



# Grand Forks County

Grand Forks, North Dakota

## Audit Report

For the Year Ended December 31, 2018

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

# GRAND FORKS COUNTY

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For the Year Ended December 31, 2018

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**COUNTY OFFICIALS**

Thomas Falck Jr.	Chairperson
David Engen	Vice-Chairperson
Diane Knauf	Commissioner
Robert Rost	Commissioner
Cynthia Pic	Commissioner
Debbie Nelson	Director of Finance and Tax
Michele Thiel	Director of Human Resources
Robert Rost	Sheriff
Amber Gudajtes	Tax Equalization Director
David Jones	State's Attorney
Dave Godfread	Superintendent of Schools

**AUDIT PERSONNEL**

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Jonathan Worrall, CPA	Audit In-Charge

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
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**INDEPENDENT AUDITOR’S REPORT**

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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 discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Grand Forks 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. 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 discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, North Dakota, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*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 - cash basis* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2019 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.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
May 30, 2019

# GRAND FORKS COUNTY

## Statement of Net Position

December 31, 2018

	Primary	Component Units	
	Government	Water	Fair
	Governmental	Resource	Association
	Activities	District	
<b>ASSETS</b>			
Cash, cash equivalents, and investments	\$ 23,832,078.60	\$ 4,810,787	\$ 102,549
Accounts receivable	227,831.32	-	-
Interest receivable	17,388.81	8,273	-
Intergovernmental receivable	1,079,197.25	-	-
Special assessments receivable	-	941,822	-
Other receivable	-	-	1,545
Prepaid expense	-	-	3,275
Taxes receivable	371,890.42	19,545	-
Capital assets, net	82,428,230.24	2,550,083	402,341
<b>Total Assets</b>	<b>\$ 107,956,616.64</b>	<b>\$ 8,330,510</b>	<b>\$ 509,710</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Derived from pensions and OPEB	\$ 9,873,728.99	\$ 42,763	\$ -
<b>LIABILITIES</b>			
Accounts payable	\$ 307,471.95	\$ 5,328	\$ -
Payroll withholdings	-	644	1,019
Salaries payable	16,894.93	-	-
Sales tax payable	888.64	-	-
Due to other governments	-	3,470	-
Interest payable	22,116.67	2,711	638
Grants received in advance	-	91,582	-
Long-term liabilities			
Due within one year			
Long-term debt	1,407,086.61	85,000	8,689
Compensated absences payable	166,719.75	-	-
Due after one year			
Long-term debt	7,309,413.13	882,389	37,214
Compensated absences payable	1,500,477.73	-	-
Net pension and opeb liability	25,821,921.00	84,819	-
<b>Total Liabilities</b>	<b>\$ 36,552,990.41</b>	<b>\$ 1,155,943</b>	<b>\$ 47,560</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Taxes received in advance	\$ 4,585,439.38	\$ -	\$ -
Derived from pensions and OPEB	1,797,458.01	16,357	-
<b>Total Deferred Inflow of Resources</b>	<b>\$ 6,382,897.39</b>	<b>\$ 16,357</b>	<b>\$ -</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 73,711,730.50	\$ 1,582,694	\$ 356,438
Restricted			
Debt service	101,343.56	117,880	-
Capital projects	187,432.57	-	-
Flood repair	19,351.35	-	-
Culture and recreation	45,677.46	-	-
Conservation of natural resources	334,313.17	-	-
Emergency	1,061,388.59	-	-
Drain maintenance	-	1,874,759	-
Unrestricted	(566,779.37)	3,625,640	105,712
<b>Total Net Position</b>	<b>\$ 74,894,457.83</b>	<b>\$ 7,200,973</b>	<b>\$ 462,150</b>

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

**GRAND FORKS COUNTY**  
Statement of Activities  
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Fair Association
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General government	\$ 8,842,666.67	\$ 1,307,152.05	\$ 767,947.29	\$ -	\$ (6,767,567.33)	\$ -	\$ -
Public safety	13,420,713.62	2,463,120.00	252,207.40	-	(10,705,386.22)	-	-
Highways and bridges	7,849,225.78	440,473.45	3,408,478.58	474,202.05	(3,526,071.70)	-	-
Health and welfare	8,532,111.24	-	7,792,373.28	-	(739,737.96)	-	-
Culture and recreation	14,519.01	-	-	-	(14,519.01)	-	-
Conser. of natural resources	817,295.21	12,229.25	69,997.15	-	(735,068.81)	-	-
Economic development	168,437.59	-	38,867.98	-	(129,569.61)	-	-
Other	30,880.74	-	-	-	(30,880.74)	-	-
Interest on long-term debt	254,168.61	-	-	-	(254,168.61)	-	-
Fiscal agent charges	6,584.51	-	-	-	(6,584.51)	-	-
<b>Total Primary Government</b>	<b>\$ 39,936,602.98</b>	<b>\$ 4,222,974.75</b>	<b>\$ 12,329,871.68</b>	<b>\$ 474,202.05</b>	<b>\$ (22,909,554.50)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Component Units</b>							
Water Resource District	\$ 817,148	\$ 267,410	\$ -	\$ -	\$ -	\$ (549,738)	\$ -
Fair Association	291,171	136,102	-	-	-	-	(155,069)
<b>Total Component Units</b>	<b>\$ 1,108,319</b>	<b>\$ 403,512</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (549,738)</b>	<b>\$ (155,069)</b>
<b>General Revenues</b>							
Property taxes					\$ 17,879,542.19	\$ 763,979	\$ 96,957
Drain assessments					-	322,010	-
Non restricted grants and contributions					2,998,386.54	-	-
Special assessments interest					-	39,988	-
Unrestricted investment earnings					345,752.33	72,657	-
Miscellaneous revenue					624,830.49	11,408	40,221
<b>Total General Revenues</b>					<b>\$ 21,848,511.55</b>	<b>\$ 1,210,042</b>	<b>\$ 137,178</b>
<b>Change in Net Position</b>					<b>\$ (1,061,042.95)</b>	<b>\$ 660,304</b>	<b>\$ (17,891)</b>
<b>Net Position - January 1</b>					<b>\$ 75,955,500.78</b>	<b>\$ 6,542,856</b>	<b>\$ 480,041</b>
<b>Prior Period Adjustments</b>					<b>\$ -</b>	<b>\$ (2,187)</b>	<b>\$ -</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 75,955,500.78</b>	<b>\$ 6,540,669</b>	<b>\$ 480,041</b>
<b>Net Position - December 31</b>					<b>\$ 74,894,457.83</b>	<b>\$ 7,200,973</b>	<b>\$ 462,150</b>

