Opportunity	7,000	17,000	24,000
Hazard Chemical Prep-Resp.	100	7,300	7,400
Contract Policing-Spec. Dep.	40,000	7,000	47,000

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, 2013, the county's carrying amount of deposits was \$36,190,979 and the bank balances of deposits totaled \$37,382,570. Of the bank balances, \$1,974,890 was covered by Federal Depository Insurance. Of the remaining bank balances totaling \$35,407,680, all were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2013, the Grand Forks Fair Board's carrying amount of deposits and bank deposits totaled \$121,072, all of which was covered by Federal Depository Insurance.

At year ended December 31, 2013, the water resource district's carrying amount of deposits was \$2,698,691 and the bank balances of deposits totaled \$2,836,697. Of the bank balances, \$735,200 was covered by Federal Depository Insurance. Of the remaining bank balances totaling \$2,101,498, all were collateralized 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, 2013, the county had certificates of deposit totaling \$99,686 and the water resource district had certificates of deposit totaling \$1,025,157.

The County's most recent bond rating received bond ratings from Moody's of Aa2 for the 2013 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: ACCOUNTS AND OTHER 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.

Other receivables (Only Water Resource District) consist of an amount due from the entities bank. There was a transaction error that occurred and as of the fiscal year end the district has not received the funds back into their account.

NOTE 5: 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.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

NOTE 6: TAXES RECEIVABLE & SPECIAL ASSESSMENTS RECEIVABLE

The taxes receivable and special assessment receivable (Water Resource District) represent the past three years of delinquent uncollected taxes and special assessments. No allowance has been established for uncollectible taxes and special assessment receivables.

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 each month.

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

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

Uncertified Special Assessments:

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

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2013:

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1-1-13	Adjustments	Increases	Decreases	Balance 12-31-13
<i>Capital Assets not being depreciated:</i>					
Land	\$ 448,895	\$ -	\$ 57,000	\$ -	\$ 505,895
Construction in Progress	-	-	29,456	-	29,456
Total Capital Assets, Not Being Depreciated	\$ 448,895	\$ -	\$ 86,456	\$ -	\$ 86,456
<i>Capital Assets Being Depreciated:</i>					
Buildings	\$ 46,008,009	\$ -	\$ 460,328	\$ -	\$ 46,468,337
Equipment	6,210,423	6,022	503,456	169,268	6,550,633
Furniture	818,853	-	12,687	-	831,540
Vehicles	2,545,852	-	212,750	125,167	2,633,435
Infrastructure	47,878,986	-	427,500	-	48,306,486
Total Capital Assets, Being Depreciated	\$103,462,123	\$ 6,022	\$ 1,616,721	\$294,435	\$104,790,431
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 12,275,858	\$ -	\$ 973,647	\$ -	\$ 13,249,505
Equipment	3,022,251	1,204	757,866	169,268	3,612,053
Furniture	726,163	-	37,323	-	763,486
Vehicles	7,593,517	-	251,835	110,017	1,735,335
Infrastructure	15,776,845	-	904,151	-	16,680,966
Total Accumulated Depreciation	\$ 33,394,634	\$ 1,204	\$ 2,924,822	\$279,285	\$ 36,041,375
Total Capital Assets Being Depreciated, Net	\$ 70,067,489	\$ 4,818	\$(1,308,101)	\$ 15,150	\$ 68,749,056
Governmental Activities Capital Assets, Net	\$ 70,516,384	\$ 4,818	\$(1,221,645)	\$ 15,150	\$ 69,284,407

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

Governmental Activities:	Amounts
General Government	\$ 733,280
Public Safety	551,546
Highways and Bridges	1,611,373
Health and Welfare	24,523
Culture and Recreation	4,100
Total Depreciation Expense - Governmental Activities	\$2,924,822

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, 2013:

Governmental Activities:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13
<i>Capital assets not being depreciated:</i>				
Land	\$329,745	\$ -	\$ -	\$329,785
<i>Capital assets being depreciated:</i>				
Vehicles and Equipment	\$357,993	\$ 80,877	\$48,404	\$390,466
Office Equipment	20,254	-	-	20,254
Land Improvements	275,050	165,012	-	440,062
Total Capital Assets, Being Depreciated	\$653,297	\$ 245,889	\$48,404	\$850,782
<i>Less Accumulated Depreciation for:</i>				
Vehicles and Equipment	\$189,377	\$ 25,938	\$ 5,968	\$209,347
Office Equipment	17,145	537	-	17,682
Land Improvements	11,745	6,358	-	18,103
Total Accumulated Depreciation	\$218,267	\$ 32,833	\$ 5,968	\$245,132
Total Capital Assets Being Depreciated, Net	\$435,030	\$ 213,056	\$42,436	\$605,650
Governmental Activities Capital Assets, Net	\$764,815	\$ 213,056	\$42,436	\$935,435

Depreciation expense totaling \$32,833 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, 2013:

