



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Walsh County

Grafton, North Dakota

Audit Report for the Year Ended December 31, 2020

*Client Code: PS50000*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

**WALSH COUNTY**

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For the Year Ended December 31, 2020

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**COUNTY OFFICIALS**

Dennis Skorheim	Chairman
Lauren Wild	Commissioner
Lawrence Burianek	Commissioner
Ernie Barta	Commissioner
Karen Anderson	Commissioner
Kris Molde	Auditor
Jill Trender	Treasurer
Yvette Moe	County Recorder
Bev Stremick	Clerk of Court
Ron Jurgens	Sheriff
Kelley Cole	State's Attorney

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Walsh County  
Grafton, 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 Walsh County, Grafton, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Walsh 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 Walsh County, Grafton, North Dakota, as of December 31, 2020, and the respective changes in financial position 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 Walsh County's basic financial statements. The *schedule of expenditures of federal awards – primary government, the schedule of expenditures of federal awards – Water Resource District and notes to 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.

**WALSH COUNTY**

Independent Auditor's Report - Continued

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023, on our consideration of Walsh 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 solely 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 the effectiveness of Walsh County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walsh County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
January 12, 2023

**WALSH COUNTY**  
Statement of Net Position  
December 31, 2020

	Primary Government	Component Units
<b>ASSETS</b>		
Cash, Cash Equivalents and Investments	\$ 8,992,926	\$ 6,011,244
Intergovernmental Receivable	466,408	390,981
Accounts Receivable	42,190	-
Due from County	-	2,758
Loans Receivable, Net	-	369,575
Road Accounts Receivable	15,493	-
Taxes Receivable	236,198	19,572
Special Assessment Receivable	-	52,280
Other Assets	-	8,484
Capital Assets, Net	24,555,818	23,696,745
Total Assets	\$ 34,309,033	\$ 30,551,639
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Derived from Pensions and OPEB	\$ 4,819,064	\$ 669,831
<b>LIABILITIES</b>		
Accounts Payable	\$ 68,201	\$ 356,741
Salaries Payable	8,391	6,086
Grants Received in Advance	43,791	-
Payroll Liability	2,092	247
Cash Held for Other Governments	-	17,997
Retainage Payable	-	117,011
Interest Payable	8,068	42,606
Other Liability	-	276
Long-Term Liabilities		
Due Within One Year		
Long-Term Debt	162,188	905,234
Compensated Absences Payable	18,360	3,608
Due After One Year		
Long-Term Debt	227,246	14,543,541
Compensated Absences Payable	165,238	32,471
Net Pension & OPEB Liability	8,217,737	1,088,320
Total Liabilities	\$ 8,921,312	\$ 17,114,138
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension & OPEB	\$ 2,034,437	\$ 172,474
Taxes Received in Advance	1,462,302	-
Total Deferred Inflows of Resources	\$ 3,496,739	\$ 172,474
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 24,158,316	\$ 8,088,353
Restricted		
Highways	886,959	-
Health and Welfare	-	40,776
Conservation of Natural Resources	460,485	4,855,234
Emergencies	157,413	-
Economic Development	-	950,495
Unrestricted	1,046,873	-
Total Net Position	\$ 26,710,046	\$ 13,934,858