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

# GRAND FORKS COUNTY

Balance Sheet – Governmental Funds  
December 31, 2018

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents, and investments	\$ 16,724,406.91	\$ 6,541,353.81	\$ 566,317.88	\$ 23,832,078.60
Accounts receivable	227,831.32	-	-	227,831.32
Intergovernmental receivable	620,436.42	429,549.76	29,211.07	1,079,197.25
Interest receivable	17,388.81	-	-	17,388.81
Taxes receivable	255,466.12	82,840.05	33,584.25	371,890.42
Total Assets	<u>\$ 17,845,529.58</u>	<u>\$ 7,053,743.62</u>	<u>\$ 629,113.20</u>	<u>\$ 25,528,386.40</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 248,669.62	\$ 50,446.15	\$ 8,356.18	\$ 307,471.95
Sales tax payable	888.64	-	-	888.64
Salaries payable	13,866.28	3,028.65	-	16,894.93
Total Liabilities	<u>\$ 263,424.54</u>	<u>\$ 53,474.80</u>	<u>\$ 8,356.18</u>	<u>\$ 325,255.52</u>
Deferred Inflows of Resources				
Taxes receivable	\$ 255,466.12	\$ 82,840.05	\$ 33,584.25	\$ 371,890.42
Taxes received in advance	3,444,557.57	831,017.59	309,864.22	4,585,439.38
Total Deferred Inflows of Resources	<u>\$ 3,700,023.69</u>	<u>\$ 913,857.64</u>	<u>\$ 343,448.47</u>	<u>\$ 4,957,329.80</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 3,963,448.23</u>	<u>\$ 967,332.44</u>	<u>\$ 351,804.65</u>	<u>\$ 5,282,585.32</u>
Fund Balances				
Committed				
Park related projects	\$ -	\$ 45,677.46	\$ -	\$ 45,677.46
County improvements	-	951,683.51	-	951,683.51
Restricted				
General Government	-	153,692.94	-	153,692.94
Public safety	-	182,614.01	-	182,614.01
Highways and bridges	-	1,770,306.70	-	1,770,306.70
Flood repair	-	19,351.35	-	19,351.35
Health and welfare	-	1,290,387.67	-	1,290,387.67
Conservation of natural resources	-	431,104.99	-	431,104.99
Emergency	-	1,241,592.55	-	1,241,592.55
Debt service	-	-	89,875.98	89,875.98
Capital projects	-	-	187,432.57	187,432.57
Unassigned	13,882,081.35	-	-	13,882,081.35
Total Fund Balances	<u>\$ 13,882,081.35</u>	<u>\$ 6,086,411.18</u>	<u>\$ 277,308.55</u>	<u>\$ 20,245,801.08</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,845,529.58</u>	<u>\$ 7,053,743.62</u>	<u>\$ 629,113.20</u>	<u>\$ 25,528,386.40</u>

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



# GRAND FORKS COUNTY

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2018

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**Total Fund Balances of Governmental Funds** \$ 20,245,801.08

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 82,428,230.24

Certain receivables 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.  
Property taxes receivable 371,890.42

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.  
Deferred outflows derived from pensions and OPEB \$ 9,873,728.99  
Deferred inflows derived from pensions and OPEB (1,797,458.01) 8,076,270.98

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term- are reported in the statement of net position.  
Long-term debt \$ (8,716,499.74)  
Interest payable (22,116.67)  
Compensated absences (1,667,197.48)  
Net pension and OPEB liability (25,821,921.00) (36,227,734.89)

**Total Net Position of Governmental Activities** \$ 74,894,457.83

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

# GRAND FORKS COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
 For the Year Ended December 31, 2018

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 13,169,462.24	\$ 3,006,016.98	\$ 1,732,088.52	\$ 17,907,567.74
Licenses, permits and fees	95,635.71	-	-	95,635.71
Intergovernmental	3,494,019.15	11,661,744.17	172,494.90	15,328,258.22
Charges for services	3,583,729.27	543,609.77	-	4,127,339.04
Interest income	343,817.97	759.85	1,174.51	345,752.33
Miscellaneous	341,664.58	58,575.13	224,590.77	624,830.48
<b>Total Revenues</b>	<b>\$ 21,028,328.92</b>	<b>\$ 15,270,705.90</b>	<b>\$ 2,130,348.70</b>	<b>\$ 38,429,383.52</b>
<b>EXPENDITURES</b>				
Current				
General government	\$ 7,044,816.22	\$ 88,218.89	\$ -	\$ 7,133,035.11
Public safety	11,880,588.15	118,651.92	-	11,999,240.07
Highways and bridges	-	7,279,812.75	-	7,279,812.75
Health and welfare	-	7,645,121.09	-	7,645,121.09
Culture and recreation	-	14,519.01	-	14,519.01
Conserv. of natural resources	-	794,895.70	-	794,895.70
Economic development	168,437.59	-	-	168,437.59
Capital Outlay	273,166.03	-	19,976.79	293,142.82
Debt Service				
Principal	-	-	2,540,093.53	2,540,093.53
Interest	-	-	303,323.13	303,323.13
Fiscal agent charges	-	-	6,584.51	6,584.51
<b>Total Expenditures</b>	<b>\$ 19,367,007.99</b>	<b>\$ 15,941,219.36</b>	<b>\$ 2,869,977.96</b>	<b>\$ 38,178,205.31</b>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 1,661,320.93	\$ (670,513.46)	\$ (739,629.26)	\$ 251,178.21
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 2,065.99	\$ 1,874.03	\$ 2,485,127.45	\$ 2,489,067.47
Transfers out	(601,334.82)	(2,732.65)	(1,885,000.00)	(2,489,067.47)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (599,268.83)</b>	<b>\$ (858.62)</b>	<b>\$ 600,127.45</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,062,052.10</b>	<b>\$ (671,372.08)</b>	<b>\$ (139,501.81)</b>	<b>\$ 251,178.21</b>
Fund Balance - January 1	\$ 12,820,029.25	\$ 6,757,783.26	\$ 416,810.36	\$ 19,994,622.87
Fund Balance - December 31	\$ 13,882,081.35	\$ 6,086,411.18	\$ 277,308.55	\$ 20,245,801.08

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

# GRAND FORKS COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2018

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**Net Change in Fund Balances - Total Governmental Funds** \$ 251,178.21

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current year capital outlay	\$ 1,639,583.56	
Current year capital contribution	474,202.05	
Current year depreciation expense	<u>(3,031,756.57)</u>	(917,970.96)

In the statement of activities, only the gain (loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

(8,793.60)

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

Debt issuance	\$ (93.53)	
Repayment of debt	<u>2,540,093.53</u>	2,540,000.00

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.

32,086.61

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.

Decrease in compensated absences	\$ 9,514.43	
Decrease in interest payable	<u>17,067.91</u>	26,582.34

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.

Decrease in taxes receivable		(28,025.55)
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The Net Pension and OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Increase in Net pension and OPEB liability	\$ (898,685.00)	
Decrease in Deferred outflows of resources related to pensions and OPEB	(1,255,425.01)	
Increase in Deferred inflows of resources related to pensions and OPEB	<u>(801,989.99)</u>	(2,956,100.00)

**Change in Net Position of Governmental Activities** \$ (1,061,042.95)

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

**GRAND FORKS COUNTY**

Statement of Fiduciary Assets and Liabilities - Agency Funds  
December 31, 2018

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**ASSETS**

Cash and investments \$ 18,239,863.97

**LIABILITIES**

Due to other governments/entities \$ 18,239,863.97

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

# GRAND FORKS COUNTY

Notes to the Financial Statements  
For the Year Ended December 31, 2018

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## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Grand Forks County ("County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

### **A. Reporting Entity**

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which the County is financially accountable and other organizations for which the nature and significance of their relationships with the County such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

Based on these criteria, there are three component units to be included within the 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 Units, although legally separate entities, are, in substance, part of the government's operations and so data from this unit is combined with data from the primary government.