Governmental Activities:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13
<i>Capital assets not being depreciated:</i>				
Land	\$ 85,420	\$ -	\$ -	\$ 85,420
<i>Capital assets being depreciated:</i>				
Equipment	\$172,130	\$ 30,539	\$ -	\$202,669
Leasehold Improvements	432,327	30,074	-	462,401
Total Capital Assets, Being Depreciated	\$604,457	\$ 60,613	\$ -	\$665,070
<i>Less Accumulated Depreciation for:</i>				
Equipment	\$126,294	\$ 16,613	\$ -	\$142,907
Leasehold Improvements	267,519	21,571	-	289,090
Total Accumulated Depreciation	\$393,813	\$ 38,184	\$ -	\$431,997
Total Capital Assets Being Depreciated, Net	\$210,644	\$ 22,429	\$ -	\$233,073
Governmental Activities Capital Assets, Net	\$296,064	\$ 22,429	\$ -	\$318,493

Depreciation expense totaling \$38,184 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, 2013 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

NOTE 9: GRANTS RECEIVED IN ADVANCE

Grants received in advance for the Water Resource District consists of funds received in the FEMA fund where the eligibility requirements have not been met at December 31, 2013.

NOTE 10: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2013 for the County and Water Resource District.

NOTE 11: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources reported in the balance sheet represent amounts reported for uncollected taxes receivable, and taxes received in advance prior to year-end that are applicable to the next year. Deferred inflows of resources reported in the statement of net position represent amounts for taxes received in advance prior to year-end that are applicable to the next year.

NOTE 12: LONG-TERM DEBTPrimary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2013, the following changes occurred in long-term liabilities for Grand Forks County:

Governmental Activities:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Bonds Payable	\$19,575,000	\$10,000,000	\$11,310,000	\$18,265,000	\$1,710,000
Bond Premium	-	384,019	32,086	351,933	32,087
Special Assessments	51,398	105	32,517	18,986	1,993
Leases Payable	2,561,654	-	195,935	2,365,719	203,510
Compensated Absences *	1,474,957	191,160	-	1,666,117	166,612
Total Governmental Activities	\$23,663,009	\$10,575,284	\$11,570,538	\$22,667,755	\$2,114,202

* 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, 2013 consists of the following issues:

Bonds Payable:

\$16,750,000 of 2008 Lease Revenue Bonds, due in annual installments of \$725,000 to \$1,275,000 through December 1, 2025; interest at 3.75% to 5.0%.	\$3,300,000
\$1,825,000 2012 Lease Revenue Bonds, due in annual installments of \$155,000 to \$200,000 through May 2022; interest at 2.0%.	1,670,000
\$2,945,000 of 2008 Mortgage Revenue Bonds due in annual installments of \$245,000 to \$315,000 through March 2019 with interest at 2.9% to 4.0%.	1,730,000
\$2,645,000 of 2008 General Obligation Building Bonds due in annual installments of \$225,000 to \$285,000 through April 2019; interest at 3.25% to 3.8%.	1,565,000

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

Bonds Payable: Continued

\$1,040,000 General Obligation Refunding Bonds of 2013A due in annual installments of \$165,000 to \$180,000 through May 2019; interest at 2%. \$ 1,040,000

\$8,960,000 Lease Revenue Refunding Bonds, Series 2013 due in annual installments of \$100,000 to \$1,170,000 through December 2025; interest at 2% to 3%. 8,960,000

Total Primary Government Bonds Payable \$18,265,000

Advanced Refunding – Lease Revenue bonds 2005:

In 2013, part of the 2005 first mortgage lease revenue bonds in the amount of \$8,725,000 were advance refunded. The principal balance of the 2005 bonds as of the fiscal year-end was \$3,300,000. 2013 Lease Revenue Refunding Bonds were issued with a principal amount of \$8,960,000 with interest rates ranging from 2% to 3% was issued to acquire a present value savings of \$1,154,134 and cash flows savings of \$1,358,074 over the next 12 years.

Bond Premium:

\$38,624 (2013A G.O Refunding Issue) and \$345,395 (2013 Lease Center Bonds) in Bond Premium will be amortized over a 13 year period. \$ 351,933

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%. 18,986

Lease Payable:

\$2,617,750 Lease from Caterpillar for a twelve 770G Motor Graders. Payments are \$24,157 monthly through 2017; interest at 3.8%. 2,365,719

Total Primary Government Long-Term Debt
(Excluding Compensated Absences) \$21,001,638

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
2014	\$ 1,710,000	\$ 553,939	\$ 1,888	\$ 855
2015	1,760,000	508,951	1,888	855
2016	1,830,000	447,186	1,888	748
2017	1,900,000	381,921	1,888	641
2018	1,940,000	314,118	1,888	534
2019 – 2023	6,810,000	873,265	9,546	2,401
2024 – 2028	2,315,000	104,550	-	-
Total	\$18,265,000	\$3,183,929	\$18,986	\$6,034

