



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Grand Forks County

Grand Forks, North Dakota

Audit Report for the Year Ended December 31, 2020

Client Code: PS18000



Photo credit: North Dakota Tourism



Office of the
State Auditor

GRAND FORKS COUNTY

Table of Contents

For the Year Ended December 31, 2020

County Officials	1
Independent Auditor's Report	2
Basic Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds.....	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	7
Statement of Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Fiduciary Net Position - Fiduciary Funds	10
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	11
Notes to the Financial Statements	12
Required Supplementary Information	
Budgetary Comparison Schedules	33
Schedule of Employer's Share of Net Pension Liability and Employer Contributions	35
Schedule of Employer's Share of Net OPEB Liability and Employer Contributions	37
Notes to the Required Supplementary Information	38
Supplementary Information	
Schedule of Expenditures of Federal Awards	40
Notes to the Schedule of Expenditures of Federal Awards.....	41
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.....	42
Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance	44
Summary of Auditor's Results.....	46
Schedule of Audit Findings and Questioned Costs	47
Management's Corrective Action Plan.....	49
Schedule of Prior Year Findings.....	51
Governance Communication	52

GRAND FORKS COUNTY

County Officials
December 31, 2020

COUNTY OFFICIALS

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

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, North Dakota, as of and for the year ended December 31, 2020, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, North Dakota, as of December 31, 2020, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 expenditures of federal awards 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 September 9, 2022 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

Bismarck, North Dakota
September 9, 2022

GRAND FORKS COUNTY

Statement of Net Position

December 31, 2020

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Fair Association
ASSETS			
Cash, cash equivalents, and investments	\$ 28,212,065.69	\$ 5,644,746	\$ 123,969
Accounts receivable	249,553.98	-	-
Interest receivable	6,321.06	6,514	-
Intergovernmental receivable	1,833,513.27	-	-
Special assessments receivable	-	823,658	-
Other receivable	-	16,444	-
Prepaid expense	-	-	7,235
Taxes receivable	422,971.87	26,772	-
Capital assets, net	79,636,361.89	5,322,171	418,157
Total Assets	\$ 110,360,787.76	\$ 11,840,305	\$ 549,361
DEFERRED OUTFLOW OF RESOURCES			
Derived from pensions and OPEB	\$ 25,387,597.94	\$ 92,623	\$ -
LIABILITIES			
Accounts payable	\$ 144,677.42	\$ 77,553	\$ -
Payroll withholdings	-	185	767
Salaries payable	11,322.36	-	-
Sales tax payable	857.52	-	-
Due to other governments	-	4,012	-
Interest payable	15,198.47	12,178	2,419
Grants received in advance	-	91,582	-
Other liability	-	-	4,020
Long-term liabilities			
Due within one year			
Long-term debt	1,266,568.86	170,000	19,208
Compensated absences payable	180,875.33	-	-
Due after one year			
Long-term debt	4,811,275.41	2,640,355	52,759
Compensated absences payable	1,627,877.92	-	-
Net pension and OPEB liability	43,856,045.00	149,752	-
Total Liabilities	\$ 51,914,698.29	\$ 3,145,617	\$ 79,173
DEFERRED INFLOW OF RESOURCES			
Taxes received in advance	\$ 5,194,687.20	\$ -	\$ -
Derived from pensions and OPEB	7,271,870.00	26,794	-
Total Deferred Inflow of Resources	\$ 12,466,557.20	\$ 26,794	\$ -
NET POSITION			
Net investment in capital assets	\$ 73,558,517.62	\$ 2,511,816	\$ 343,771
Restricted			
Debt service	11,916.58	101,500	-
Capital projects	192,921.47	-	-
Flood repair	770,763.55	-	-
Conservation of natural resources	350,599.50	-	-
Emergency	2,344,888.02	-	-
Drain maintenance	-	1,952,349	-
Unrestricted	(5,862,476.53)	4,194,852	126,417
Total Net Position	\$ 71,367,130.21	\$ 8,760,517	\$ 470,188

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, 2020

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position					
		Program Revenues			Primary		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units	Fair Association
Primary Government							
Governmental Activities							
General government	\$ 11,328,235.16	\$ 1,727,593.64	\$ 636,846.60	\$ -	\$ (8,963,794.92)	\$ -	\$ -
Public safety	15,976,273.67	2,406,342.20	550,391.63	-	(13,019,539.84)	-	-
Highways and bridges	7,527,837.74	486,361.64	2,753,977.34	-	(4,287,498.76)	-	-
Flood repair	784,358.93	-	1,659,160.16	-	874,801.23	-	-
Health and welfare	7,834,052.79	-	6,613,979.05	-	(1,220,073.74)	-	-
Culture and recreation	4,099.72	-	-	-	(4,099.72)	-	-
Conser. of natural resources	782,051.64	7,471.12	87,108.46	-	(687,472.06)	-	-
Economic development	170,881.68	-	-	-	(170,881.68)	-	-
Other	79,701.93	-	-	-	(79,701.93)	-	-
Interest on long-term debt	176,239.63	-	-	-	(176,239.63)	-	-
Fiscal agent charges	2,489.99	-	-	-	(2,489.99)	-	-
Total Primary Government	\$ 44,666,222.88	\$ 4,627,768.60	\$ 12,301,463.24	\$ -	\$ (27,736,991.04)	\$ -	\$ -
Component Units							
Water Resource District	\$ 1,639,244	\$ 272,848	\$ -	\$ 381,639	\$ -	\$ (984,757)	\$ -
Fair Association	121,141	43,588	-	-	-	-	(77,553)
Total Component Units	\$ 1,760,385	\$ 316,436	\$ -	\$ 381,639	\$ -	\$ (984,757)	\$ (77,553)
General Revenues							
Property taxes					\$ 19,447,828.32	\$ 758,902	\$ 96,543
Drain assessments					-	257,752	-
Non restricted grants and contributions					4,814,227.02	-	-
Special assessments interest					-	33,973	-
Unrestricted investment earnings					311,064.37	44,421	-
Miscellaneous revenue					952,264.03	23,987	14,617
Total General Revenues					\$ 25,525,383.74	\$ 1,119,035	\$ 111,160
Change in Net Position					\$ (2,211,607.30)	\$ 134,278	\$ 33,607
Net Position - January 1					\$ 73,300,505.71	\$ 8,626,239	\$ 436,581
Prior Period Adjustments					\$ 278,231.80	\$ -	\$ -
Net Position - January 1, as restated					\$ 73,578,737.51	\$ 8,626,239	\$ 436,581
Net Position - December 31					\$ 71,367,130.21	\$ 8,760,517	\$ 470,188