Grand Forks County Building Authority ("Building Authority") – The Building Authority serves only the 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, 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' column in the basic financial statements includes the financial data of the County's two component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

Grand Forks County Water Resource District ("Water Resource District") - The County's governing board appoints a voting majority of the members of the Water Resource District board. The County has the authority to approve or modify the Water Resource District's operational and capital budgets. The County also must approve the tax levy established by the Water Resource District.

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

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. 4<sup>th</sup> St, Grand Forks, North Dakota, 58206-0726.

## GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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### **B. Basis of Presentation**

*Government-wide statements.* The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other 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 all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

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

The County reports the following major governmental funds:

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

*Special Revenue Fund* - This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

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

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

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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.

**D. Cash and Investments**

Cash includes amounts in demand deposits and money market accounts.

The investments of the County consist of certificates of deposit stated at cost with maturities in excess of three months.

**E. Capital Assets**

Capital assets for the primary government and discretely presented component units 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 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. 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 (amounts in years):

<b>Assets</b>	<b>County</b>	<b>Water Resource District</b>
Buildings	50 - 60	-
Machinery and Equipment	5 - 20	5 - 10
Infrastructure	50 - 60	-
Vehicles	7	-
Office Equipment	10	-
Land Improvement	-	20

**F. Compensated Absences**

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 hours of vacation leave may be carried over. Sick leave benefits are earned at the rate of one day per month regardless of 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, upon termination. When intent to terminate employment is submitted, the employee must have 5 continuous years of service to be eligible for monetary compensation of sick leave. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

**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.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

**H. Pension**

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

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

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**I. Other Post-Employment Benefits (OPEB)**

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

**J. Fund Balances**

*Fund Balance Spending Policy.* It is the policy of the County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the County to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

*Minimum Fund Balance Policy.* The County established a 15% - 20% general fund carryover balance target to help with financial stability. The 15% - 20% 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.

*Committed Fund Balances.* Committed fund balances consist of amounts for park related projects and county improvements that are not restricted by enabling legislation or 3<sup>rd</sup> parties but have been committed by the County commissioners for specific purposes

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state and federal governments for various grants and reimbursements).

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

**K. Net Position**

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

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted federal and state grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

**L. 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.

**M. Special Assessments**

Special assessments of the Water Resource District are levied to landowners who own property on that area that a project is taking place. Special assessments are recognized as revenue in the government wide financial statements in the year that the special assessment begins.



**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 2: PRIOR PERIOD ADJUSTMENTS**

**Water Resource District**

Net position as of January 1, 2018 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*. The result of implementing GASB 75 reduced beginning net position for the activities of the Water Resource District, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

The effect of the prior period adjustments to beginning net position for the change in accounting principle for the Water Resource District is as follows:

<b>Water Resource District</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 6,542,856
Adjustments to restate the January 1, 2018 Net Position	
Net OPEB Liability	(2,658)
Deferred Outflows of Resources Related to Pensions	(166)
Deferred Inflows of Resources Related to Pensions	637
Net Position January 1, as restated	\$ 6,540,669

**NOTE 3: DEPOSITS**

**Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount they may invest in any one issuer.

In accordance with North Dakota statutes, 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 another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2018, the County's carrying amount of deposits totaled \$30,646,186, and the bank balances totaled \$32,059,861. Of the bank balances, \$10,983,633 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2018, the Water Resource District's carrying amount of deposits totaled \$4,810,164, and the bank balances totaled \$4,871,432. Of the bank balances, \$373,513 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2018, the Fair Association's carrying amount of deposits totaled \$102,549, and the bank balances totaled \$104,393, all of which was covered by Federal Depository Insurance.

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The County does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

As authorized in North Dakota statutes, idle funds may be invested 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.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

As of December 31, 2018, the County held investments in commercial paper in the amount of \$1,965,628.

As of December 31, 2018, the Water Resource District held certificates of deposit in the amount of \$1,288,652, all of which are considered deposits.

**NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2018:

<b>Asset</b>	<b>Quotes Prices in Active Markets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Total</b>
Commercial Paper	\$ -	\$ 1,965,628.00	\$ -	\$ 1,965,628.00

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

**NOTE 5: PROPERTY TAXES**

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

**NOTE 6: CAPITAL ASSETS**

**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2018:

<b>Primary Government</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
Capital assets not being depreciated				
Land	\$ 505,895.00	\$ -	\$ -	\$ 505,895.00
Capital assets, being depreciated				
Buildings	46,781,229.95	46,403.00	9,160.00	46,818,472.95
Equipment	5,660,444.46	98,304.02	45,055.00	5,713,693.48
Furniture	909,019.34	17,801.00	-	926,820.34
Vehicles	3,106,588.95	392,303.60	90,463.28	3,408,429.27
Infrastructure	71,465,184.53	1,558,973.99		73,024,158.52
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 127,922,467.23</b>	<b>\$ 2,113,785.61</b>	<b>\$ 144,678.28</b>	<b>\$ 129,891,574.56</b>
Less accumulated depreciation				
Buildings	\$ 17,179,580.95	\$ 988,009.04	\$ 366.40	\$ 18,167,223.59
Equipment	3,272,214.55	378,553.74	45,055.00	3,605,713.29
Furniture	837,600.78	17,480.90	-	855,081.68
Vehicles	2,406,895.52	261,394.09	90,463.28	2,577,826.33
Infrastructure	21,377,075.65	1,386,318.78		22,763,394.43
<b>Total Accumulated Depreciation</b>	<b>\$ 45,073,367.45</b>	<b>\$ 3,031,756.55</b>	<b>\$ 135,884.68</b>	<b>\$ 47,969,239.32</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 82,849,099.78</b>	<b>\$ (917,970.94)</b>	<b>\$ 8,793.60</b>	<b>\$ 81,922,335.24</b>
<b>Total Capital Assets, Net</b>	<b>\$ 83,354,994.78</b>	<b>\$ (917,970.94)</b>	<b>\$ 8,793.60</b>	<b>\$ 82,428,230.24</b>

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

General Government	\$ 741,995.45
Public Safety	615,215.91
Highways and Bridges	1,635,032.37
Health and Welfare	35,413.10
Conservation of Natural Resources	4,099.72
<b>Total Depreciation Expense</b>	<b>\$ 3,031,756.55</b>

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

**Discretely Presented Component Units**

The following is a summary of changes in capital assets for the year ended December 31, 2018 for the Water Resource District:

<b>Water Resource District</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
Capital assets not being depreciated				
Land	\$ 551,814	\$ 291,084	\$ -	\$ 842,898
Capital assets, being depreciated				
Land Improvement	\$ 1,627,432	\$ -	\$ -	\$ 1,627,432
Office Equipment	20,254	-	-	20,254
Vehicles and Equipment	559,863	-	-	559,863
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 2,207,549</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,207,549</b>
Less accumulated depreciation				
Land Improvement	\$ 103,160	\$ 33,489	\$ -	\$ 136,649
Office Equipment	19,263	248	-	19,511
Vehicles and Equipment	304,066	40,138	-	344,204
<b>Total Accumulated Depreciation</b>	<b>\$ 426,489</b>	<b>\$ 73,875</b>	<b>\$ -</b>	<b>\$ 500,364</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,781,060</b>	<b>\$ (73,875)</b>	<b>\$ -</b>	<b>\$ 1,707,185</b>
<b>Total Capital Assets, Net</b>	<b>\$ 2,332,874</b>	<b>\$ 217,209</b>	<b>\$ -</b>	<b>\$ 2,550,083</b>

Depreciation expense totaling \$73,875 was charged to the conservation of natural resources function.