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

GOVERNMENTAL ACTIVITIES			
Year Ending December 31	Capital Lease		Bond Premium
	Principal	Interest	Amortization
2014	\$ 203,510	\$ 86,377	\$ 32,087
2015	211,380	78,508	32,087
2016	219,554	70,334	32,087
2017	1,731,275	52,141	32,087
2018	-	-	32,087
2019 – 2023	-	-	138,362
2024 – 2028	-	-	53,136
Total	\$2,365,719	\$287,360	\$351,933

DISCRETELY PRESENTED COMPONENT UNITS:

Grand Forks County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2013, the following changes occurred in liabilities reported in long-term liabilities of governmental activities for the Grand Forks County Water Resource District:

	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Special Assessment Bonds	\$630,000	\$ -	\$(75,000)	\$555,000	\$80,000

Outstanding governmental activities WRD debt at December 31, 2013 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%.	\$230,000
\$375,000 Improvement Bond; due in annual installments of \$25,000 through 2026; interest at 1% to 3.2%.	<u>325,000</u>
Total Water Resource District Special Assessment Bonds	<u>\$555,000</u>

Debt service requirements on long-term debt for governmental activities of the water resource district at December 31, 2013 are as follows:

GOVERNMENTAL ACTIVITIES - WRD		
Year Ending December 31	Special Assessment Bonds	
	Principal	Interest
2014	\$ 80,000	\$ 17,889
2015	80,000	14,956
2016	85,000	11,775
2017	85,000	8,435
2018	25,000	6,475
2019 – 2023	125,000	21,600
2024 – 2026	75,000	3,600
Totals	\$555,000	\$84,730

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, 2013, the following changes occurred in liabilities reported in long-term liabilities of governmental activities for the Greater Grand Forks Fair Association:

	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Special Assessments	\$ 4,167	\$ -	\$ 422	\$ 3,745	\$ 422
Loans	10,337	-	3,310	7,027	3,444
Total Governmental Activities	\$14,504	\$ -	\$3,732	\$10,772	\$3,866

Outstanding debt at December 31, 2013 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%. \$ 3,745

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%. 7,027

Total Fair Board Long-Term Debt \$10,772

Debt service requirements on Fair Association long-term debt at December 31, 2013 are as follows:

GOVERNMENTAL ACTIVITIES - FAIR				
Year Ending December 31	Fair Loans Payable		Special Assessments Payable	
	Principal	Interest	Principal	Interest
2014	\$3,444	\$299	\$ 422	\$ 186
2015	3,583	153	422	162
2016	-	-	422	139
2017	-	-	422	115
2018	-	-	422	92
2019 - 2023	-	-	2,057	421
Totals	\$7,027	\$452	\$3,745	\$1,022

NOTE 13: OPERATING LEASES

Grand Forks 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	County Sheriff	County Social Services
	HASLER-Postage	Marco Copier	BTA-Printers
2014	\$ 895	\$ 5,129	\$699
2015	895	5,129	-
2016	224	5,129	-
2017	-	5,128	-
Totals	\$2,014	\$20,515	\$699

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

NOTE 14: PENSION PLAN

North 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.

During January 1, 2013 through December 31, 2013, plan members were required to contribute 6% of their annual covered salary. The county was required to contribute 7.26% of the employee's salary, which consists of 6.12% 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 share of the contributions to NDPERS for the years ending December 31, 2013, 2012, and 2011 were \$963,600, \$762,445, and \$626,896, respectively, equal to the required contributions for the year. The Water Resource District's share of the contributions to NDPERS for the years ending December 31, 2013, 2012, and 2011 were \$4,321, \$3,602, and \$2,921, respectively, equal to the required contributions for the year.

NOTE 15: 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 (NDRIF), 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 NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF for automobile and general liability is limited to losses of two million dollars per occurrence. Public assets coverage is limited to \$4,409,038.

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.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

NOTE 16: 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, 2013, there were no CDBG loans outstanding that had a balance at the end of the audit period.

As of December 31, 2013, there were the following Industrial Revenue Bonds issued:

Bonds Issued	Amount
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
YMCA Project	2,100,000
Special Olympics	243,693
Valley Home Nursing Services	7,700,000
Total	\$27,069,693

As of the year ending December 31, 2013, 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, 2013, there were five Recovery Zone Facility bond issuances which had a combined total of \$38,358,000.

As of the year ending December 31, 2013, 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.

As of December 31, 2013, 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, 2013, 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, 2013, there was one Qualified Zone Academy Bond issuance which totaled \$5,000,000.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

As of the year ending December 31, 2013, 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, 2013, there was one Qualified School Construction Bond issuance which totaled \$6,230,000.

As of the year ending December 31, 2013, 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, 2013, there was one Taxable Wellness Center Revenue Bond issuance which totaled \$1,350,000.

NOTE 17: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2013:

	Transfers In	Transfers Out
General Fund	\$ 410,038	\$ -
Social Security	-	410,038
Mortgage Revenue Bonds 1998	-	322,849
2005 Lease Revenue Bonds	-	1,354,562
Lease Revenue Bonds 2005	1,354,562	-
Lease Revenue Bonds 2008	322,849	-
Total Transfers	\$2,087,449	\$2,087,449

Transfers are used to 1) transfer amounts from the social security fund to the general fund; and 2) move revenues from the debt service funds with collection authorization to other debt service funds as debt service principal and interest payments become due.