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

**WALSH COUNTY**  
Statement of Activities  
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					Primary Government	Component Units
<b>Primary Government</b>						
Governmental Activities						
General Government	\$ 2,793,777	\$ 72,577	\$ 24,609	\$ -	\$ (2,696,591)	
Public Safety	2,730,735	345,480	340,395	-	(2,044,860)	
Highways	4,630,681	6,607	1,129,817	32,350	(3,461,907)	
Flood Repair	1,073,198	-	641,686	-	(431,512)	
Health and Welfare	68,328	-	123,285	-	54,957	
Culture and Recreation	119,425	141,921	-	-	22,496	
Conserv. of Natural Resources	362,668	1,650	40,282	-	(320,736)	
Interest on Long-Term Debt	13,206	-	-	-	(13,206)	
<b>Total Primary Government</b>	<b>\$ 11,792,018</b>	<b>\$ 568,235</b>	<b>\$ 2,300,074</b>	<b>\$ 32,350</b>	<b>\$ (8,891,359)</b>	
<b>Component Units</b>	<b>\$ 3,833,937</b>	<b>\$ 191,301</b>	<b>\$ 2,225,893</b>	<b>\$ 558,169</b>		<b>\$ (858,574)</b>
<b>General Revenues</b>						
Property Taxes					\$ 5,828,300	\$ 578,554
Drain Assessments					-	1,133,922
Non Restricted Grants and Contributions					1,730,587	33,312
Unrestricted Investment Earnings					54,534	55,599
Gain on Sale of Capital Assets					6,271	-
Miscellaneous Revenue					399,640	7,902
<b>Total General Revenues</b>					<b>\$ 8,019,332</b>	<b>\$ 1,809,289</b>
<b>Change in Net Position</b>					<b>\$ (872,027)</b>	<b>\$ 950,715</b>
<b>Net Position - January 1</b>					<b>\$ 26,591,780</b>	<b>\$ 12,952,056</b>
<b>Prior Period Adjustments</b>					<b>\$ 990,293</b>	<b>\$ 32,087</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 27,582,073</b>	<b>\$ 12,984,143</b>
<b>Net Position - December 31</b>					<b>\$ 26,710,046</b>	<b>\$ 13,934,858</b>

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



**WALSH COUNTY**

Balance Sheet – Governmental Funds

December 31, 2020

	General	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 5,545,268	\$ 3,447,658	\$ 8,992,926
Intergovernmental Receivable	337,686	128,722	466,408
Accounts Receivable	4,014	38,176	42,190
Road Accounts Receivable	-	15,493	15,493
Taxes Receivable	127,813	108,385	236,198
<b>Total Assets</b>	<b>\$ 6,014,781</b>	<b>\$ 3,738,434</b>	<b>\$ 9,753,215</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$ 46,701	\$ 21,500	\$ 68,201
Salaries Payable	6,212	2,179	8,391
Grants Received In Advance	-	43,791	43,791
Payroll Liabilities	2,092	-	2,092
<b>Total Liabilities</b>	<b>\$ 55,005</b>	<b>\$ 67,470</b>	<b>\$ 122,475</b>
Deferred Inflows of Resources			
Road Accounts Receivable	\$ -	\$ 15,493	\$ 15,493
Taxes Received in Advance	827,718	634,584	1,462,302
Taxes Receivable	127,813	108,385	236,198
<b>Total Deferred Inflows of Resources</b>	<b>\$ 955,531</b>	<b>\$ 758,462</b>	<b>\$ 1,713,993</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 1,010,536</b>	<b>\$ 825,932</b>	<b>\$ 1,836,468</b>
Fund Balances			
Restricted			
Public Safety	\$ -	\$ 590,213	\$ 590,213
Highways and Bridges	-	2,239,534	2,239,534
Health and Welfare	-	2,217	2,217
Conservation of Natural Resources	-	483,181	483,181
Emergencies	-	157,413	157,413
General Government	-	80,923	80,923
Unassigned			
General Fund	5,004,245	-	5,004,245
Negative Fund Balance	-	(640,979)	(640,979)
<b>Total Fund Balances</b>	<b>\$ 5,004,245</b>	<b>\$ 2,912,502</b>	<b>\$ 7,916,747</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,014,781</b>	<b>\$ 3,738,434</b>	<b>\$ 9,753,215</b>

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

**WALSH COUNTY**

## Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2020

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<b>Total Fund Balances of Governmental Funds</b>		\$ 7,916,747
Total <i>net position</i> 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.		24,555,818
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.		
Road Accounts Receivable	\$ 15,493	
Property Taxes Receivable	<u>236,198</u>	251,691
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	\$ 4,819,064	
Deferred Inflows Derived From Pensions and OPEB	<u>(2,034,437)</u>	2,784,627
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	\$ (389,434)	
Interest Payable	(8,068)	
Compensated Absences	(183,598)	
Net Pension & OPEB Liability	<u>(8,217,737)</u>	<u>(8,798,837)</u>
<b>Total Net Position of Governmental Activities</b>		<u>\$ 26,710,046</u>