The following is a summary of changes in capital assets for the year ended December 31, 2018 for the Fair Association:

<b>Fair Association</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
Capital assets not being depreciated				
Land	\$ 85,420	\$ -	\$ -	\$ 85,420
Capital assets, being depreciated				
Equipment	\$ 229,414	\$ -	\$ -	\$ 229,414
Leasehold Improvements	724,996	-	-	724,996
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 954,410</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 954,410</b>
Less accumulated depreciation				
Equipment	\$ 199,395	\$ 9,793	\$ -	\$ 209,188
Leasehold Improvements	397,167	31,134	-	428,301
<b>Total Accumulated Depreciation</b>	<b>\$ 596,562</b>	<b>\$ 40,927</b>	<b>\$ -</b>	<b>\$ 637,489</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 357,848</b>	<b>\$ (40,927)</b>	<b>\$ -</b>	<b>\$ 316,921</b>
<b>Total Capital Assets, Net</b>	<b>\$ 443,268</b>	<b>\$ (40,927)</b>	<b>\$ -</b>	<b>\$ 402,341</b>

Depreciation expense totaling \$40,927 was charged to the culture and recreation function.

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

**NOTE 7: LONG-TERM LIABILITIES**

**Primary Government**

During the year ended December 31, 2018, the following changes occurred in governmental activities long-term liabilities:

<b>Primary Government</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Bonds Payable	\$ 11,065,000.00	\$ -	\$ 2,540,000.00	\$ 8,525,000.00	\$ 1,375,000.00
Bond Premium	223,586.35	-	32,086.61	191,499.74	32,086.61
Special Assessments Payable	-	93.53	93.53	-	-
<b>Total Long-Term Debt</b>	<b>\$ 11,288,586.35</b>	<b>\$ 93.53</b>	<b>\$ 2,572,180.14</b>	<b>\$ 8,716,499.74</b>	<b>\$ 1,407,086.61</b>
Compensated Absences *	1,676,711.92	-	9,514.44	1,667,197.48	166,719.75
Net Pension and OPEB Liability	24,923,236.00	898,685.00	-	25,821,921.00	-
<b>Total Long-Term Liabilities</b>	<b>\$ 37,888,534.27</b>	<b>\$ 898,778.53</b>	<b>\$ 2,581,694.58</b>	<b>\$ 36,205,618.22</b>	<b>\$ 1,573,806.36</b>

\* The change in compensated absences is shown as a net change.

Debt service requirements on long-term debt is as follows:

<b>Year Ending Dec 31</b>	<b>Bonds Payable</b>		<b>Bond Premium</b>
	<b>Principal</b>	<b>Interest</b>	<b>Amortization</b>
2019	\$ 1,375,000.00	\$ 242,400.00	\$ 32,086.61
2020	1,205,000.00	206,600.00	26,568.86
2021	1,240,000.00	172,350.00	26,568.86
2022	1,270,000.00	137,150.00	26,568.86
2023	1,120,000.00	103,050.00	26,568.86
2024 - 2028	2,315,000.00	104,550.00	53,137.69
<b>Total</b>	<b>\$ 8,525,000.00</b>	<b>\$ 966,100.00</b>	<b>\$ 191,499.74</b>

**Discretely Presented Component Units**

During the year ended December 31, 2018, the following changes occurred in governmental long-term liabilities of the Water Resource District:

<b>Water Resource District</b>	<b>Balance Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Bonds Payable	\$ 1,060,000	\$ -	\$ 85,000	\$ 975,000	\$ 85,000
Bond Discount	(8,245)	-	(634)	(7,611)	-
<b>Total Long-Term Debt</b>	<b>\$ 1,051,755</b>	<b>\$ -</b>	<b>\$ 84,366</b>	<b>\$ 967,389</b>	<b>\$ 85,000</b>
Net Pension and OPEB Liability	\$ 57,237	\$ 27,582	\$ -	\$ 84,819	\$ -
<b>Total Long-Term Liabilities</b>	<b>\$ 1,108,992</b>	<b>\$ 27,582</b>	<b>\$ 84,366</b>	<b>\$ 1,052,208</b>	<b>\$ 85,000</b>

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

Debt service requirements on long-term debt is as follows:

Year Ending Dec 31	Bonds Payable		Bond Discount
	Principal	Interest	Amortization
2019	\$ 85,000	\$ 25,445	\$ 634
2020	85,000	23,675	634
2021	85,000	21,905	634
2022	85,000	20,135	634
2023	90,000	17,875	634
2024 - 2028	405,000	49,650	3,170
2029 - 2033	140,000	4,200	1,271
Total	\$ 975,000	\$ 162,885	\$ 7,611

During the year ended December 31, 2018, the following changes occurred in governmental long-term liabilities of the Fair Association.

Fair Association	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 52,236	\$ -	\$ 7,968	\$ 44,268	\$ 8,267
Special Assessments Payable	2,057	-	422	1,635	422
Total Long-Term Liabilities	\$ 54,293	\$ -	\$ 8,390	\$ 45,903	\$ 8,689

Debt service requirements on long-term debt is as follows:

Year Ending Dec 31	Loan Payable		Special Assess. Pay.	
	Principal	Interest	Principal	Interest
2019	\$ 8,267	\$ 1,526	\$ 422	\$ 68
2020	8,549	1,244	422	44
2021	8,847	946	184	21
2022	9,152	641	184	10
2023	9,453	302	423	92
Total	\$ 44,268	\$ 4,659	\$ 1,635	\$ 235

**NOTE 8: OPERATING LEASES**

The County is engaged in various operating leases which include copiers, postage machines, printers, and motor graders. Total lease payments made during 2018 totaled \$394,391. The County departments are listed along with the piece of equipment that is being leased by that department in the following schedules.