NOTE 18: 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, and Sargent County to establish and operate a joint exercise of powers agreement for 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.

GRAND FORKS COUNTY

Notes to the Financial Statements - Continued

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2013, which is the most current audited information available:

Total Assets	\$6,976,146
Total Liabilities	177,049
Net Position	<u>\$6,799,097</u>
Revenues	\$2,042,748
Expenses	1,288,712
Change in Net Position	<u>\$ 754,036</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 19: PRIOR PERIOD ADJUSTMENTS

For the County there were prior period adjustments for the period ending December 31, 2013 for Governmental Activities that involved adjustments to the beginning balance of special assessments payable and net capital assets for cost and depreciation.

Governmental Activities: County	Amounts
Beginning Net Position, as previously reported	\$65,688,107
Adjustments to restate the January 1, 2013 Net Position:	
Capital Asset Adjustments:	
Cost	6,022
Depreciation	(1,204)
Adjustment to Correct Beginning Special Assessments Receivable Balance	(89)
Net Position January 1, as restated	<u>\$65,692,836</u>

For the Water Resource District there was a prior period adjustment for the period ending December 31, 2013 for Governmental Activities involving adjustments to the beginning balance of property taxes and special assessments receivable, accounts payable, and grants received in advance.

Governmental Activities: WRD	Amounts
Beginning Net Position, as previously reported	\$2,781,101
Adjustments to restate the January 1, 2013 Net Position:	
Property Tax Receivable balance	13,770
LT Uncertified Special Assessments Receivable	568,472
Accounts Payable	(51,037)
Grants Received in Advance	(90,442)
Net Position January 1, as restated	<u>\$3,221,864</u>

NOTE 20: CONSTRUCTION COMMITMENTS

Grand Forks County had open construction commitments as of December 31, 2013 as follows:

Project	Total Contract	Total Completed	Retainage	Remaining Balance w/Retainages	% Complete
GF Correctional Center Holding Cell Addition	\$109,700	\$10,119	\$1,012	\$100,593	9.2%

GRAND FORKS COUNTYNotes to the Financial Statements - Continued

NOTE 21: SUBSEQUENT EVENTS

On June 17, 2014 Grand Forks County accepted the offer from Oppenheimer & Co. Inc. for the sale of \$3,345,000 Grand Forks County Building Authority, Lease Revenue Refunding Bonds, series 2014 (Grand Forks County, North Dakota, General Obligation) with a True Interest Rate of .7838%. The savings on the refunding is \$114,605.

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,946,526	\$ 4,946,526	\$ 4,668,718	\$ (277,808)
Licenses, Permits and Fees	77,500	77,500	77,484	(16)
Intergovernmental	2,578,843	2,578,843	4,224,002	1,645,159
Charges for Services	1,162,808	1,162,808	1,258,081	95,273
Interest Income	35,000	35,000	25,613	(9,387)
Miscellaneous	60,675	60,675	193,820	133,145
Total Revenues	<u>\$ 8,861,352</u>	<u>\$ 8,861,352</u>	<u>\$ 10,447,718</u>	<u>\$ 1,586,366</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 4,555,703	\$ 4,570,703	\$ 4,411,626	\$ 159,077
Public Safety	3,765,789	3,765,789	4,011,325	(245,536)
Economic Development	141,627	141,627	112,053	29,574
Capital Outlay	1,000,000	1,000,000	1,118,762	(118,762)
Total Expenditures	<u>\$ 9,463,119</u>	<u>\$ 9,478,119</u>	<u>\$ 9,653,766</u>	<u>\$ (175,647)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (601,767)</u>	<u>\$ (616,767)</u>	<u>\$ 793,952</u>	<u>\$ 1,410,719</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 414,236	\$ 414,236	\$ 410,038	\$ (4,198)
Transfers Out	(316,235)	(316,235)	-	316,235
Total Other Financing Sources and Uses	<u>\$ 98,001</u>	<u>\$ 98,001</u>	<u>\$ 410,038</u>	<u>\$ 312,037</u>
Net Change in Fund Balances	<u>\$ (503,766)</u>	<u>\$ (518,766)</u>	<u>\$ 1,203,990</u>	<u>\$ 1,722,756</u>
Fund Balance - January 1	<u>\$ 5,731,258</u>	<u>\$ 5,731,258</u>	<u>\$ 5,731,258</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 5,227,492</u></u>	<u><u>\$ 5,212,492</u></u>	<u><u>\$ 6,935,248</u></u>	<u><u>\$ 1,722,756</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
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,259,011	\$ 1,259,011	\$ 1,182,849	\$ (76,162)
Intergovernmental	82,400	82,400	136,734	54,334
Total Revenues	<u>\$ 1,341,411</u>	<u>\$ 1,341,411</u>	<u>\$ 1,319,583</u>	<u>\$ (21,828)</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 1,866,086</u>	<u>\$ 1,866,086</u>	<u>\$ 1,129,228</u>	<u>\$ 736,858</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (524,675)</u>	<u>\$ (524,675)</u>	<u>\$ 190,355</u>	<u>\$ 715,030</u>
Fund Balance - January 1	<u>\$ 921,051</u>	<u>\$ 921,051</u>	<u>\$ 921,051</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 396,376</u>	<u>\$ 396,376</u>	<u>\$ 1,111,406</u>	<u>\$ 715,030</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 3,326,652	\$ 3,326,652	\$ 6,537,280	\$ 3,210,628
Charges for Services	369,779	369,779	360,996	(8,783)
Miscellaneous	10,523	10,523	60,108	49,585
Total Revenues	\$ 3,706,954	\$ 3,706,954	\$ 6,958,384	\$ 3,251,430
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 5,136,312	\$ 5,586,312	\$ 5,071,236	\$ 515,076
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,429,358)	\$ (1,879,358)	\$ 1,887,148	\$ 3,766,506
Fund Balance - January 1	\$ 5,022,610	\$ 5,022,610	\$ 5,022,610	-
Fund Balance - December 31	\$ 3,593,252	\$ 3,143,252	\$ 6,909,758	\$ 3,766,506