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

**WALSH COUNTY**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
For the Year Ended December 31, 2020

	General	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 3,299,951	\$ 2,526,496	\$ 5,826,447
Intergovernmental	1,980,877	2,049,782	4,030,659
Charges for Services	131,263	426,566	557,829
Licenses, Permits and Fees	1,150	-	1,150
Interest Income	51,188	3,346	54,534
Miscellaneous	147,881	251,762	399,643
<b>Total Revenues</b>	<b>\$ 5,612,310</b>	<b>\$ 5,257,952</b>	<b>\$ 10,870,262</b>
<b>EXPENDITURES</b>			
Current			
General Government	\$ 2,302,800	\$ 5,681	\$ 2,308,481
Public Safety	1,935,421	598,391	2,533,812
Highways and Bridges	-	2,870,469	2,870,469
Flood Repair	-	1,073,198	1,073,198
Health and Welfare	-	66,065	66,065
Culture and Recreation	102,641	-	102,641
Conserv. of Natural Resources	-	344,328	344,328
Debt Service			
Principal	-	162,318	162,318
Interest and Fees	-	11,153	11,153
<b>Total Expenditures</b>	<b>\$ 4,340,862</b>	<b>\$ 5,131,603</b>	<b>\$ 9,472,465</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,271,448	\$ 126,349	\$ 1,397,797
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$ -	\$ 1,088,683	\$ 1,088,683
Sale of Capital Assets	-	35,850	35,850
Transfers Out	(80,029)	(1,008,654)	(1,088,683)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (80,029)</b>	<b>\$ 115,879</b>	<b>\$ 35,850</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,191,419</b>	<b>\$ 242,228</b>	<b>\$ 1,433,647</b>
Fund Balances - January 1	\$ 3,812,826	\$ 2,670,274	\$ 6,483,100
Fund Balances - December 31	<u>\$ 5,004,245</u>	<u>\$ 2,912,502</u>	<u>\$ 7,916,747</u>

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

**WALSH COUNTY**
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2020
 

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**Net Change in Fund Balances - Total Governmental Funds** \$ 1,433,647

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.

Capital Outlay	\$ 527,547	
Capital Contributions	32,350	
Depreciation Expense	<u>(2,041,777)</u>	(1,481,880)

In the statement of activities, only the 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

Gain on Sale of Capital Assets	\$ 6,271	
Proceeds from Sale of Capital Assets	<u>(35,850)</u>	(29,579)

The proceeds of debt issuances are reported as other financing sources in governmental funds and thus contribute to the 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.

Repayment of Debt		162,318
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Retainage Payable	\$ 22,140	
Net Change in Compensated Absences	21,568	
Net Change in Interest Payable	<u>(2,053)</u>	41,655

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.

Net Change in Road Accounts Receivable	\$ 9,255	
Net Change in Taxes Receivable	<u>1,853</u>	11,108

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.

Net Change in Net Pension & OPEB Liability	\$ (3,972,569)	
Net Change in Deferred Outflows of Resources	2,959,670	
Net Change in Deferred Inflows of Resources	<u>3,603</u>	<u>(1,009,296)</u>

**Change in Net Position of Governmental Activities** \$ (872,027)

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

**WALSH COUNTY**

## Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2020

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	Private-Purpose Trust Funds	Custodial Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,521	\$ 3,371,798
	<u>                    </u>	<u>                    </u>
<b>LIABILITIES &amp; DERRERED INFLOWS OF RESOURCES</b>		
Liabilities		
Funds Held for Other Governments	\$ -	\$ 7,882
Funds Held for Tax Collections	-	222,230
Funds Held for Private Purpose Trust	14,521	-
Funds Held for Other Purposes	<u>-</u>	<u>8,393</u>
Total Liabilities	<u>\$ 14,521</u>	<u>\$ 238,505</u>
Deferred Inflows of Resources		
Taxes Received in Advance	<u>\$ -</u>	<u>\$ 3,133,293</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 14,521</u>	<u>\$ 3,371,798</u>