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

GRAND FORKS COUNTY

Balance Sheet – Governmental Funds
December 31, 2020

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents, and investments	22,052,734.87	\$ 5,689,696.30	\$ 469,634.52	\$ 28,212,065.69
Accounts receivable	249,553.98	-	-	249,553.98
Intergovernmental receivable	750,293.03	1,061,638.33	21,581.91	1,833,513.27
Interest receivable	6,321.06	-	-	6,321.06
Taxes receivable	318,396.96	77,459.86	27,115.05	422,971.87
Total Assets	\$ 23,377,299.90	\$ 6,828,794.49	\$ 518,331.48	\$ 30,724,425.87
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 73,887.88	\$ 65,151.54	\$ 5,638.00	\$ 144,677.42
Sales tax payable	857.52	-	-	857.52
Salaries payable	11,322.36	-	-	11,322.36
Total Liabilities	\$ 86,067.76	\$ 65,151.54	\$ 5,638.00	\$ 156,857.30
Deferred Inflows of Resources				
Taxes receivable	\$ 318,396.96	\$ 77,459.86	\$ 27,115.05	\$ 422,971.87
Taxes received in advance	3,887,302.69	980,767.03	326,617.48	5,194,687.20
Total Deferred Inflows of Resources	\$ 4,205,699.65	\$ 1,058,226.89	\$ 353,732.53	\$ 5,617,659.07
Total Liabilities and Deferred Inflows of Resources	\$ 4,291,767.41	\$ 1,123,378.43	\$ 359,370.53	\$ 5,774,516.37
Fund Balances				
Committed				
County improvements	\$ -	\$ 951,683.51	\$ -	\$ 951,683.51
Restricted				
General Government	-	136,013.91	-	136,013.91
Public safety	-	270,032.34	-	270,032.34
Highways and bridges	-	1,607,106.50	-	1,607,106.50
Flood repair	-	770,763.55	-	770,763.55
Health and welfare	-	786,005.48	-	786,005.48
Conservation of natural resources	-	472,543.84	-	472,543.84
Emergency	-	711,266.93	-	711,266.93
Capital projects	-	-	192,921.47	192,921.47
Unassigned				
General Fund	19,085,532.49	-	-	19,085,532.49
Negative Fund Balance	-	-	(33,960.52)	(33,960.52)
Total Fund Balances	\$ 19,085,532.49	\$ 5,705,416.06	\$ 158,960.95	\$ 24,949,909.50
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 23,377,299.90	\$ 6,828,794.49	\$ 518,331.48	\$ 30,724,425.87

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, 2020

Total Fund Balances of Governmental Funds \$ 24,949,909.50

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. 79,636,361.89

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 422,971.87

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 \$ 25,387,597.94
Deferred inflows derived from pensions and OPEB (7,271,870.00) 18,115,727.94

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 \$ (6,077,844.27)
Interest payable (15,198.47)
Compensated absences (1,808,753.25)
Net pension and OPEB liability (43,856,045.00) (51,757,840.99)

Total Net Position of Governmental Activities \$ 71,367,130.21

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, 2020

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 14,635,744.73	\$ 3,482,877.10	\$ 1,227,781.79	\$ 19,346,403.62
Licenses, permits and fees	47,035.49	-	-	47,035.49
Intergovernmental	5,599,880.37	11,398,544.04	117,265.85	17,115,690.26
Charges for services	3,931,239.39	649,493.72	-	4,580,733.11
Interest income	310,577.52	446.86	39.99	311,064.37
Miscellaneous	351,259.41	562,997.27	38,007.35	952,264.03
Total Revenues	\$ 24,875,736.91	\$ 16,094,358.99	\$ 1,383,094.98	\$ 42,353,190.88
EXPENDITURES				
Current				
General government	\$ 7,858,787.45	\$ 123,452.97	\$ -	\$ 7,982,240.42
Public safety	12,929,705.14	61,727.17	-	12,991,432.31
Highways and bridges	-	6,398,456.93	-	6,398,456.93
Flood repair	-	784,358.93	-	784,358.93
Health and welfare	-	6,655,759.21	-	6,655,759.21
Culture and recreation	-	-	-	-
Conserv. of natural resources	-	758,219.54	-	758,219.54
Economic development	170,881.68	-	-	170,881.68
Capital Outlay	920,260.90	-	48,014.06	968,274.96
Debt Service				
Principal	-	-	1,205,784.42	1,205,784.42
Interest	-	-	205,983.94	205,983.94
Fiscal agent charges	-	-	2,489.99	2,489.99
Total Expenditures	\$ 21,879,635.17	\$ 14,781,974.75	\$ 1,462,272.41	\$ 38,123,882.33
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,996,101.74	\$ 1,312,384.24	\$ (79,177.43)	\$ 4,229,308.55
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 263,437.02	\$ 12,157.89	\$ 1,388,450.00	\$ 1,664,044.91
Transfers out	(193,957.89)	(263,437.02)	(1,206,650.00)	(1,664,044.91)
Total Other Financing Sources and Uses	\$ 69,479.13	\$ (251,279.13)	\$ 181,800.00	\$ -
Net Change in Fund Balances	\$ 3,065,580.87	\$ 1,061,105.11	\$ 102,622.57	\$ 4,229,308.55
Fund Balance - January 1	\$ 16,019,951.62	\$ 4,644,310.95	\$ 56,338.38	\$ 20,720,600.95
Fund Balance - December 31	\$ 19,085,532.49	\$ 5,705,416.06	\$ 158,960.95	\$ 24,949,909.50