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,379,916	\$ 4,379,916	\$ 4,132,695	\$ (247,221)
Intergovernmental	1,539,058	1,539,058	2,164,383	625,325
Miscellaneous	-	-	23,984	23,984
Total Revenues	<u>\$ 5,918,974</u>	<u>\$ 5,918,974</u>	<u>\$ 6,321,062</u>	<u>\$ 402,088</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	<u>\$ 6,014,407</u>	<u>\$ 6,277,107</u>	<u>\$ 6,309,413</u>	<u>\$ (32,306)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (95,433)</u>	<u>\$ (358,133)</u>	<u>\$ 11,649</u>	<u>\$ 369,782</u>
Fund Balance - January 1	<u>\$ 1,460,827</u>	<u>\$ 1,460,827</u>	<u>\$ 1,460,827</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,365,394</u>	<u>\$ 1,102,694</u>	<u>\$ 1,472,476</u>	<u>\$ 369,782</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 3,261,799	\$ 3,261,799	\$ 3,079,093	\$ (182,706)
Intergovernmental	193,500	193,500	345,365	151,865
Total Revenues	<u>\$ 3,455,299</u>	<u>\$ 3,455,299</u>	<u>\$ 3,424,458</u>	<u>\$ (30,841)</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 3,088,525	\$ 3,088,525	\$ 3,061,816	\$ 26,709
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 366,774</u>	<u>\$ 366,774</u>	<u>\$ 362,642</u>	<u>\$ (4,132)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (414,236)	\$ (414,236)	\$ (410,038)	\$ 4,198
Net Change in Fund Balances	<u>\$ (47,462)</u>	<u>\$ (47,462)</u>	<u>\$ (47,396)</u>	<u>\$ 66</u>
Fund Balance - January 1	<u>\$ 562,170</u>	<u>\$ 562,170</u>	<u>\$ 562,170</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 514,708</u></u>	<u><u>\$ 514,708</u></u>	<u><u>\$ 514,774</u></u>	<u><u>\$ 66</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,164,270	\$ 2,164,270	\$ 2,038,661	\$ (125,609)
Intergovernmental	161,375	161,375	258,113	96,738
Charges for Services	1,968,400	1,968,400	1,948,653	(19,747)
Miscellaneous	14,700	14,700	19,591	4,891
Total Revenues	<u>\$ 4,308,745</u>	<u>\$ 4,308,745</u>	<u>\$ 4,265,018</u>	<u>\$ (43,727)</u>
<u>Expenditures:</u>				
Current:				
Public Safety	<u>\$ 4,623,943</u>	<u>\$ 4,623,943</u>	<u>\$ 4,452,026</u>	<u>\$ 171,917</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (315,198)</u>	<u>\$ (315,198)</u>	<u>\$ (187,008)</u>	<u>\$ 128,190</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	<u>\$ 316,235</u>	<u>\$ 316,235</u>	<u>\$ -</u>	<u>\$ (316,235)</u>
Net Change in Fund Balances	<u>\$ 1,037</u>	<u>\$ 1,037</u>	<u>\$ (187,008)</u>	<u>\$ (188,045)</u>
Fund Balance - January 1	<u>\$ 1,072,601</u>	<u>\$ 1,072,601</u>	<u>\$ 1,072,601</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 1,073,638</u></u>	<u><u>\$ 1,073,638</u></u>	<u><u>\$ 885,593</u></u>	<u><u>\$ (188,045)</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
EMERGENCY FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 105,000	\$ 105,000	\$ 100,245	\$ (4,755)
Intergovernmental	-	-	19,995	19,995
Total Revenues	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 120,240</u>	<u>\$ 15,240</u>
<u>Expenditures:</u>				
Current:				
General Government	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 49,364</u>	<u>\$ 50,636</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 70,876</u>	<u>\$ 65,876</u>
Fund Balance - January 1	<u>\$ 896,941</u>	<u>\$ 896,941</u>	<u>\$ 896,941</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 901,941</u>	<u>\$ 901,941</u>	<u>\$ 967,817</u>	<u>\$ 65,876</u>

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, 2013

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.