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

**WALSH COUNTY**

## Statement of Changes in Fiduciary Net Position – Fiduciary Funds

December 31, 2020

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	Private-Purpose Trust Funds	Custodial Funds
<b>ADDITIONS</b>		
Tax Collections for Other Governments	\$ -	\$ 12,588,667
Turnkey Collections	7,344	-
Grant Collections for Other Governments	-	783,323
Miscellaneous Collections	-	117,454
	<hr/>	<hr/>
Total Additions	<u>\$ 7,344</u>	<u>\$ 13,489,444</u>
<b>DEDUCTIONS</b>		
Tax Disbursements to Other Governments	\$ -	\$ 12,588,667
Turnkey Disbursement	7,344	-
Grant Disbursements to Other Governments	-	783,323
Miscellaneous Disbursements	-	117,454
	<hr/>	<hr/>
Total Deductions	<u>\$ 7,344</u>	<u>\$ 13,489,444</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>	<u>\$ -</u>
Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>

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

**WALSH COUNTY**

Combining Statement of Net Position – All Discretely Presented Component Units  
 For the Year Ended December 31, 2020

	Water Resource District	Job Development Authority	Health District	Totals
<b>ASSETS</b>				
Cash, Cash Equivalents and Investments	\$ 4,964,179	\$ 592,934	\$ 454,131	\$ 6,011,244
Intergovernmental Receivable	272,819	-	118,162	390,981
Due from County	1,197	669	892	2,758
Loans Receivable, Net	-	369,575	-	369,575
Taxes Receivable	8,463	4,761	6,348	19,572
Special Assessments Receivable	52,280	-	-	52,280
Other Assets	7,684	800	-	8,484
Capital Assets, Net	23,696,745	-	-	23,696,745
<b>Total Assets</b>	<b>\$ 29,003,367</b>	<b>\$ 968,739</b>	<b>\$ 579,533</b>	<b>\$ 30,551,639</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derived from Pensions and OPEB	\$ 91,689	\$ -	\$ 578,142	\$ 669,831
<b>LIABILITIES</b>				
Accounts Payable	\$ 356,741	\$ -	\$ -	\$ 356,741
Salaries Payable	6,086	-	-	6,086
Payroll Liability	-	247	-	247
Cash Held for Other Governments	-	17,997	-	17,997
Retainage Payable	117,011	-	-	117,011
Interest Payable	42,606	-	-	42,606
Other Liability	-	-	276	276
Long-Term Liabilities				
Due Within One Year				
Long-Term Debt	905,234	-	-	905,234
Compensated Absences Payable	316	-	3,292	3,608
Due After One Year				
Long-Term Debt	14,543,541	-	-	14,543,541
Compensated Absences Payable	2,847	-	29,624	32,471
Net Pension & OPEB Liability	150,883	-	937,437	1,088,320
<b>Total Liabilities</b>	<b>\$ 16,125,265</b>	<b>\$ 18,244</b>	<b>\$ 970,629</b>	<b>\$ 17,114,138</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension & OPEB	\$ 26,204	\$ -	\$ 146,270	\$ 172,474
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 8,088,353	\$ -	\$ -	\$ 8,088,353
Restricted				
Health and Welfare	-	-	40,776	40,776
Conservation of Natural Resources	4,855,234	-	-	4,855,234
Economic Development	-	950,495	-	950,495
<b>Total Net Position</b>	<b>\$ 12,943,587</b>	<b>\$ 950,495</b>	<b>\$ 40,776</b>	<b>\$ 13,934,858</b>