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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 4,229,308.55

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	\$ 1,442,141.10	
Current year depreciation expense	<u>(3,024,096.83)</u>	(1,581,955.73)

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.

(22,030.12)

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	\$ (784.42)	
Repayment of debt	<u>1,205,784.42</u>	1,205,000.00

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.

26,568.86

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.

Increase in compensated absences	\$ (102,638.23)	
Decrease in interest payable	<u>3,175.45</u>	(99,462.78)

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.

Increase in taxes receivable		101,424.70
------------------------------	--	------------

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	\$ (25,645,986.00)	
Increase in Deferred outflows of resources related to pensions and OPEB	17,784,472.22	
Decrease in Deferred inflows of resources related to pensions and OPEB	<u>1,791,053.00</u>	<u>(6,070,460.78)</u>

Change in Net Position of Governmental Activities \$ (2,211,607.30)

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

GRAND FORKS COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>20,612,061.55</u>
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	245,157.39
Funds Held for Other Purposes	<u>339,359.76</u>
Total Liabilities	<u>584,517.15</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>20,027,544.40</u>
Total Liabilities and Deferred Inflows of Resources	<u>20,612,061.55</u>

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

GRAND FORKS COUNTY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Year Ended December 31, 2020

	Custodial Funds
ADDITIONS	
Tax Collections for Other Governments	82,341,837.31
Grant Collections for Other Governments	2,912,226.57
Miscellaneous Collections	<u>1,373,611.21</u>
Total Additions	<u><u>86,627,675.09</u></u>
DEDUCTIONS	
Tax Disbursements to Other Governments	82,341,837.31
Grant Disbursements to Other Governments	2,912,226.57
Miscellaneous Disbursements	<u>1,373,611.21</u>
Total Deductions	<u><u>86,627,675.09</u></u>
Net Increase (Decrease) in Fiduciary Net Position	<u>-</u>
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u><u>-</u></u>

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

GRAND FORKS COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2020

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. 4th St, Grand Forks, North Dakota, 58206-0726.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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:

Custodial Funds. These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's custodial 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

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):

Assets	County	Water Resource District
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

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 3rd 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 3rd 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

NOTE 2: PRIOR PERIOD ADJUSTMENTS

Primary Government

Net position of the County as of January 1, 2020 has been restated for net capital asset adjustments as shown below. The results of the adjustment increased the beginning net position of the County.

Primary Government	
Beginning Net Position, as Previously Reported	\$ 73,300,505.71
Capital Assets, Net	278,231.80
Beginning Net Position, as Restated	\$ 73,578,737.51

NOTE 3: 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 \$501,995 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.

NOTE 4: 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, 2020, the County’s carrying amount of deposits totaled \$48,177,815, and the bank balances totaled \$50,670,054. Of the bank balances, \$36,461,060 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.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2019, the Water Resource District’s carrying amount of deposits totaled \$5,644,796, and the bank balances totaled \$5,660,022. Of the bank balances, \$391,296 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, 2020, the Fair Association’s carrying amount of deposits totaled \$123,969, and the bank balances totaled \$125,918, all of which was covered by Federal Depository Insurance.

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, 2020:

Primary Government	Restated Balance January 1	Increases	Decreases	Transfers	Balance December 31
Capital assets not being depreciated					
Land	\$ 505,895.00	\$ -	\$ -		\$ 505,895.00
Capital assets, being depreciated					
Buildings	47,102,382.95	-	-		47,102,382.95
Equipment	5,275,665.15	120,946.01	29,830.89		5,366,780.27
Furniture	926,820.34	13,175.99	-		939,996.33
Vehicles	3,996,186.59	288,324.89	214,499.04		4,070,012.44
Infrastructure	73,785,812.74	1,019,694.21	-		74,805,506.95
Total Capital Assets, Being Depreciated	\$ 131,086,867.77	\$ 1,442,141.10	\$ 244,329.93	\$ -	\$ 132,284,678.94
Less accumulated depreciation					
Buildings	\$ 19,160,910.83	\$ 993,687.24	\$ -		\$ 20,154,598.07
Equipment	3,382,604.93	327,042.00	29,830.89		3,679,816.04
Furniture	868,155.20	13,360.51	-		881,515.71
Vehicles	2,778,336.60	273,673.72	192,468.92		2,859,541.40
Infrastructure	24,162,407.47	1,416,333.37	-		25,578,740.84
Total Accumulated Depreciation	\$ 50,352,415.03	\$ 3,024,096.84	\$ 222,299.81	\$ -	\$ 53,154,212.06
Total Capital Assets Being Depreciated, Net	\$ 80,734,452.74	\$ (1,581,955.74)	\$ 22,030.12	\$ -	\$ 79,130,466.88
Total Capital Assets, Net	\$ 81,240,347.74	\$ (1,581,955.74)	\$ 22,030.12	\$ -	\$ 79,636,361.88