Year Ending Dec 31	Sheriff Copier	Juvenile Detention Copier	Social Services Copiers & Postage Machine	Emergency Management Copier	States Attorney Copiers & Printers	NDSU Extension Postage & Copier	Highway Motor Graders
2019	\$ 7,955	\$ 1,746	\$ 11,434	\$ 1,704	\$ 15,255	\$ 9,720	\$ 346,422
2020	7,955	1,018	10,805	1,562	15,255	4,626	346,422
2021	7,955	-	10,595	-	15,255	-	346,422
2022	-	-	8,830	-	15,255	-	173,211
Totals	\$ 23,865	\$ 2,764	\$ 41,664	\$ 3,266	\$ 61,020	\$ 14,346	\$ 1,212,477

**NOTE 9: PENSION PLAN**

**General Information about the NDPERS Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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

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

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

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

**Member and Employer Contributions**

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

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

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

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

At December 31, 2018, the following net pension liabilities were reported:

	<b>Net Pension Liability</b>
Primary Government	\$ 24,738,037
Water Resource District	81,258

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2017 Measurement</b>	<b>Pension Expense</b>
Primary Government	1.465863%	-0.015926%	\$ 3,953,692
Water Resource District	0.004815%	0.001254%	11,927

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 65,483	\$ 841,636
Changes of Assumptions	8,929,916	353,087
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	120,353
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	115,095	421,051
Employer Contributions Subsequent to the Measurement Date	545,086	-
<b>Total</b>	<b>\$ 9,655,580</b>	<b>\$ 1,736,127</b>



**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 215	\$ 2,765
Changes of Assumptions	29,333	1,160
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	395
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	9,711	11,886
Employer Contributions Subsequent to the Measurement Date	1,959	-
<b>Total</b>	<b>\$ 41,218</b>	<b>\$ 16,206</b>

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

Primary Government	\$ 545,086
Water Resource District	1,959

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

	<b>Primary Government</b>	<b>Water Resource District</b>
2019	\$ 2,418,774	\$ 6,887
2020	2,091,002	5,809
2021	1,801,780	4,884
2022	1,011,119	4,363
2023	51,692	1,110

**Actuarial Assumptions**

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30 – 39	7.50%
	40 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

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

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

**Discount rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

**Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate**

The following presents the entities proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.32%)</b>	<b>Current Discount Rate (6.32%)</b>	<b>1% Increase (7.32%)</b>
Primary Government	\$ 33,614,394	\$ 24,738,037	\$ 17,331,004
Water Resource District	110,415	81,258	56,928

**Pension Plan Fiduciary Net Position**

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

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 10: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2018, the following net OPEB liabilities were reported:

	<b>Net OPEB Liability</b>
Primary Government	\$ 1,083,884
Water Resource District	3,561

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

The net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2017 Measurement</b>	<b>Pension Expense</b>
Primary Government	1.376241%	-0.022000%	\$ 133,236
Water Resource District	0.004521%	0.001254%	573

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 32,447	\$ 22,394
Changes of Assumptions	88,934	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	23,317
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	9,494	15,620
Employer Contributions Subsequent to the Measurement Date	87,274	-
<b>Total</b>	<b>\$ 218,149</b>	<b>\$ 61,331</b>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 108	\$ 74
Changes of Assumptions	292	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	77
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	833	-
Employer Contributions Subsequent to the Measurement Date	312	-
<b>Total</b>	<b>\$ 1,545</b>	<b>\$ 151</b>

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

Primary Government	\$ 87,274
Water Resource District	312

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

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

	<b>Primary Government</b>	<b>Water Resource District</b>
2019	\$ 8,381	\$ 164
2020	8,381	164
2021	8,381	164
2022	18,671	198
2023	16,783	191
2024	8,149	161
Thereafter	798	40

**Actuarial assumptions**

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, net of investment expenses
Cost of living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	.10%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

**Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Primary Government	\$ 1,371,372	\$ 1,083,884	\$ 837,431
Water Resource District	4,505	3,561	2,751

**NOTE 11: RISK MANAGEMENT**

The 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. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$5,664,514 for mobile equipment and portable property (public assets).

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the 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.

The County has worker's compensation with the ND Workforce Safety and Insurance.

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

**NOTE 12: TRANSFERS**

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2018:

	<b>Transfers In</b>	<b>Transfers Out</b>
<u>Major Funds</u>		
General Fund	\$ 2,065.99	\$ 601,334.82
Special Revenue Fund	1,874.03	2,732.65
<u>Non-Major Funds</u>		
Capital Construction	172,000.00	1,256,800.00
Mortgage Revenue Bonds 2008	428,127.45	628,200.00
Lease Revenue Bonds 2008	628,200.00	-
Lease Revenue Bonds 2013	1,256,800.00	-
<b>Total Transfers</b>	<b>\$ 2,489,067.47</b>	<b>\$ 2,489,067.47</b>

Transfers are used to move revenues from the debt service funds with collection authorization to other debt service funds as debt service principal and interest payments become due.

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 13: JOINT VENTURE**

Under authorization of state statutes, the Water Resource District joined Southeast Cass Water Resource District, North Cass Water Resource District, Maple River Water Resource District, Rush River Water Resource District, and the water resource districts of Richland 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.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2017, which is the most current audited information available:

	<b>Red River Joint WRD</b>
Total Assets	\$ 10,183,698.00
Total Liabilities	117,178.00
Net Position	\$ 10,066,520.00
Revenues	\$ 6,062,069.00
Expenses	3,185,863.00
Change in Net Position	\$ 2,876,206.00

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 14: CONDUIT DEBT**

Conduit debt obligations are defined as certain limited-obligation revenue bonds, certifications of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third part that is not part of the issuer's financial reporting entity. 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.

At December 31, 2018, the county is involved in conduit debt obligations under the following criteria.

**Industrial Revenue Bonds**

The County is currently involved in a program that had issued Industrial Revenue Bonds. Industrial Revenue Bonds 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.

As of December 31, 2018, there were six Industrial Revenue Bond issuances which had a combined total of \$75,360,705.

**Recovery Zone Facility Bonds**

The county is currently involved in a program that had issued Recovery Zone Facility Bonds. Recovery Zone Facility Bonds are a 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.

**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

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As of December 31, 2018, there were five Recovery Zone Facility bond issuances which had a combined total of \$35,606,755.

**Recovery Economic Development Bonds**

The 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, 2018, there was one Recovery Zone Economic Development Bond issuances which had a combined total of \$1,120,000.

**Qualified Zone Academy Bonds**

The 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, 2018, there was one Qualified Zone Academy Bond issuance which totaled \$5,000,000.

**Qualified School Construction Bonds**

The 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, 2018, there was one Qualified School Construction Bond issuance which totaled \$6,230,000.

**NOTE 15: TAX ABATEMENTS**

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

At December 31, 2018, the local governments within the County provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria.

**New Business**

Under NDCC §40-57.1-03, a municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements used in or necessary to the operation of a project for a period not exceeding five years from the date of commencement of project operations. A municipality may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations.



**GRAND FORKS COUNTY**

Notes to the Financial Statements – Continued

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**Charitable Organization**

Under NDCC §57-02-08(8), buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to NDCC §23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit may be exempt.

**Single Family Residence**

Under NDCC §57-02-08(35), up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time.