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

**WALSH COUNTY**

Combining Statement of Activities – All Discretely Presented Component Units

December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Water Resource District	Job Develop. Authority	Health District	
<b>Component Units</b>								
Water Resource District	\$ 2,716,157	\$ 3,400	\$ 1,634,653	\$ 558,169	\$ (519,935)	\$ -	\$ -	\$ (519,935)
Job Development Authority	107,191	3,665	-	-	-	(103,526)	-	(103,526)
Health District	1,010,589	184,236	591,240	-	-	-	(235,113)	(235,113)
<b>Total Component Units</b>	<b>\$ 3,833,937</b>	<b>\$ 191,301</b>	<b>\$ 2,225,893</b>	<b>\$ 558,169</b>	<b>\$ (519,935)</b>	<b>\$ (103,526)</b>	<b>\$ (235,113)</b>	<b>\$ (858,574)</b>
<b>General Revenues</b>								
Property Taxes					\$ 289,262	\$ 124,655	\$ 164,637	\$ 578,554
Drain Assessments					1,133,922	-	-	1,133,922
Non Restricted Grants and Contributions					-	-	33,312	33,312
Unrestricted Investment Earnings					50,461	4,645	493	55,599
Miscellaneous Revenue					150	-	7,752	7,902
<b>Total General Revenues</b>					<b>\$ 1,473,795</b>	<b>\$ 129,300</b>	<b>\$ 206,194</b>	<b>\$ 1,809,289</b>
<b>Change in Net Position</b>					<b>\$ 953,860</b>	<b>\$ 25,774</b>	<b>\$ (28,919)</b>	<b>\$ 950,715</b>
<b>Net Position - January 1</b>					<b>\$ 11,957,640</b>	<b>\$ 924,721</b>	<b>\$ 69,695</b>	<b>\$ 12,952,056</b>
<b>Prior Period Adjustments</b>					<b>\$ 32,087</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,087</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 11,989,727</b>	<b>\$ 924,721</b>	<b>\$ 69,695</b>	<b>\$ 12,984,143</b>
<b>Net Position - December 31</b>					<b>\$ 12,943,587</b>	<b>\$ 950,495</b>	<b>\$ 40,776</b>	<b>\$ 13,934,858</b>

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



**WALSH COUNTY**

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

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Walsh 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.

**Reporting Entity**

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the County such that exclusion would cause its 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.

Walsh County Park – The Park is governed by substantively the same governing board as the County. The Park does not have the right to sue in its own name without recourse to the County. The Park is reported as if it were part of the County.

Discretely Presented Component Units. The component units’ column in the basic financial statements includes the financial data of the County’s three component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

Walsh 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 operational and capital budgets. The County also must approve the tax levy established by the Water Resource District.

Walsh County Job Development Authority (“Job Development Authority”) - The County’s governing board appoints a voting majority of the members of the Job Development Authority board. The County has the authority to approve or modify the Job Development Authority operational and capital budgets. The County also must approve the tax levy established by the Job Development Authority.

Walsh County Health District (“Health District”) - The County’s governing board appoints a voting majority of the members of the Health District board. The County has the authority to approve or modify the Health District operational and capital budgets. The County also must approve the tax levy established by the Health District.

Component Unit Financial Statements. The financial statements of each of the three 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 Auditor at 600 Cooper Ave., Grafton, North Dakota, 58237.

## WALSH COUNTY

### Notes to the Financial Statements – Continued

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#### **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.

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 fiduciary fund types:

Custodial Fund - These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The custodial funds are mostly used to account for property taxes collected on behalf of other governments.

Private-Purpose Trust Fund - This fund account for commissary assets held by the County in a trust on behalf of the County Jail inmates. The private-purpose trust fund is mostly used to account for commissary activity on behalf of the inmates.

#### **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.

**WALSH COUNTY**

Notes to the Financial Statements – Continued

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.

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.

**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.

**Capital Assets**

Capital assets for the County and Water Resource District are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (amounts in years):

<b>Assets</b>	<b>County</b>	<b>Water Resource District</b>	<b>Health District</b>
Buildings	20 - 50	-	-
Equipment	5 - 50	-	5
Infrastructure	15 - 20	30	-

**Compensated Absences**

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 200 hours of vacation leave may be carried beyond January 15<sup>th</sup> of each year. A liability for the vested or accumulated vacation leave is reported in government-wide statement of net position.

**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.

**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.

## **WALSH COUNTY**

### Notes to the Financial Statements – Continued

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#### **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.

#### **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 Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

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

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

#### **Net Position**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, 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 & State grants/reimbursements.

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

#### **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.

#### **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.

**WALSH 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.

<b>County</b>	<b>Amounts</b>
Beginning Net Position, as Previously Reported	\$ 26,591,780
Prior Period Adjustments	
Capital Assets, Net	990,293
Net Position January 1, Restated	\$ 27,582,073

**Discretely Presented Component Unit**

Net position of the Water Resource District as of January 1, 2020 has been restated for special assessment receivable adjustments as shown below. The result of the adjustments increased the beginning net position of the Water Resource District.

