GRIGGS COUNTY
COOPERSTOWN, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

GRIGGS COUNTY

Table of Contents

GRIGGS COUNTY
LIST OF OFFICIALS
DECEMBER 31, 2018

Commissioners:	Troy Olson John Wakefield Mark Urness Dale Pederson Shawn Steffen
Auditor:	Samantha Larson
Treasurer:	Connie Eslinger
Sheriff:	Wes Straight
County Recorder:	Kelly Vincent
States Attorney:	Jayme Tenneson

Harold J. Rotunda
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Governing Board
Griggs County
Cooperstown, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and aggregate remaining fund information of Griggs County as of and for the years ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unmodified and adverse audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Adverse
Discretely Presented Component Units	Adverse
General Fund	Unmodified
Special Revenue Funds	Adverse
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion

Management has not included the financial information of the component units (discretely presented Water Resource District and Fair Board) in the County's financial statements. In addition, the County has not included the financial information of the Griggs County Building Authority (Blended) in the County's financial statements. Accounting principles require the financial information of the discretely presented component units be presented in the financial statements. The standards also require the financial information of the blended component unit be presented in the Governmental Activities and the Special Revenue Fund. The amount by which this departure would affect the assets, net position, revenues, and expenses of the governmental activities, discretely presented component units, and special revenue fund has not been determined as no such financial information was received from the component units.

Adverse Opinion

In my opinion, because of the significance of the matter described in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the modified cash basis financial position of the governmental activities, discretely presented component units, and special revenue fund of Griggs County as of December 31, 2018, or the changes in modified cash basis financial position for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the general fund and the aggregate remaining fund information of Griggs County as of December 31, 2018, and the changes in modified cash basis financial position for the year then ended, in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated March 12, 2023, on my considerations of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's 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 the County's internal control over financial reporting and compliance.

Fargo, North Dakota
March 12, 2023

PO Box 816 West Fargo, ND 58078 Phone(701)281-0483 Cell 212-3908

GRIGGS COUNTY
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2018

	PRIMARY
ASSETS	
Cash and investments	3,039,556.36
Capital assets (net of accumulated depreciation)	315,555.31
Total Assets	3,355,111.67
LIABILITIES	
Total liabilities	-
NET POSITION	
Net investment in capital assets	315,555.31
Restricted for Highways and Bridges	1,611,310.50
Restricted for Health and welfare	114,171.96
Restricted for Emergency	154,004.93
Restricted for Weed Control	75,740.23
Restricted for Special Purposes	214,419.64
Unrestricted	869,909.10
Total net position	3,355,111.67

The accompanying notes are an integral part of these financial statements.

GRIGGS COUNTY
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating grants and Contributions	Net (expense) Revenue & Changes in Net Position: Governmental Activities
Governmental Activities:				
General government	1,149,802.14			(1,149,802.14)
Public safety	219,257.22	-	-	(219,257.22)
Health and welfare	314,592.28	-	55,581.71	(259,010.57)
Highways	989,072.04	97,261.50	484,384.98	(407,425.56)
				-
Depreciation- Unallocated	67,291.83			(67,291.83)
Total Governmental Activities	2,740,015.51	97,261.50	539,966.69	(2,102,787.32)

General Revenues	
Taxes:	
Property taxes, levied for general purposes	1,410,262.80
State aid not restricted to specific program	619,641.53
Interest income	6,506.82
Licenses and permits	309.00
Other revenue	189,360.46
Total General revenues	2,226,080.61
Change in Net Position	123,293.29
Net Position- January 1	3,231,818.38
Net Position- December 31	3,355,111.67

The accompanying notes are an integral part of these financial statements.

GRIGGS COUNTY
BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
DECEMBER 31, 2018

	GENERAL	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and investments	869,909.10	2,169,647.26	3,039,556.36
Total Assets	869,909.10	2,169,647.26	3,039,556.36
LIABILITIES			
Total liabilities	-	-	-
FUND BALANCE			
Restricted for Highways and Bridges		1,611,310.50	1,611,310.50
Restricted for Health and welfare		114,171.96	114,171.96
Restricted for Emergency		154,004.93	154,004.93
Restricted for Weed Control		75,740.23	75,740.23
Restricted for Special Purposes		214,419.64	214,419.64
Unassigned	869,909.10		869,909.10
Total fund balance	869,909.10	2,169,647.26	3,039,556.36

The accompanying notes are an integral part of these financial statements.