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

General Government	\$ 726,004.64
Public Safety	590,085.50
Highways and Bridges	1,680,547.25
Health and Welfare	23,359.72
Conservation of Natural Resources	4,099.72
Total Depreciation Expense	\$ 3,024,096.83

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, 2020 for the Water Resource District:

Water Resource District	Balance January 1	Increases	Decreases	Transfers	Balance December 31
Capital assets not being depreciated					
Land	\$ 842,898	\$ -	\$ -	\$ -	\$ 842,898
Construction in Progress	2,659,083	224,415	-	(2,833,098)	50,400
Total Capital Assets, Not Being Depreciated	\$ 3,501,981	\$ 224,415	\$ -	\$ (2,833,098)	\$ 893,298
Capital assets, being depreciated					
Land Improvement	\$ 1,627,432	\$ -	\$ -	\$ 2,833,098	\$ 4,460,530
Office Equipment	20,254	-	-	-	20,254
Vehicles and Equipment	589,863	-	-	-	589,863
Total Capital Assets, Being Depreciated	\$ 2,237,549	\$ -	\$ -	\$ 2,833,098	\$ 5,070,647
Less accumulated depreciation					
Land Improvement	\$ 170,138	\$ 38,211	\$ -	\$ -	\$ 208,349
Office Equipment	19,759	248	-	-	20,007
Vehicles and Equipment	378,810	34,608	-	-	413,418
Total Accumulated Depreciation	\$ 568,707	\$ 73,067	\$ -	\$ -	\$ 641,774
Total Capital Assets Being Depreciated, Net	\$ 1,668,842	\$ (73,067)	\$ -	\$ 2,833,098	\$ 4,428,873
Total Capital Assets, Net	\$ 5,170,823	\$ 151,348	\$ -	\$ -	\$ 5,322,171

Depreciation expense 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, 2020 for the Fair Association:

Fair Association	Balance January 1	Increases	Decreases	Transfers	Balance December 31
Capital assets not being depreciated					
Land	\$ 85,420	\$ -	\$ -	\$ -	\$ 85,420
Capital assets, being depreciated					
Equipment	\$ 229,414	\$ 56,000	\$ -	\$ -	\$ 285,414
Leasehold Improvements	742,609	25,770	-	-	768,379
Total Capital Assets, Being Depreciated	\$ 972,023	\$ 81,770	\$ -	\$ -	\$ 1,053,793
Less accumulated depreciation					
Equipment	\$ 215,634	\$ 14,593	\$ -	\$ -	\$ 230,227
Leasehold Improvements	459,404	31,425	-	-	490,829
Total Accumulated Depreciation	\$ 675,038	\$ 46,018	\$ -	\$ -	\$ 721,056
Total Capital Assets Being Depreciated, Net	\$ 296,985	\$ 35,752	\$ -	\$ -	\$ 332,737
Total Capital Assets, Net	\$ 382,405	\$ 35,752	\$ -	\$ -	\$ 418,157

Depreciation expense 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, 2020, the following changes occurred in governmental activities long-term liabilities:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 7,150,000.00	\$ -	\$ 1,205,000.00	\$ 5,945,000.00	\$ 1,240,000.00
Bond Premium	159,413.13	-	26,568.86	132,844.27	26,568.86
Special Assessments Payable	-	784.42	784.42	-	-
Total Long-Term Debt	\$ 7,309,413.13	\$ 784.42	\$ 1,232,353.28	\$ 6,077,844.27	\$ 1,266,568.86
Compensated Absences *	1,706,115.02	102,638.23	-	1,808,753.25	180,875.33
Net Pension and OPEB Liability	18,210,059.00	25,645,986.00	-	43,856,045.00	-
Total Long-Term Liabilities	\$ 27,225,587.15	\$ 25,749,408.65	\$ 1,232,353.28	\$ 51,742,642.52	\$ 1,447,444.19

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

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

Year Ending Dec 31	Bonds Payable		Bond Premium
	Principal	Interest	Amortization
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	1,145,000.00	69,450.00	26,568.86
2025	1,170,000.00	35,100.00	26,568.83
2026-2030	-	-	-
Total	\$ 5,945,000.00	\$ 517,100.00	\$ 132,844.27

Discretely Presented Component Units

During the year ended December 31, 2020, the following changes occurred in governmental long-term liabilities of the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 2,960,000	\$ -	\$ 175,000	\$ 2,785,000	\$ 170,000
Bond Discount	(6,977)	-	(634)	(6,343)	-
Bond Premium	33,419	-	1,721	31,698	-
Total Long-Term Debt	\$ 2,986,442	\$ -	\$ 176,087	\$ 2,810,355	\$ 170,000
Net Pension and OPEB Liability	\$ 59,717	\$ 90,035	\$ -	\$ 149,752	\$ -
Total Long-Term Liabilities	\$ 3,046,159	\$ 90,035	\$ 176,087	\$ 2,960,107	\$ 170,000