<b>Water Resource District</b>	<b>Amounts</b>
Beginning Net Position, as Previously Reported	\$ 11,957,640
Prior Period Adjustments	
Special Assessment Receivable	32,087
Net Position January 1, Restated	\$ 11,989,727

**NOTE 3 DEPOSITS****Custodial Credit Risk**

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

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

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

At December 31, 2020, the County's carrying amount of deposits was \$11,629,284 and the bank balances were \$12,652,623. Of the bank balances, \$4,587,981 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2020, the Water Resource District's carrying amount of deposits was \$4,964,180 and the bank balance was \$5,209,385. Of the bank balances, \$500,000 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

At December 31, 2020, the Job Development Authority's carrying amount of deposits was \$592,935 and the bank balance was \$611,032. Of the bank balances, \$603,064 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name

At December 31, 2020, the Health District's carrying amount of deposits was \$454,031 and the bank balance was \$473,644. Of the bank balances, \$320,270 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

**NOTE 4 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 5 LOANS RECEIVABLE**

The Job Development Authority provides loans to businesses for either startup costs or expansion costs. The Job Development Authority had the following loans receivable activity for the year ended December 31, 2020.

	Balance Jan 1	New Loans	Principal Payments	Balance Dec 31
Loans Receivable	\$ 371,161	\$ 88,501	\$ 60,087	\$ 399,575
Less: Allowance for Doubtful Accounts	(30,000)	-	-	(30,000)
Total Loans Receivable, Net	\$ 341,161	\$ 88,501	\$ 60,087	\$ 369,575

**NOTE 6 CAPITAL ASSETS****Primary Government**

The following is a summary of changes in capital assets for the County for the year ended December 31, 2020:

Primary Government	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 15,479	\$ -	\$ -	\$ -	\$ 15,479
Construction in Progress	2,275,086	63,313	-	(2,302,513)	35,886
Total Capital Assets, Not Being Depreciated	\$ 2,290,565	\$ 63,313	\$ -	\$ (2,302,513)	\$ 51,365
Capital Assets Being Depreciated					
Buildings	\$ 2,554,218	\$ -	\$ -	\$ -	\$ 2,554,218
Equipment	5,701,113	507,584	135,308	-	6,073,389
Infrastructure	31,560,419	-	-	2,302,513	33,862,932
Total Capital Assets, Being Depreciated	\$ 39,815,750	\$ 507,584	\$ 135,308	\$ 2,302,513	\$ 42,490,539
Less Accumulated Depreciation					
Buildings	\$ 1,518,674	\$ 46,423	\$ -	\$ -	\$ 1,565,097
Equipment	3,189,837	293,272	94,729	-	3,388,380
Infrastructure	11,330,528	1,702,081	-	-	13,032,609
Total Accumulated Depreciation	\$ 16,039,039	\$ 2,041,776	\$ 94,729	\$ -	\$ 17,986,086
Total Capital Assets Being Depreciated, Net	\$ 23,776,711	\$ (1,534,192)	\$ 40,579	\$ 2,302,513	\$ 24,504,453
Governmental Activities Capital Assets, Net	\$ 26,067,276	\$ (1,470,879)	\$ 40,579	\$ -	\$ 24,555,818

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

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

<b>Governmental Activities:</b>	<b>Amounts</b>
General Government	\$ 6,520
Public Safety	86,547
Highways and bridges	1,914,316
Health and Welfare	8,510
Culture & Recreation	14,826
Conservation of Natural Resources	11,057
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 2,041,776</b>

**Discretely Presented Component Unit**

The following is a summary of changes in capital assets for the Water Resource District the year ended December 31, 2020:

<b>Water Resource District</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated					
Easements	\$ 1,326,042	\$ -	\$ -	\$ -	\$ 1,326,042
Construction in Progress	12,501,833	1,322,363	-	-	13,824,196
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 13,827,875</b>	<b>\$ 1,322,363</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,150,238</b>
Capital Assets Being Depreciated					
Infrastructure	\$ 11,803,856	\$ 3,094	\$ -	\$ -	\$ 11,806,950
Less Accumulated Depreciation					
Infrastructure	\$ 2,866,878	\$ 393,565	\$ -	\$ -	\$ 3,260,443
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 8,936,978</b>	<b>\$ (390,471)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,546,507</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 22,764,853</b>	<b>\$ 931,892</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,696,745</b>

Depreciation expense was charged to the conservation of natural resource function.