GRIGGS COUNTY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balances for Governmental Funds		3,039,556.36
Total Net Position reported for governmental activities in the statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in governmental funds		
Cost of capital assets	935,571.98	
Less accumulated depreciation	620,016.67	
Net capital assets		315,555.31
Total Net Position of Governmental Activities		3,355,111.67

The accompanying notes are an integral part of these financial statements.

GRIGGS COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2018

	GENERAL	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
Property taxes	577,561.00	832,701.80	1,410,262.80
Intergovernmental	295,115.03	864,493.19	1,159,608.22
Charges for services	52,903.42	97,261.50	150,164.92
Interest and other	61,939.44	81,333.42	143,272.86
Total Revenues	987,518.89	1,875,789.91	2,863,308.80
Current:			
General government	789,680.45	360,121.69	1,149,802.14
Public safety	163,946.22	55,311.00	219,257.22
Health and welfare		343,803.78	343,803.78
Highways		1,087,374.03	1,087,374.03
Economic development			-
Capital outlay			-
Debt Service			
Principal		11,824.88	11,824.88
Interest expense			-
Total Expenditures	953,626.67	1,858,435.38	2,812,062.05
Excess revenues (expenditures)	33,892.22	17,354.53	51,246.75
Other Financing Sources (Uses):			
Transfers in	4,611.24	34,189.77	38,801.01
Transfers out	-	(38,801.01)	(38,801.01)
Bond proceeds	-		-
Total other financing sources and u	4,611.24	(4,611.24)	(0.00)
Net change in fund balances	38,503.46	12,743.29	51,246.75
Fund balance- beginning	831,405.64	2,156,903.97	2,988,309.61
Fund balance- ending	869,909.10	2,169,647.26	3,039,556.36

The accompanying notes are an integral part of these financial statements.

GRIGGS COUNTY
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances- Total Governmental Funds			51,246.75
The change in Net Position reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.			
	Current year capital outlay	127,513.49	
	Current year depreciation expense	67,291.83	60,221.66
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
	Notes Payable		11,824.88
Change in Net Position of Governmental Activities			123,293.29

The accompanying notes are an integral part of these financial statements.

GRIGGS COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2018

	AGENCY FUNDS
ASSETS	
Cash and investments	992,317.96
Total Assets	992,317.96
LIABILITIES	
Prepaid taxes	975,654.49
Due to Other Groups	16,663.47
Total liabilities	992,317.96

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Griggs County (County) have been prepared in conformity with the modified cash basis. 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.

The County omitted all component units from its report. See the adverse opinion on page 2.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government, the County. 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 nonexchange transactions.

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

General Fund. The General Fund is the primary operating fund of the County and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund- This fund accounts for financial resources that exist for special purposes. The major sources of revenues is property taxes, sales taxes and intergovernmental revenues.

The County also reports the following fund types:

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

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

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

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.

D. Budgets

Based upon available financial information and requests by the department heads, the commission and auditor prepares the County budget. The budget is prepared for the general and special revenue funds with tax levies on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

County taxes are levied by the county commission on or before the October meeting. 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.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. The investments of the County during the year ended December 31, 2018 consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

F. COMPENSATED ABSENCES

Vested or accumulated vacation leave is reported in government-wide statement of net assets. Compensation for unused vacation leave will be granted for all 12 month employees upon termination of employment with the County based on the current rate of pay.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2007. Prior to January 1, 2007, governmental funds' infrastructure assets were not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

Permanent Buildings	50
Equipment	10

H. Long-Term Obligations

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

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

I. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact. The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the County commission-the County's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the commission removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the County's "intent" to be used for specific purposes, but are neither restricted nor committed. The commission has the authority to assign amounts to be used for specific purposes.

Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the County's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

The commission has not set a General Fund minimum fund balance.

J. 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. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board did not amend the County budget for 2018.

EXPENDITURES OVER APPROPRIATIONS

The County did not overspend any Fund Budgets. No remedial action is required.

NOTE 3 DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial 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 deposit not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any county, County, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States, or such other securities approved by the banking board.

At December 31, 2018, the County's carrying amount of deposits was $4,031,874. Of the bank balances, $750,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk
State statutes authorize the County to invest in:(1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.(2) 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.(3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.(4) Obligations of the state.

Concentration of Credit Risk
The County does not have a limit on the amount it may invest in any one issuer.