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	Bond Premium
	Principal	Interest	Amortization	Amortization
2021	\$ 170,000	\$ 79,530	\$ 634	\$ 1,721
2022	170,000	74,360	634	1,721
2023	180,000	68,600	634	1,721
2024	180,000	62,250	634	1,721
2025	205,000	56,688	634	1,721
2026 - 2030	825,000	214,813	3,173	8,606
2031 - 2035	550,000	117,900	-	8,606
2036 - 2040	505,000	30,825	-	5,881
Total	\$ 2,785,000	\$ 704,966	\$ 6,343	\$ 31,698

During the year ended December 31, 2020, 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	\$ 36,001	\$ -	\$ 8,562	\$ 27,439	\$ 8,847
Lease Payable	-	56,015	12,278	43,737	10,177
Special Assessments Payable	1,213	-	422	791	184
Total Long-Term Liabilities	\$ 37,214	\$ 56,015	\$ 21,262	\$ 71,967	\$ 19,208

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

Year Ending Dec 31	Loan Payable		Lease Payable		Special Assess. Pay.	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 8,847	\$ 946	\$ 10,177	\$ 2,101	\$ 184	\$ 21
2022	9,152	641	10,666	1,612	185	10
2023	9,440	316	11,178	1,100	422	44
2024	-	-	11,716	563	-	-
Total	\$ 27,439	\$ 1,903	\$ 43,737	\$ 5,376	\$ 791	\$ 75

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 2020 totaled \$404,982. 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	Tax Equalization	Highway Motor Graders
2021	\$ 8,187	\$ 1,759	\$ 11,325	\$ 1,668	\$ 16,641	\$ 6,040	\$ 3,754	\$ 353,380
2022	8,187	1,759	9,575	1,668	16,641	6,040	3,754	176,690
2023	8,187	1,759	821	1,668	-	6,040	3,754	-
2024	8,187	1,759	821	1,668	-	6,040	3,754	-
2025	8,187	733	821	1,251	-	3,275	3,754	-
Totals	\$ 40,935	\$ 7,769	\$ 23,363	\$ 7,923	\$ 33,282	\$ 27,435	\$ 18,770	\$ 530,070

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 was 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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. 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.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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 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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% 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, 2020, the following net pension liabilities were reported:

	Net Pension Liability
Primary Government	\$ 42,790,170
Water Resource District	145,975

The net pension liability was measured as of June 30, 2020, 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, 2020, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 Measurement	Pension Expense
Primary Government	1.360136%	-0.100240%	\$ 7,212,564
Water Resource District	0.004640%	-0.000149%	24,071

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

At December 31, 2020, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 166,523	\$ 2,168,218
Changes of Assumptions	22,938,232	3,792,257
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,381,050	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	49,533	1,206,664
Employer Contributions Subsequent to the Measurement Date	561,217	-
Total	\$ 25,096,555	\$ 7,167,139

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 569	\$ 7,397
Changes of Assumptions	78,252	12,937
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,711	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,305	6,329
Employer Contributions Subsequent to the Measurement Date	2,155	-
Total	\$ 90,992	\$ 26,663

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, 2020

Primary Government	\$ 561,217
Water Resource District	2,155

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

	Primary Government	Water Resource District
2021	\$ 5,198,566	\$ (17,215)
2022	4,466,230	(16,791)
2023	3,576,111	(13,653)
2024	4,127,292	(14,515)

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
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 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Primary Government	\$ 55,517,033	\$ 42,790,170	\$ 32,376,495
Water Resource District	189,392	145,975	110,450

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Pension Plan Fiduciary Net Position

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

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. . Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. 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. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. 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.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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

At December 31, 2020, the following net OPEB liabilities were reported:

	Net OPEB Liability
Primary Government	\$ 1,065,875
Water Resource District	3,777

The net OPEB liability was measured as of June 30, 2020, 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, 2020, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 Measurement	OPEB Expense
Primary Government	1.267092%	-0.094229%	\$ 140,931
Water Resource District	0.004490%	0.000025%	678

At December 31, 2020, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 23,670	\$ 25,554
Changes of Assumptions	142,913	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	36,654	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,970	79,177
Employer Contributions Subsequent to the Measurement Date	81,836	-
Total	\$ 291,043	\$ 104,731

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 85	\$ 91
Changes of Assumptions	506	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	130	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	565	40
Employer Contributions Subsequent to the Measurement Date	345	-
Total	\$ 1,631	\$ 131

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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, 2021.

Primary Government	\$ 81,836
Water Resource District	345

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

	Primary Government	Water Resource District
2021	\$ 21,840	\$ 258
2022	31,314	291
2023	29,576	285
2024	17,824	241
2025	3,315	79
2026	607	1

Actuarial assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment rate or return	6.50%, net of investment expenses
Cost of living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
International Equities	40%	1.15%
U.S. High Yield	21%	6.45%

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Discount rate

The discount rate used to measure the total OPEB liability was 6.50%. 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, 2019, and July 1, 2018, 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.

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, 2020, calculated using the discount rate of 6.50%, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Primary Government	\$ 1,397,919	\$ 1,065,875	\$ 785,087
Water Resource District	4,954	3,777	2,782

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 ten million dollars per occurrence for general liability and automobile and \$5,714,928 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 American Bankers Insurance Company of Florida and AXIS Surplus Insurance Company. The County also pays an annual premium to the Hartford Steam Boiler Inspection and Insurance Company for the county boiler.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

NOTE 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, 2020:

	Transfers In	Transfers Out
<u>Major Funds</u>		
General Fund	\$ 263,437.02	\$ 193,957.89
Special Revenue Fund	12,157.89	263,437.02
<u>Non-Major Funds</u>		
Lease Revenue Bonds 2013	1,388,450.00	1,206,650.00
Total Transfers	\$ 1,664,044.91	\$ 1,664,044.91

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.