**Childhood Services**

Under NDCC §57-02-08(36), the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services or adult daycare may be exempt from taxation.

**Improvements to Commercial and Residential Buildings and Structures**

Under NDCC §57-02.2-03, improvements to commercial and residential buildings and structures as defined may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements.

The total reduction in property tax revenue due to tax abatements is as follows:

	<b>Reduction in Property Tax Revenue</b>
New Business	\$ 122,491.85
Charitable Organization	1,043,945.19
Single Family Residence	148,939.89
Childhood Services	10,093.46
Commercial and Residential	85,695.22
<b>Total Reduction in Property Tax Revenue</b>	<b>\$ 1,411,165.61</b>

**NOTE 16: GRAND SKY EUL PROJECT**

The County entered into an Enhanced Use Lease (EUL) with the United States Air Force on February 6, 2015. The location of the property (estimated 217 acres) is located on Grand Forks Air Force Base. The term of the lease is 50 years with the option of renewal if the County is not in any default of any of its obligations. The project will be used solely for the advancement of the Unmanned Aerial Systems (UAS) industry and the Remotely Piloted Aircraft (RPA) industry, along with support for manned aviation, light industrial and manufacturing activities, and mixed use facilities which include hangars, classrooms/training facilities, administrative offices, data centers, and other uses approved by the United States Air Force. The County's competitively selected developer, Grand Sky Development Company, LLC, will recommend to the County board of commissioners certain contractors to perform work funded through the North Dakota Department of Transportation and North Dakota Department of Commerce as required only after following the selection process set forth in the North Dakota Century Code requirements for bidding development projects. Through the sublease, Grand Sky Development Company, LLC will be financially responsible for making the lease payments to the United States Air Force. The County has an escrow account to transmit funds to the United States Air Force when payments are due. The County to date has out of pocket costs of a sum total of \$486,235 that was related to this project. The County will own no land, equipment, or infrastructure in result of the stated costs. The purpose of this project was solely to benefit the economy of the County and its citizens.

**GRAND FORKS COUNTY**

Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 13,778,526.00	\$ 13,778,526.00	\$ 13,169,462.24	\$ (609,063.76)
Licenses, Permits and Fees	85,750.00	85,750.00	95,635.71	9,885.71
Intergovernmental	2,675,774.00	2,675,774.00	3,494,019.15	818,245.15
Charges for Services	3,279,242.00	3,279,242.00	3,583,729.27	304,487.27
Interest Income	50,000.00	50,000.00	343,817.97	293,817.97
Miscellaneous	166,200.00	166,200.00	341,664.58	175,464.58
Total Revenues	<u>\$ 20,035,492.00</u>	<u>\$ 20,035,492.00</u>	<u>\$ 21,028,328.92</u>	<u>\$ 992,836.92</u>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 7,573,456.00	\$ 7,580,061.00	\$ 7,044,816.22	\$ 535,244.78
Public Safety	12,472,865.00	12,477,865.00	11,880,588.15	597,276.85
Economic Development	186,843.00	186,843.00	168,437.59	18,405.41
Capital Outlay	400,000.00	500,000.00	273,166.03	226,833.97
Total Expenditures	<u>\$ 20,633,164.00</u>	<u>\$ 20,744,769.00</u>	<u>\$ 19,367,007.99</u>	<u>\$ 1,377,761.01</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (597,672.00)</u>	<u>\$ (709,277.00)</u>	<u>\$ 1,661,320.93</u>	<u>\$ 2,370,597.93</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 2,065.99	\$ 2,065.99
Transfers Out	-	-	(601,334.82)	(601,334.82)
Net Change in Fund Balances	<u>\$ (597,672.00)</u>	<u>\$ (709,277.00)</u>	<u>\$ 1,062,052.10</u>	<u>\$ 1,771,329.10</u>
Fund Balance - January 1	<u>\$ 12,820,029.25</u>	<u>\$ 12,820,029.25</u>	<u>\$ 12,820,029.25</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 12,222,357.25</u>	<u>\$ 12,110,752.25</u>	<u>\$ 13,882,081.35</u>	<u>\$ 1,771,329.10</u>

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

**GRAND FORKS COUNTY**

Budgetary Comparison Schedule - Special Revenue Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 3,105,153.00	\$ 3,105,153.00	\$ 3,006,016.98	\$ (99,136.02)
Intergovernmental	10,903,277.00	10,903,277.00	11,661,744.17	758,467.17
Charges for Services	550,528.00	550,528.00	543,609.77	(6,918.23)
Interest Income	500.00	500.00	759.85	259.85
Miscellaneous	58,521.00	58,521.00	58,575.13	54.13
Total Revenues	<u>\$ 14,617,979.00</u>	<u>\$ 14,617,979.00</u>	<u>\$ 15,270,705.90</u>	<u>\$ 652,726.90</u>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 138,000.00	\$ 138,000.00	\$ 88,218.89	\$ 49,781.11
Public Safety	73,500.00	142,200.00	118,651.92	23,548.08
Highways and Bridges	7,736,416.00	7,736,416.00	7,279,812.75	456,603.25
Health and Welfare	8,108,686.00	8,113,867.06	7,645,121.09	468,745.97
Culture and Recreation	30,000.00	30,000.00	14,519.01	15,480.99
Conserv. Of Natural Resources	881,917.00	881,917.00	794,895.70	87,021.30
Total Expenditures	<u>\$ 16,968,519.00</u>	<u>\$ 17,042,400.06</u>	<u>\$ 15,941,219.36</u>	<u>\$ 1,101,180.70</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,350,540.00)</u>	<u>\$ (2,424,421.06)</u>	<u>\$ (670,513.46)</u>	<u>\$ 1,753,907.60</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 1,874.03	\$ 1,874.03
Transfers Out	-	-	(2,732.65)	(2,732.65)
Net Change in Fund Balances	<u>\$ (2,350,540.00)</u>	<u>\$ (2,424,421.06)</u>	<u>\$ (671,372.08)</u>	<u>\$ 1,753,048.98</u>
Fund Balance - January 1	<u>\$ 6,757,783.26</u>	<u>\$ 6,757,783.26</u>	<u>\$ 6,757,783.26</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 4,407,243.26</u>	<u>\$ 4,333,362.20</u>	<u>\$ 6,086,411.18</u>	<u>\$ 1,753,048.98</u>

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

**GRAND FORKS COUNTY**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 For the Year Ended December 31, 2018

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

<b>County</b>	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	1.465863%	\$ 24,738,037	\$ 15,059,060	164.27%	62.80%
2017	1.481789%	23,817,212	15,125,744	157.46%	61.98%
2016	1.469409%	14,320,823	14,808,175	96.71%	70.46%
2015	1.486855%	10,110,360	13,246,075	76.33%	77.15%
2014	1.557809%	11,436,085	13,122,653	87.15%	77.70%

<b>Water Resource District</b>	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.004815%	\$ 81,258	\$ 49,468	164.26%	62.80%
2017	0.003561%	57,237	36,350	157.46%	61.98%
2016	0.005296%	51,615	53,375	96.70%	70.46%
2015	0.006246%	42,472	55,644	76.33%	77.15%
2014	0.006341%	40,248	53,418	75.35%	77.70%