NOTE 4: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

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

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

NOTE 5: CAPITAL ASSETS

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

	Balance January 1	Increases	Decreases	Balance December 31
Land	14,710			14,710
Construction in progress		80,292		80,292
Bldgs and Improvements	145,710			145,710
Vehicles	574,443	47,221	222,891	398,774
Equipment	563,745		267,659	296,086
Total	1,298,608	127,513	490,550	935,572

Less accumulated depreciation for:				
Buildings & Improve	145,710			145,710
Vehicles	465,951	46,035	222,891	289,095
Equipment	431,614	21,257	267,659	185,212
Total Accumulated Dep	1,043,275	67,292		620,017
Net	255,333			315,555

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

Governmental Activities:	
Unallocated	67,292

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2018, the following changes occurred in liabilities reported in long-term debt:

	Payable 2017	Increases	Decreases	Payable 2018	Due Within One Year
Notes payable	11,825		11,825		

Lease- The County has entered into a lease agreement with the Griggs County Building Authority for financing buildings. The lease payment is the interest and principal due on the lease revenue bond. As described in Note 1c the County utilizes the modified cash basis of accounting and does not record the capital lease. Lease expense for the year ended December 31, 2018 was $146,470. The County has the option to levy funds annually for the lease payment until 2033.

NOTE 7: TRANSFERS

Transfers are used to 1)move unrestricted revenues to finance various programs

	Transfer in	Transfer out
General Fund	4,611	
Special Revenue Fund	34,190	38,801

NOTE 8: PENSION PLANS

The County participates in the North Dakota Public Employees Retirement System (PERS) administered by the State of North Dakota. Following is a brief description of the plan:

PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. PERS provides for retirement, disability and death benefits to plan members and beneficiaries. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employees accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at the normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participants annual covered salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The County had agreed to pay 100% of the member assessments in lieu of a salary increase. The County is required to contribute 7.12% of each participant's salary as the employer's share. The County is required to contribute 1.14% of each participating covered wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. The County's contributions to PERS for the fiscal years ending December 31, 2018, 2017, and 2016 were $145,308, $145,687, and $142,354, respectively, equal to the required contributions for the year.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained on the NDPERS website.

NOTE 9: 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the County with blanket fidelity bond coverage for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The County has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

GRIGGS COUNTY

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2018

Griggs County

Table of Contents

Harold J. Rotunda
Certified Public Accountant

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

Independent Auditor's Report

Governing Board
Griggs County
Cooperstown, North Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Griggs County as of and for the years ended December 31, 2018, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated March 12, 2023. An adverse opinion was issued over the governmental activities, discretely presented component units, and special revenue fund for the year ended December 31, 2018, due to the omission of the required component units from the financial statements. The financial statements of the governmental activities, discretely presented component units and special revenue fund were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the governmental activities, discretely presented component units and special revenue fund.

Internal Control Over Financial Reporting
In planning and performing my audit of the financial statements, I considered Griggs 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of 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.

My 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 were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify two deficiencies in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2018-1 and 2018-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Griggs County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and Griggs 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

County's Response to Findings

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

Purpose of this Report

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

Fargo, North Dakota
March 12, 2023

2018-001 Segregation of Duties

Criteria

To provide reasonable assurance that segregation of duties takes place while also taking into account the size of the County.

Condition

The County Auditor is responsible for all accounting functions involved. The employee handles all income of monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the County, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Cause

The County Auditor is the employee responsibility for all accounting functions and due to the County's size, they are unable to hire additional staff that would establish formal segregation of duties.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

The County should separate the duties when it becomes feasible.

Management's Response

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Auditor to receipt and deposit at the various financial institutions. The Commission reviews and approves all checks written. The County will segregate other duties when feasible.

2018-002 Financial Statement Preparation

Criteria

An appropriate system of internal controls requires that a County make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the County's personnel to maintain a working knowledge of current modified cash basis of accounting required financial statement disclosures.

Condition

The County's auditor prepared the financial statements for the year ended. In addition, adjusting entries were proposed to bring the financial statements into compliance with the modified cash basis of accounting. An appropriate system of internal controls requires that a County must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the Modified Cash Basis. This requires the County's personnel to maintain a working knowledge of current accounting principles in accordance with the Modified Cash Basis.

Cause

The County does not have the resources to prepare full modified cash basis financial statements.

Effect

The County currently does not maintain the working knowledge of current accounting principles for the modified cash basis and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with the modified cash basis.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Management's Response

Management agrees that it is currently not cost-effective.