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, 2020, which is the most current audited information available:

	Red River Joint WRD
Total Assets	\$ 15,159,408.00
Total Liabilities	190,456.00
Net Position	\$ 14,968,952.00
Revenues	\$ 2,760,072.00
Expenses	1,168,138.00
Change in Net Position	<u>\$ 1,591,934.00</u>

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

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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, 2020, 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, 2020, there were seven Industrial Revenue Bond issuances which had a combined total of \$107,776,357.

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.

As of December 31, 2020, there were four Recovery Zone Facility bond issuances which had a combined total of \$33,116,728.

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, 2020, 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, 2020, there was one Qualified School Construction Bond issuance which totaled \$6,230,000.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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, 2020, 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.

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:

	Reduction in Property Tax Revenue
New Business	\$ 106,168.03
Charitable Organization	1,072,310.74
Single Family Residence	117,114.08
Childhood Services	9,958.54
Commercial and Residential	73,937.59
Total Reduction in Property Tax Revenue	\$ 1,379,488.98

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

NOTE 16: SUBSEQUENT EVENTS

County

On August 8, 2022, the county commission made a motion to approve a Resolution for the Public Sale of Limited Tax Capital Projects Fund Bonds, Series 2022 not to exceed \$35,000,000.

Water Resource District

On April 21, 2021, the water resource district board approved a construction bid totaling \$463,476 for Drain 59.

GRAND FORKS COUNTY

Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 15,299,271.00	\$ 15,299,271.00	\$ 14,635,744.73	\$ (663,526.27)
Licenses, Permits and Fees	81,341.00	81,341.00	47,035.49	(34,305.51)
Intergovernmental	2,504,535.00	2,504,535.00	5,599,880.37	3,095,345.37
Charges for Services	3,389,541.00	3,389,541.00	3,931,239.39	541,698.39
Interest Income	175,000.00	175,000.00	310,577.52	135,577.52
Miscellaneous	201,000.00	201,000.00	351,259.41	150,259.41
Total Revenues	<u>\$ 21,650,688.00</u>	<u>\$ 21,650,688.00</u>	<u>\$ 24,875,736.91</u>	<u>\$ 3,225,048.91</u>
EXPENDITURES				
Current				
General Government	\$ 8,114,851.00	\$ 8,139,851.00	\$ 7,858,787.45	\$ 281,063.55
Public Safety	13,180,574.00	13,208,174.00	12,929,705.14	278,468.86
Economic Development	195,492.00	195,492.00	170,881.68	24,610.32
Capital Outlay	1,000,000.00	1,000,000.00	920,260.90	79,739.10
Total Expenditures	<u>\$ 22,490,917.00</u>	<u>\$ 22,543,517.00</u>	<u>\$ 21,879,635.17</u>	<u>\$ 663,881.83</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (840,229.00)</u>	<u>\$ (892,829.00)</u>	<u>\$ 2,996,101.74</u>	<u>\$ 3,888,930.74</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 263,437.02	\$ 263,437.02
Transfers Out	-	-	(193,957.89)	(193,957.89)
Net Change in Fund Balances	<u>\$ (840,229.00)</u>	<u>\$ (892,829.00)</u>	<u>\$ 3,065,580.87</u>	<u>\$ 3,958,409.87</u>
Fund Balance - January 1	<u>\$ 16,019,951.62</u>	<u>\$ 16,019,951.62</u>	<u>\$ 16,019,951.62</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 15,179,722.62</u>	<u>\$ 15,127,122.62</u>	<u>\$ 19,085,532.49</u>	<u>\$ 3,958,409.87</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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 3,638,400.00	\$ 3,638,400.00	\$ 3,482,877.10	\$ (155,522.90)
Intergovernmental	11,002,878.00	11,002,878.00	11,398,544.04	395,666.04
Charges for Services	650,096.00	650,096.00	649,493.72	(602.28)
Interest Income	400.00	400.00	446.86	46.86
Miscellaneous	54,521.00	54,521.00	562,997.27	508,476.27
Total Revenues	\$ 15,346,295.00	\$ 15,346,295.00	\$ 16,094,358.99	\$ 748,063.99
EXPENDITURES				
Current				
General Government	\$ 168,000.00	\$ 208,262.00	\$ 123,452.97	\$ 84,809.03
Public Safety	74,000.00	84,100.00	61,727.17	22,372.83
Highways and Bridges	6,717,733.00	7,237,733.00	6,398,456.93	839,276.07
Flooding	-	1,477,273.00	784,358.93	692,914.07
Health and Welfare	8,535,558.00	8,535,558.00	6,655,759.21	1,879,798.79
Conserv. Of Natural Resources	915,493.00	915,493.00	758,219.54	157,273.46
Total Expenditures	\$ 16,410,784.00	\$ 18,458,419.00	\$ 14,781,974.75	\$ 3,676,444.25
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,064,489.00)	\$ (3,112,124.00)	\$ 1,312,384.24	\$ 4,424,508.24
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 12,157.89	\$ 12,157.89
Transfers Out	-	-	(263,437.02)	(263,437.02)
Net Change in Fund Balances	\$ (1,064,489.00)	\$ (3,112,124.00)	\$ 1,061,105.11	\$ 4,173,229.11
Fund Balance - January 1	\$ 4,644,310.95	\$ 4,644,310.95	\$ 4,644,310.95	\$ -
Fund Balance - December 31	\$ 3,579,821.95	\$ 1,532,186.95	\$ 5,705,416.06	\$ 4,173,229.11