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2013, Grand Forks County had the following fund expenditures in excess of budgeted amounts:

Overspent Funds:	Budget	Actual	Overspent
General Fund	\$9,478,119	\$9,653,766	\$175,647
Social Service Fund	6,277,107	6,309,413	32,306

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

Schedule of Fund Activity - Client Basis
For the Year Ended December 31, 2013

	Balance 1-1-2013	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-2013
Major Funds:							
General Fund (1000)	\$ 5,143,855.33	\$ 10,392,947.23	\$ 410,037.84	\$ -	\$ -	\$ 9,620,126.86	\$ 6,326,713.54
Farm to Market Roads (2110)	885,566.13	1,314,733.53	-	-	-	1,129,227.03	1,071,072.63
Highway Tax Distribution (2150)	4,651,465.85	6,948,072.69	-	-	-	4,978,079.59	6,621,458.95
Social Services (2210)	1,290,482.60	6,323,476.54	-	-	-	6,277,033.10	1,336,926.04
Emergency Fund (2910)	893,881.55	111,537.87	-	-	-	49,364.09	956,055.33
Social Security (2930)	469,726.57	3,422,574.84	-	-	410,037.84	3,061,815.55	420,448.02
Regional Correctional Center (2980)	944,138.64	4,200,016.82	-	-	-	4,402,561.20	741,594.26
Total Major Funds	\$ 14,279,116.67	\$ 32,713,359.52	\$ 410,037.84	\$ -	\$ 410,037.84	\$ 29,518,207.42	\$ 17,474,268.77
Nonmajor Funds:							
Special Revenue Funds:							
County Reserve (2120)	\$ 941,683.51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 941,683.51
County Road & Bridge (2140)	37,175.86	56,652.97	-	-	-	56,958.26	36,870.57
FEMA 2009 (2161)	29,310.91	-	-	-	-	693.72	28,617.19
FEMA 2010 (2162)	143,023.29	-	-	-	-	-	143,023.29
FEMA 2011 (2163)	725.20	-	-	-	-	-	725.20
Grand Forks Narcotics Task Force (2520)	-	22,618.34	-	-	-	11,518.34	11,100.00
Keys Grant JABG - 2001 (2542)	9,588.64	-	-	-	-	-	9,588.64
Victims Reparation Program (2550)	9,785.15	570.00	-	-	-	414.32	9,940.83
Veteran Service (2920)	60,380.46	205,845.45	-	-	-	134,939.41	131,286.50
Comprehensive Health (2935)	587,873.48	1,812,819.23	-	-	-	1,587,669.45	813,023.26
Insurance Reserve (2938)	288,781.08	370,763.64	-	-	-	486,437.11	173,107.61
Advertising (2940)	7,272.73	11,331.59	-	-	-	15,960.72	2,643.60
NDSU Extension (2960)	75,307.71	421,068.01	-	-	-	418,939.65	77,436.07
Weed Control (2970)	65,990.59	309,875.09	-	-	309,875.09	327,876.33	47,989.35
Asset Forfeiture (2990)	57,074.48	15,558.70	-	-	-	-	72,633.18
Adult Drug Court (2991)	11.64	-	-	-	-	-	11.64
GFCSS Client Opportunity (6010)	112,839.17	21,467.94	-	-	-	23,540.65	110,766.46
County Recorder Technology Fund (7001)	46,559.50	61,433.00	-	-	-	27,191.46	80,801.04
County Park (8012)	75,427.16	-	-	-	-	-	75,427.16
Hazardous Chemicals (8027)	16,008.26	3,937.50	-	-	-	7,253.42	12,692.34
Contract Policing (8094)	4,647.25	47,626.28	-	-	-	46,176.59	6,096.94
Total Nonmajor Special Revenue Funds	\$ 2,569,466.07	\$ 3,361,567.74	\$ -	\$ -	\$ -	\$ 3,145,569.43	\$ 2,785,464.38
Debt Service Funds:							
Courthouse Building Sinking-2003 (2986)	\$ 53,556.57	\$ 184,577.66	\$ -	\$ -	\$ -	\$ 190,375.00	\$ 47,759.23
GO Bonds 1999 COB (4002)	22,014.10	288,295.79	-	-	-	291,298.78	19,011.11
Mortgage Revenue Bonds 1998 (4003)	26,749.71	332,487.24	-	-	322,848.75	1,700.00	34,688.20
GO Bonds 1999B Parking Ramp (4004)	20,154.27	206,184.48	-	1,071,154.94	-	1,257,362.85	40,130.84
2005 Lease Revenue Bonds (4005)	(60,813.54)	1,442,834.17	-	-	1,354,562.50	875.00	26,583.13
Special Assessments (5000)	16,259.74	29,573.38	-	-	-	33,420.95	12,412.17
Lease Revenue Bonds 2005 (off-book)	-	-	1,354,562.50	-	-	1,354,562.50	-
Lease Revenue Bonds 2008 (off-book)	0.79	1.92	322,848.75	-	-	322,848.75	2.71
Lease Revenue Bonds 2013 (off-book)	-	-	-	0.72	-	-	0.72
Total Nonmajor Debt Service Funds	\$ 77,921.64	\$ 2,483,954.64	\$ 1,677,411.25	\$ 1,071,155.66	\$ 1,677,411.25	\$ 3,452,443.83	\$ 180,588.11
Capital Projects Funds:							
Parking Ramp Maintenance (2989)	\$ 75,960.55	\$ 85,434.98	\$ -	\$ -	\$ -	\$ 78,489.88	\$ 82,905.65
Total Nonmajor Capital Projects Funds	\$ 75,960.55	\$ 85,434.98	\$ -	\$ -	\$ -	\$ 78,489.88	\$ 82,905.65
Total Nonmajor Governmental Funds	\$ 2,723,348.26	\$ 5,930,957.36	\$ 1,677,411.25	\$ 1,071,155.66	\$ 1,677,411.25	\$ 6,676,503.14	\$ 3,048,958.14
Total Governmental Funds	\$ 17,002,464.93	\$ 38,644,316.88	\$ 2,087,449.09	\$ 1,071,155.66	\$ 2,087,449.09	\$ 36,194,710.56	\$ 20,523,226.91