The following is a summary of changes in capital assets for the year ended December 31, 2020 for the Health District:

<b>Health District</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Being Depreciated					
Equipment	\$ 6,255	\$ -	\$ -	\$ -	\$ 6,255
Less Accumulated Depreciation					
Equipment	\$ 6,255	\$ -	\$ -	\$ -	\$ 6,255
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**WALSH 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 liabilities reported in long-term liabilities:

<b>Primary Government</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Leases Payable	\$ 485,345	\$ -	\$ 129,528	\$ 355,817	\$ 128,570
Loans Payable	66,406	-	32,789	33,617	33,617
<b>Total Long-Term Debt</b>	<b>\$ 551,751</b>	<b>\$ -</b>	<b>\$ 162,317</b>	<b>\$ 389,434</b>	<b>\$ 162,187</b>
Compensated Absences *	\$ 205,166	\$ -	\$ 21,568	\$ 183,598	\$ 18,360
Net Pension and OPEB Liability	4,245,168	3,972,569	-	8,217,737	-
<b>Total Governmental Activities</b>	<b>\$ 5,002,085</b>	<b>\$ 3,972,569</b>	<b>\$ 183,885</b>	<b>\$ 8,790,769</b>	<b>\$ 180,547</b>

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

Debt Service requirement on long-term debt at December 31, 2020 are as follows:

<b>Year Ending Dec 31</b>	<b>Capital Leases Payable</b>		<b>Loans Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	128,570	10,433	33,617	850
2022	132,190	6,813	-	-
2023	46,768	3,089	-	-
2024	48,289	1,569	-	-
<b>Total</b>	<b>\$ 355,817</b>	<b>\$ 21,904</b>	<b>\$ 33,617</b>	<b>\$ 850</b>

**Discretely Presented Component Units**

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

<b>Water Resource District</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Bonds Payable	\$ 15,445,000	\$ -	\$ 755,000	\$ 14,690,000	\$ 790,000
Bond Premium	141,988	-	7,889	134,099	7,888
Loans Payable	785,000	624,676	785,000	624,676	107,346
<b>Total Long-Term Debt</b>	<b>\$ 16,371,988</b>	<b>\$ 624,676</b>	<b>\$ 1,547,889</b>	<b>\$ 15,448,775</b>	<b>\$ 905,234</b>
Compensated Absences *	\$ 2,706	\$ 457	\$ -	\$ 3,163	\$ 316
Net Pension and OPEB Liability	64,218	86,665	-	150,883	-
<b>Total Governmental Activities</b>	<b>\$ 16,438,912</b>	<b>\$ 711,798</b>	<b>\$ 1,547,889</b>	<b>\$ 15,602,821</b>	<b>\$ 905,550</b>

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



**WALSH COUNTY**

Notes to the Financial Statements – Continued

Debt Service requirement on long-term debt at December 31, 2020 are as follows:

Year Ending Dec 31	Bonds Payable		Bond Premium	Loans Payable	
	Principal	Interest		Principal	Interest
2021	790,000	454,513	7,888	107,346	11,252
2022	815,000	430,438	7,888	58,525	10,935
2023	765,000	406,738	7,888	59,667	9,793
2024	755,000	383,938	7,888	60,889	8,629
2025	775,000	360,988	7,888	17,938	7,441
2026-2030	3,950,000	1,449,363	39,441	95,786	31,111
2031-2035	4,145,000	816,081	39,441	106,796	20,101
2036-2040	2,695,000	143,119	15,777	117,729	7,825
Total	\$ 14,690,000	\$ 4,445,178	\$ 134,099	\$ 624,676	\$ 107,087

Pembina County adopted new accounting guidance, GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements during 2020. The Water Resource District issued a new line of credit in FY2020 in the amount of \$1,100,050 for the Drain 31 improvement constructions. During the year, the Water Resource District used \$48,955 of the available of \$1,100,050. The unused portion of the line of credit at year end was \$1,051,095.