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, 2020

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

Primary Government	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	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
2020	1.360136%	\$ 42,790,170	\$ 15,003,939	285.19%	48.91%
2019	1.460376%	17,116,663	15,190,399	112.68%	71.66%
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%

Water Resource District	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	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
2020	0.004640%	\$ 145,975	\$ 51,186	285.19%	48.91%
2019	0.004789%	56,131	49,818	112.67%	71.66%
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	0.634100%	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, 2020

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

Primary Government	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 1,062,410	\$ 1,113,562	(51,152)	15,003,939	7.42%
2019	1,105,947	1,007,855	98,092	15,190,399	6.63%
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%

Water Resource District	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 3,624	\$ 3,637	\$ (13)	\$ 51,186	7.11%
2019	3,627	3,538	89	49,818	7.10%
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, 2020

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

Primary Government	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	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
2020	1.267092%	\$ 1,065,875	\$ 14,444,471	7.38%	63.38%
2019	1.361321%	1,093,396	15,190,399	7.20%	63.13%
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%

Water Resource District	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	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
2020	0.004490%	\$ 3,777	\$ 51,186	7.38%	63.38%
2019	0.004465%	3,586	49,818	7.20%	63.13%
2018	0.452100%	3,561	49,468	7.20%	61.89%
2017	0.336000%	2,658	36,350	7.31%	59.78%

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

Primary Government	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 169,692	\$ 176,570	(6,878)	14,444,471	1.22%
2019	176,665	161,348	15,317	15,190,399	1.06%
2018	176,634	175,332	1,302	15,059,060	1.15%
2017	175,332	188,856	(13,524)	15,126,744	1.25%

Water Resource District	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 601	\$ 582	\$ 19	\$ 51,186	1.14%
2019	579	567	12	49,818	1.14%
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, 2020

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, the County will present information for those years for which information is available.

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

GRAND FORKS COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

Pension

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

OPEB

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

NOTE 5: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of county commissioners amended the budget for 2020 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Major Funds			
General Fund	\$ 22,490,917.00	\$ 52,600.00	\$ 22,543,517.00
Special Revenue Fund	16,410,784.00	2,047,635.00	18,458,419.00

GRAND FORKS COUNTY

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020

ALN Number	Program Title	Pass-Through Grantor's Number	Expenditures
US DEPARTMENT OF TRANSPORTATION:			
Passed through the State Department of Transportation			
20.600	State and Community Highway Safety	HSPSC2007	\$ 5,250.00
20.600	State and Community Highway Safety	HSPDD2011	<u>4,829.72</u>
	Total State and Community Highway Safety		<u>\$ 10,079.72</u>
20.616	National Priority Safety Programs	HSPID2110	\$ 3,677.81
20.616	National Priority Safety Programs	HSPID2010	5,119.12
20.616	National Priority Safety Programs	HSPOP2005	<u>11,317.02</u>
	Total National Priority Safety Programs		<u>\$ 20,113.95</u>
	Total U.S. Department of Transportation		<u>\$ 30,193.67</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed Through State Department of Human Services			
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	S091	\$ 149.64
93.052	National Family Caregiver Support, Title III, Part E	S094	2,246.18
93.563	Child Support Enforcement	S035A	1,340.75
93.575	Child Care and Development Block Grant	S109D	<u>6,012.00</u>
	Total Department of Health and Human Services		<u>\$ 9,748.57</u>
US DEPARTMENT OF JUSTICE			
Passed through the ND Department of Health			
16.588	Violence Against Women Formula Grants	HLH4129	<u>\$ 13,631.14</u>
US DEPARTMENT OF HOMELAND SECURITY:			
Passed through the State Department of Game and Fish:			
97.012	Boating Safety Financial Assistance	N/A	\$ 4,000.00
Passed through the State Department Emergency Management:			
97.042	Emergency Management Performance Grants	EMPG2019	43,135.48
97.067	Homeland Security Grant Program	HLS2018-2019	98,514.59
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4475/4444/4553/4509	<u>889,987.88</u>
	Total U.S. Department of Homeland Security		<u>\$ 1,035,637.95</u>
US DEPARTMENT OF TREASURY:			
Passed through the State Treasurer Department:			
21.019	Coronavirus Relief Fund	N/A	<u>\$ 2,339,978.45</u>
	Total U.S. Department of Treasury		<u>\$ 2,339,978.45</u>
	Total Expenditures of Federal Awards		<u><u>\$ 3,429,189.78</u></u>

GRAND FORKS COUNTY

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2020. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 PASS-THROUGH GRANT NUMBER

For Federal programs marked "N/A", the County was unable to obtain a pass-through grant number.

NOTE 4 INDIRECT COST RATE

The County has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County as of and for the year ended December 31, 2020, 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 September 9, 2022.

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 certain deficiencies in internal control, described in the accompanying *schedule of audit findings and questioned costs* as items 2020-001 and 2020-002 that we consider to be material weaknesses.

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

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 and questioned costs*. 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

Bismarck, North Dakota
September 9, 2022

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Grand Forks County's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Grand Forks County's major federal program for the year ended December 31, 2020. Grand Forks County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Grand Forks County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grand Forks County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Grand Forks County's compliance.

Opinion on Each Major Federal Program

In our opinion, Grand Forks County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

GRAND FORKS COUNTY

Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance; Required by the Uniform Guidance - Continued

Report on Internal Control Over Compliance

Management of Grand Forks County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grand Forks County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grand Forks County's internal control over compliance.