Continued on next page.....

GRAND FORKS COUNTY
Grand Forks, North Dakota

Schedule of Fund Activity - Client Basis
For the Year Ended December 31, 2013

CONTINUED...	Balance 1-1-2013	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-2013
Agency Funds:							
County Fair (2410)	\$ (1,881.41)	\$ 99,677.06	\$ -	\$ -	\$ -	\$ 97,469.82	\$ 325.83
Extension Office Special (7015)	121,270.37	64,283.12	-	-	-	74,538.91	111,014.58
State Tax (8001)	(4,257.65)	206,569.47	-	-	-	201,572.44	739.38
Airport Authority (8019)	(4,458.58)	191,428.79	-	-	-	186,265.82	704.39
Economic Development (2950)	(4,346.40)	236,712.36	-	-	-	231,583.69	782.27
Health District (2965)	188,160.09	468,521.75	-	-	-	463,206.00	193,475.84
County Library Services (8007)	(9,793.03)	539,851.97	-	-	-	528,383.86	1,675.08
Domestic Violence (8004)	875.00	18,057.46	-	-	-	17,776.64	1,155.82
Historical Society (2310)	(1,068.45)	56,637.44	-	-	-	55,383.77	185.22
Senior Citizens (2350)	(4,257.41)	376,878.59	-	-	-	371,879.90	741.28
Garrison Diversion (8005)	(4,257.61)	227,300.90	-	-	-	222,302.73	740.56
Water Resource District (8006)	(13,622.87)	734,344.86	-	-	734,344.86	718,300.33	2,421.66
Red River Joint Board (8008)	(8,527.45)	452,112.45	-	-	-	442,110.90	1,474.10
Ambulance Fund (8010)	(25,552.82)	1,359,636.53	-	-	-	1,329,636.21	4,447.50
State Aid (8011)	-	3,980,646.77	-	-	-	3,980,646.77	-
Western Soil Cons. (8013)	-	0.07	-	-	-	0.07	-
Paid Under Protest (8014)	5,974.15	16,384.41	-	-	-	5,877.22	16,481.34
Prepaid Taxes (8015)	7,509.73	68,549.12	-	-	-	74,288.17	1,770.68
Bond Money (8018)	785.00	30,592.62	-	-	-	30,927.62	450.00
GF County Bonds (8020)	15,650.00	180,305.00	-	-	-	184,579.00	11,376.00
AFLAC-Flexible Spending (8028)	43,145.92	156,558.56	-	-	-	164,190.26	35,514.22
Electric Tax (8029)	-	348,099.14	-	-	-	348,099.14	-
Homestead Credit (8030)	-	385,803.47	-	-	-	385,803.47	-
Disabled Veterans Credit (8031)	-	443,497.12	-	-	-	443,497.12	-
Eastern Soil Cons. (8033)	-	5.98	-	-	-	2.98	3.00
Financial Institution Tax (8034)	-	1,090,748.59	-	-	-	1,090,748.59	-
Telecommunications Tax (8036)	-	667,387.14	-	-	-	667,387.14	-
Road & Bridge Townships (8041)	-	1,511,715.75	-	-	-	1,511,715.75	-
State Game & Fish Tax (8045)	-	15,220.69	-	-	-	15,220.69	-
Waterfowl Protection (8046)	-	8,157.00	-	-	-	8,157.00	-
ND State Land Department (8054)	-	207.15	-	-	-	207.15	-
GFC Soil Conservation District (8063)	(6,391.72)	332,422.76	-	-	-	324,960.64	1,070.40
BRIC-OEA Grant (8077)	(0.26)	99,035.00	-	-	-	99,034.21	0.53
Sheriff's Trust (8082)	4,039.14	280,415.93	-	-	-	261,394.68	23,060.39
Juvenile Donations (8084)	150.00	-	-	-	-	150.00	-
Social Service Special Depository (8086)	15,159.98	66,872.63	-	-	-	72,967.53	9,065.08
HIDA-Special Deposit (8087)	(862.00)	6,670.57	-	-	-	5,323.74	484.83
Game and Fish (8088)	157,233.00	260,616.00	-	-	-	264,169.00	153,680.00
GF City Unpaid Specials (8090)	-	109,836.46	-	-	-	77,125.09	32,711.37
Payroll Deductions	2,331.46	18,758,376.45	-	-	-	18,761,878.81	(1,170.90)
Total Cities	4,235,784.27	24,862,600.38	-	-	-	24,282,617.99	4,815,766.66
Total Parks	1,139,252.02	6,281,026.15	-	-	-	6,094,076.08	1,326,202.09
Total Townships	269,866.05	851,359.18	-	-	-	841,441.26	279,783.97
Total School Districts	5,927,301.82	26,381,748.51	-	-	-	27,386,647.82	4,922,402.51
Total Drains	93,207.65	268,329.05	-	-	-	241,155.14	120,381.56
Total Fire Districts	60,344.82	211,137.65	-	-	-	202,930.21	68,552.26
Total Agency Funds	\$ 12,198,762.81	\$ 92,706,338.05	\$ -	\$ -	\$ -	\$ 92,767,631.36	\$ 12,137,469.50
Total Primary Government	\$ 29,201,227.74	\$ 131,350,654.93	\$ 2,087,449.09	\$ 1,071,155.66	\$ 2,087,449.09	\$ 128,962,341.92	\$ 32,660,696.41