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

**GRAND FORKS COUNTY**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued  
 For the Year Ended December 31, 2018

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

<b>County</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 1,109,164	\$ 1,095,065	\$ 14,099	\$ 15,059,060	7.27%
2017	1,096,873	1,179,531	(82,658)	15,125,744	7.80%
2016	1,072,088	967,745	104,343	14,808,175	6.54%
2015	1,006,145	1,012,374	(6,229)	13,246,075	7.64%
2014	934,333	934,333	-	13,122,653	7.12%

<b>Water Resource District</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 3,643	\$ 3,504	\$ 139	\$ 49,468	7.08%
2017	2,636	3,351	(715)	36,350	9.22%
2016	3,864	4,137	(273)	53,375	7.75%
2015	4,227	3,962	265	55,644	7.12%
2014	3,804	3,804	-	53,418	7.12%

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

**GRAND FORKS COUNTY**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
 For the Year Ended December 31, 2018

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

<b>County</b>	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	1.376241%	\$ 1,083,884	\$ 15,059,060	7.20%	61.89%
2017	1.398241%	1,106,024	15,126,744	7.31%	59.78%

<b>Water Resource District</b>	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.004521%	\$ 3,561	\$ 49,468	7.20%	61.89%
2017	0.003360%	2,658	36,350	7.31%	59.78%

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

<b>County</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 176,634	\$ 175,332	1,302	\$ 15,059,060	1.16%
2017	175,332	188,856	(13,524)	15,126,744	1.25%

<b>Water Resource District</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 580	\$ 561	19	\$ 49,468	1.13%
2017	423	537	(114)	36,350	1.48%

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

# GRAND FORKS COUNTY

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2018

## NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

- The County commission adopts an appropriated budget on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- 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: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, information for those years for which information is available will be presented.

## NOTE 3: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

## NOTE 4: LEGAL COMPLIANCE - BUDGETS

### Budget Amendments

The board of county commissioners amended the budget for 2018 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<b>Major Funds</b>			
General Fund	\$ 20,633,164.00	\$ 111,605.00	\$ 20,744,769.00
Special Revenue Fund	16,968,519.00	73,881.06	17,042,400.06
<b>Nonmajor Funds</b>			
Mortgage Revenue Bond	320,350.00	315,000.00	635,350.00
Capital Construction	1,939,368.00	286,710.00	2,226,078.00

**GRAND FORKS COUNTY**  
 Schedule of Fund Activity - Cash Basis  
 For the Year Ended December 31, 2018

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
<b>Major Funds</b>						
General Fund	\$ 12,256,215.40	\$ 20,946,568.82	\$ 2,065.99	\$ 601,334.82	\$ 19,291,890.04	\$ 13,311,625.35
<b>Special Revenue Fund</b>						
County Reserve	\$ 951,683.51	\$ -	\$ -	\$ -	\$ -	\$ 951,683.51
County Road & Bridge	1,592,861.77	2,472,909.39	-	-	3,649,289.02	416,482.14
Highway Tax Distribution	1,091,265.44	3,511,559.11	-	-	3,604,929.37	997,895.18
FEMA 2009	14,096.25	-	-	-	-	14,096.25
FEMA 2010	2,746.11	-	-	-	-	2,746.11
FEMA 2011	2,508.99	-	-	-	-	2,508.99
Social Services	500,000.00	8,076,578.59	-	-	7,396,520.81	1,180,057.78
Crime Prevention Fund	666.66	-	-	666.66	-	-
Grand Forks Narcotics Task Force	9,573.86	8,138.81	666.66	-	8,850.17	9,529.16
Keys Grant JABG - 2001	9,588.64	-	-	-	9,588.64	-
Victims Reparation Program	10,337.43	100.00	-	-	-	10,437.43
Court Facilities Improv Grant	-	60,027.76	-	-	60,027.76	-
Emergency Fund	1,205,483.83	79,072.41	-	-	44,624.98	1,239,931.26
Veteran Service	57,756.19	220,600.66	-	-	247,927.86	30,428.99
NDSU Extension	193,544.76	530,902.01	-	-	435,820.16	288,626.61
Weed Control	144,203.47	341,083.63	-	-	359,075.54	126,211.56
Asset Forfeiture	124,290.67	23,439.00	-	-	-	147,729.67
Adult Drug Court	11.64	-	-	-	-	11.64
GFCSS Client Opportunity	79,505.97	2,441.14	-	-	4,023.68	77,923.43
County Recorder Technology Fund	147,870.84	54,853.51	-	-	49,031.41	153,692.94
County Park	60,196.47	-	-	-	14,519.01	45,677.46
Hazardous Chemicals	11,514.16	4,812.50	-	-	1,660.55	14,666.11
Contract Policing	-	39,383.42	1,207.37	2,065.99	38,524.80	-
<b>Total Special Revenue Funds</b>	<b>\$ 6,209,706.66</b>	<b>\$ 15,425,901.94</b>	<b>\$ 1,874.03</b>	<b>\$ 2,732.65</b>	<b>\$ 15,924,413.76</b>	<b>\$ 5,710,336.22</b>
<b>Total Major Funds</b>	<b>\$ 18,465,922.06</b>	<b>\$ 36,372,470.76</b>	<b>\$ 3,940.02</b>	<b>\$ 604,067.47</b>	<b>\$ 35,216,303.80</b>	<b>\$ 19,021,961.57</b>
<b>Nonmajor Funds</b>						
Debt Service Funds						
GO Bonds 1999 COB	\$ 165,792.37	\$ 1,901,730.85	\$ 172,000.00	\$ 1,256,800.00	\$ 963,733.13	\$ 18,990.09
Mortgage Revenue Bonds 1998	61,536.20	138,536.35	428,127.45	628,200.00	-	-
Special Assessments	35,399.19	6,369.16	-	-	93.53	41,674.82
Lease Revenue Bonds 2008	-	229.39	628,200.00	-	628,429.39	-
Lease Revenue Bonds 2013	-	945.12	1,256,800.00	-	1,257,745.12	-
<b>Total Nonmajor Debt Service Funds</b>	<b>\$ 262,727.76</b>	<b>\$ 2,047,810.87</b>	<b>\$ 2,485,127.45</b>	<b>\$ 1,885,000.00</b>	<b>\$ 2,850,001.17</b>	<b>\$ 60,664.91</b>
Capital Projects Funds						
Parking Ramp Maintenance	\$ 125,867.70	\$ 85,654.66	\$ -	\$ -	\$ 15,733.61	\$ 195,788.75
<b>Total Nonmajor Capital Projects Funds</b>	<b>\$ 125,867.70</b>	<b>\$ 85,654.66</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,733.61</b>	<b>\$ 195,788.75</b>
<b>Total Nonmajor Funds</b>	<b>\$ 388,595.46</b>	<b>\$ 2,133,465.53</b>	<b>\$ 2,485,127.45</b>	<b>\$ 1,885,000.00</b>	<b>\$ 2,865,734.78</b>	<b>\$ 256,453.66</b>
<b>Total Governmental Funds</b>	<b>\$ 18,854,517.52</b>	<b>\$ 38,505,936.29</b>	<b>\$ 2,489,067.47</b>	<b>\$ 2,489,067.47</b>	<b>\$ 38,082,038.58</b>	<b>\$ 19,278,415.23</b>

Continued on next page...