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 9, 2022

GRAND FORKS COUNTY

Summary of Auditor's Results
For the Year Ended December 31, 2020

Financial Statements

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

Internal control over financial reporting

Material weaknesses identified?	<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

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	<u> </u> Yes	<u> X </u> None	noted
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None	noted
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u> </u> Yes	<u> X </u> None	noted

Identification of Major Programs

ALN 20.019	Coronavirus Relief Fund
ALN 97.036	Presidentially Declared Disasters

Dollar threshold used to distinguish between Type A and B programs:	<u> \$ 750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

GRAND FORKS COUNTY

Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2020

SECTION I – FINANCIAL STATEMENT FINDINGS

2020-001 – LACK OF SEGREGATION OF DUTIES (WRD) – MATERIAL WEAKNESS

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 to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Effect

The lack of segregation of duties increases the risk of material misstatement to the Grand Forks County Water Resource District's financial condition, whether due to error or fraud.

Cause

Management has chosen to allocate its economic resources to other functions of the Grand Forks County Water Resource District

Criteria

Proper internal control surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Grand Forks County Water Resource District.

Repeat Finding

Yes.

Recommendation

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

- Financial statements and credit memos should be reviewed 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.
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc.

Grand Forks County Water Resource District's Response

See Corrective Action Plan.

GRAND FORKS COUNTY

Schedule of Audit Findings and Questioned Costs - Continued

2020-002 – AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

Material auditor-identified adjusting entries to the financial statements were proposed and adjusted to reclassify CARES funds from the Emergency Fund to the General Fund to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

In addition, adjustments were made to the Schedule of Expenditures of Federal Awards (SEFA) in the amount of \$156,135 to properly reflect 2020 federal expenditures.

Effect

There is an increased risk of material misstatement to the Grand Forks County's financial statements even though the errors were corrected by county management during the audit.

Also,

As a result of the adjustment to the SEFA, a single audit of ALN 97.036 – Disaster Grants -Presidentially Declared was required under the Uniform Guidance.

Cause

Grand Forks County may not have a proper review process in place to ensure the financial statements and SEFA are complete and accurate.

Criteria

Grand Forks County is responsible for the preparation of its financial statements and SEFA to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP and the Uniform Guidance.

Repeat Finding

No.

Recommendation

We recommend Grand Forks County review its procedures for the preparation of it's financial statements and SEFA, and update if necessary, to ensure the financial statements and SEFA are complete and accurate in accordance with GAAP and the Uniform Guidance.

Grand Forks County's Response

See Corrective Action Plan.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



Date: August 23, 2022
To: Joshua C. Gallion, ND State Auditor
From: Kari Lavecchia Secretary-Treasurer
RE: Grand Forks County Water Resource District – 2020 Corrective Action Plan

Contact Person Responsible for Corrective Acton Plan : Kari Lavecchia, Sec/Treas

Section I – Financial Statement Findings:

2020-001 – LACK OF SEGREGATION OF DUTIES - COMPONENT UNIT – MATERIAL WEAKNESS

Condition:

The Grand Forks County Water Resource District has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Corrective Action Plan:

We Agree. The Grand Forks County Water Resource District will segregate duties as it becomes feasible.

Anticipated Completion Date:

Fiscal Year 2022



Date: September 1, 2022
To: Joshua C. Gallion, ND State Auditor
FROM: Debbie Nelson, County Auditor
RE: Grand Forks County – 2020 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: **Debbie Nelson,**
County Auditor
Section I – Financial Statement Findings:

2020-001 – AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition:

Material auditor-identified adjusting entries to the financial statements were proposed and adjusted to reclassify CARES funds from the Emergency Fund to the General Fund to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

In addition, adjustments were made to the Schedule of Expenditures of Federal Awards (SEFA) in the amount of \$156,135 to properly reflect 2020 federal expenditures.

Corrective Action Plan:

We Agree. Grand Forks County will review its procedures for the preparation of the financial statements and SEFA to ensure accuracy and accordance with GAAP.

Anticipated Completion Date:

Fiscal Year 2021



Date: August 23, 2022
To: Joshua C. Gallion, ND State Auditor
From: Kari Lavecchia Secretary-Treasurer
RE: Grand Forks County Water Resource District – 2020 Corrective Action Plan

Contact Person Responsible for Corrective Acton Plan : Kari Lavecchia, Sec/Treas

Section I – Financial Statement Findings:

2019-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

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 to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Recommendation:

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

- Financial statements and credit memos should be reviewed 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.
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc.

Current Status of Recommendation:

We have not been able to segregate duties as it not feasible at this moment.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave, Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

GOVERNANCE COMMUNICATION

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, 2020 which collectively comprise Grand Forks County's basic financial statements, and have issued our report thereon dated September 9, 2022. 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 13, 2021, 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, 2020. 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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
Special Revenue Fund		
Revenue	\$ 145,043	\$ -
Grants Received in Advance	-	145,043

The following material misstatements detected as a result of audit procedures were corrected by management.

	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
General Fund		
Cash	\$ 1,678,467	\$ -
Expenditures	418,993	-
Intergovernmental Receivable	242,519	-
Intergovernmental Revenue	-	2,339,979
Special Revenue Fund		
Intergovernmental Revenue	\$ 2,339,979	\$ -
Intergovernmental Receivable	-	418,993
Cash	-	1,678,467
Expenditures	-	242,519
WATER RESOURCE DISTRICT		
Miscellaneous Revenue	\$ 95,935	\$ -
Capital Contribution	-	95,935

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 September 9, 2022.

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

Bismarck, North Dakota
September 9, 2022



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505