GRAND FORKS COUNTY
Grand Forks, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>EXECUTIVE OFFICE OF THE PRESIDENT:</u>		
<u>Passed Through State Attorney General:</u>		
High Intensity Drug Trafficking Area Program	95.001	\$ 4,147
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u>		
<u>Passed Through State Department of Human Services:</u>		
Foster Grandparent Program	94.011	\$ 8,136
<u>U.S. DEPARTMENT OF JUSTICE:</u>		
<u>Passed Through State's Association of Counties:</u>		
Juvenile Justice and Delinquency Prevention Act	16.543	\$ 562
<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 VII, Chapter 3, Prevention of Elder Abuse, Neglect & Exp.	93.041	\$ 1,332
Promoting Safe and Stable Families	93.556	39,155
Temporary Assistance for Needy Families	93.558	** 477,063
Child Support Enforcement	93.563	79,697
Child Care and Development Block Grant	93.575	5,812
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	32,201
Children's Justice Grants to States	93.643	9,800
Stephanie Tubbs Jones Child Welfare Services Program	93.645	20,725
Foster Care-Title IV-E	93.658	** 391,921
Adoption Assistance	93.659	5,490
Children's Health Insurance Program	93.767	4,521
Medical Assistance Program	93.778	4,170
Maternal and Child Health Services Block Grant to the States	93.994	10,552
Social Services Block Grant	93.667	15,252
Total U.S. Department of Health and Human Services		\$ 1,097,691
<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	\$ 43,500
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed Through State Department of Emergency Services:</u>		
Boating Safety Financial Assistance	97.012	\$ 5,000
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	612
Hazard Mitigation Grant	97.039	30,144
Emergency Management Performance Grants	97.042	113,313
Homeland Security Grant Program	97.067	112,977
Total U.S. Federal Management Agency		\$ 262,046
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through State Highway Department:</u>		
State and Community Highway Safety	20.600	\$ 2,920
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	10,847
Total U.S. Department of Transportation		\$ 13,767
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 1,429,849

** - Major Program

GRAND FORKS COUNTY
Grand Forks, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
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Continued...

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, 2013. 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 position 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**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, Grand Forks, North Dakota as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Grand Forks County's basic financial statements, and have issued our report thereon dated July 1, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 is required to be reported under *Government Auditing Standards*.

GRAND FORKS COUNTY

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* - Continued

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
July 1, 2014

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 FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Grand Forks County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Grand Forks County's compliance.

Opinion on Each Major Federal Program

In our opinion, Grand Forks County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

GRAND FORKS COUNTY

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 - Continued

Report on Internal Control Over Compliance

Management of Grand Forks County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grand Forks County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Grand Forks County as of and for the year ended December 31, 2013, and have issued our report thereon dated July 1, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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 and other 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
July 1, 2014

GRAND FORKS COUNTY
Grand Forks, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Aggregate discretely presented component units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

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> No
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:	Unmodified	
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

Dollar threshold used to distinguish between Type A and B programs:

\$300,000

Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ No
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Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.