**GRAND FORKS COUNTY**  
**Schedule of Fund Activity - Cash Basis - Continued**

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
<b>Agency Funds</b>						
County Fair	\$ 5.86	\$ 2.31	\$ -	\$ -	\$ 8.17	\$ -
Extension Office Special	87,584.10	56,128.20	-	-	48,535.71	95,176.59
State Tax	60,118.41	301,724.62	-	-	287,858.86	73,984.17
Airport Authority	72,184.79	266,523.00	-	-	266,634.09	72,073.70
Economic Development	60,765.55	331,715.88	-	-	319,216.88	73,264.55
Health District	128,336.63	482,467.98	-	-	511,742.00	99,062.61
County Library Services	134,622.51	763,062.24	-	-	732,702.09	164,982.66
Fines-State School Fund	-	250.00	-	-	250.00	-
Domestic Violence	1,190.00	14,175.00	-	-	14,595.00	770.00
Historical Society	12,634.79	69,201.02	-	-	66,298.32	15,537.49
Senior Citizens	60,117.62	577,920.60	-	-	564,054.82	73,983.40
Garrison Diversion	60,119.83	317,347.69	-	-	303,481.77	73,985.75
Water Resource District	145,140.22	790,510.42	-	-	763,169.04	172,481.60
Red River Joint Board	84,590.56	465,193.34	-	-	443,187.44	106,596.46
Ambulance Fund	360,711.11	1,974,992.15	-	-	1,891,802.67	443,900.59
State Aid	-	3,085,633.96	-	-	3,085,633.96	-
Paid Under Protest	332.90	-	-	-	-	332.90
Prepaid Taxes	61,069.10	152,704.47	-	-	213,668.57	105.00
Bond Money	450.00	45,444.90	-	-	45,444.90	450.00
GF County Bonds	5,400.00	140,095.00	-	-	137,820.00	7,675.00
AFLAC-Flexible Spending	167,050.75	150,495.94	-	-	210,262.82	107,283.87
Homestead Credit	-	784,784.42	-	-	784,784.42	-
Disabled Veterans Credit	-	601,316.96	-	-	601,316.96	-
Telecommunications Tax	-	667,387.14	-	-	667,387.14	-
Road & Bridge Townships	-	233,530.16	-	-	233,530.16	-
State Game & Fish Tax	-	14,129.07	-	-	14,129.07	-
Waterfowl Protection	-	9,173.00	-	-	9,173.00	-
ND State Land Department	-	282.72	-	-	282.72	-
GFC Soil Conservation District	54,705.09	291,733.20	-	-	281,312.21	65,126.08
BRIC-OEA Grant	200,443.22	339,582.96	-	-	435,441.40	104,584.78
Financial Guarantee-Temp Tower	-	3,600.00	-	-	-	3,600.00
Sheriff's Trust	4,900.01	123,257.09	-	-	120,624.67	7,532.43
Social Service Special Depository	42,475.26	152,169.78	-	-	147,022.87	47,622.17
HIDA-Special Deposit	42.89	590.40	-	-	633.29	-
Game and Fish	2,654.50	-	-	-	2,654.50	-
GF City Unpaid Specials	118,721.91	174,277.33	-	-	275,664.03	17,335.21
Payroll Deductions	4,485.05	10,757,969.60	-	-	10,746,450.88	16,003.77
Total Cities	5,003,948.19	31,608,025.72	-	-	30,171,363.33	6,440,610.58
Total Parks	1,538,164.40	8,982,047.58	-	-	8,556,400.60	1,963,811.38
Total Townships	370,284.07	1,268,095.45	-	-	1,161,452.02	476,927.50
Total School Districts	5,803,725.54	29,071,602.02	-	-	27,724,848.85	7,150,478.71
Total Drains	161,435.45	402,952.42	-	-	436,316.60	128,071.27
Total Fire Districts	107,352.43	383,506.68	-	-	365,957.57	124,901.54
<b>Total Agency Funds</b>	<b>\$ 14,915,762.74</b>	<b>\$ 95,855,602.42</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 92,643,113.40</b>	<b>\$ 18,128,251.76</b>
<b>Total Primary Government</b>	<b>\$ 33,770,280.26</b>	<b>\$ 134,361,538.71</b>	<b>\$ 2,489,067.47</b>	<b>\$ 2,489,067.47</b>	<b>\$ 130,725,151.98</b>	<b>\$ 37,406,666.99</b>

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

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

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Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County as of and for the year ended December 31, 2018, 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 May 30, 2019.

**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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *schedule of audit findings* as item 2018-001 that we consider to be a material weakness.

**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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Grand Forks County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Grand Forks County's Response to Findings**

Grand Forks County's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Grand Forks County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
May 30, 2019

**GRAND FORKS COUNTY**  
 Summary of Auditor's Results  
 For the Year Ended December 31, 2018

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**Financial Statements**

Type of Report Issued?	
Governmental Activities	Unmodified
Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Internal control over financial reporting**

Material weaknesses identified?	<u>  X  </u> Yes	<u>      </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Noted
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> None Noted

**Repeat Finding**

**2018-001 – LACK OF SEGREGATION OF DUTIES (WRD)**

**Condition**

Grand Forks County Water Resource District has one individual primarily responsible for the accounting functions. A lack of segregation of duties exists as one employee is responsible for issuing checks, sending checks to vendors, recording receipts and disbursements in journals, maintaining the general ledger, and compiling payroll.

**Criteria**

Internal control guidance provided by the Committee of Sponsoring Organizations (COSO) indicates that the following functions should be separated: custody of assets, posting, reconciliation, and authorization.

**Cause**

Grand Forks County Water Resource District has limited staff which makes segregating duties difficult.

**Effect**

Limited segregation of duties exposes Grand Forks County Water Resource District to risk of loss of assets, potential liabilities, and damage to the reputation, whether due to error or fraud.

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

**Grand Forks County Water Resource District's Response**

Agree, segregating duties associated with financial reporting is not feasible at this moment. It will be evaluated further if the Water District gets to a point where it would be economically feasible.

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
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MANAGER – CRAIG HASHBARGER  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITAL  
600 E. BOULEVARD AVENUE – DEPT 117  
BISMARCK, NORTH DAKOTA 58505

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**GOVERNANCE COMMUNICATION**

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

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, North Dakota, for the year ended December 31, 2018 which collectively comprise Grand Forks County’s basic financial statements, and have issued our report thereon dated May 30, 2019. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated March 3, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Grand Forks County’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

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 and other matters, 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.

**Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Grand Forks County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 30, 2019.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of county commissioners and management of Grand Forks County, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Grand Forks County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Grand Forks County.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
May 30, 2019

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