During the year ended December 31, 2020, the following changes occurred in governmental long-term liabilities of the Job Development Authority:

Health District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 23,408	\$ 9,508	\$ -	\$ 32,916	\$ 3,292
Net Pension and OPEB Liability	368,322	569,115	-	937,437	-
Total Governmental Activities	\$ 391,730	\$ 578,623	\$ -	\$ 970,353	\$ 3,292

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

**NOTE 8 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.

**WALSH COUNTY**

Notes to the Financial Statements – Continued

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***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.

***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

**WALSH COUNTY**

Notes to the Financial Statements – Continued

**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:

	<b>Net Pension Liability</b>
Primary Government	\$ 8,019,334
Water Resource District	147,077
Public Health District	913,793

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:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2019 Measurement</b>	<b>Pension Expense</b>
Primary Government	0.254904%	-0.085542%	\$ 1,220,966
Water Resource District	0.004675%	-0.000475%	26,665
Public Health District	0.029046%	-0.000492%	160,649

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

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 31,208	\$ 406,347
Changes in Assumptions	4,298,869	710,709
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	258,823	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	76,671	869,156
Contributions - Employer	96,442	-
<b>Total</b>	<b>\$ 4,762,013</b>	<b>\$ 1,986,212</b>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 573	\$ 7,453
Changes in Assumptions	78,842	13,035
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,747	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,937	5,440
Contributions - Employer	2,472	-
<b>Total</b>	<b>\$ 90,571</b>	<b>\$ 25,928</b>

**WALSH COUNTY**

Notes to the Financial Statements – Continued

<b>Public Health District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 3,555	\$ 46,303
Changes in Assumptions	489,851	80,984
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	29,493	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	21,504	17,971
Contributions - Employer	24,736	-
<b>Total</b>	<b>\$ 569,139</b>	<b>\$ 145,258</b>

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021:

Primary Government	\$ 96,442
Water Resource District	2,472
Public Health District	24,736

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

	<b>County</b>	<b>Water Resource District</b>	<b>Public Health District</b>
2021	834,000	19,595	117,214
2022	692,754	15,864	106,499
2023	526,984	12,717	83,750
2024	625,621	13,995	91,682

**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

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.

**WALSH COUNTY**

Notes to the Financial Statements – Continued

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equities	30%	6.30%
International Equities	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 Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Employer's 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:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (3.64%)</b>	<b>Current Discount Rate (4.64%)</b>	<b>1% Increase (5.64%)</b>
County	\$ 10,404,484	\$ 8,019,334	\$ 6,067,701
Water Resource District	190,821	147,077	111,283
Public Health District	1,185,578	913,793	691,407

**Pension plan fiduciary net position.**

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

**NOTE 9 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.

**WALSH 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:

	<b>Net OPEB Liability</b>
Primary Government	\$ 198,403
Water Resource District	3,806
Public Health District	23,644

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:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2019 Measurement</b>	<b>OPEB Expense</b>
Primary Government	0.235858%	-0.081496%	\$ 20,449
Water Resource District	0.004524%	-0.000277%	560
Public Health District	0.028107%	0.000573%	3,971

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

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 4,406	\$ 4,757
Changes of Assumptions	26,602	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	6,823	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,779	43,468
Contributions - Employer	15,441	-
<b>Total</b>	<b>\$ 57,051</b>	<b>\$ 48,225</b>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 84	\$ 91
Changes of Assumptions	510	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	131	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	194	185
Contributions - Employer	200	-
<b>Total</b>	<b>\$ 1,119</b>	<b>\$ 276</b>

**WALSH COUNTY**

Notes to the Financial Statements – Continued

<b>Public Health District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 525	\$ 567
Changes of Assumptions	3,170	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	813	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,498	445
Contributions - Employer	1,997	-
<b>Total</b>	<b>\$ 9,003</b>	<b>\$ 1,012</b>

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021:

Primary Government	\$ 15,441
Water Resource District	200
Public Health District	1,997

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

	<b>County</b>	<b>Water Resource District</b>	<b>Public Health District</b>
2021	(1,719)	135	1,329
2022	44	168	1,540
2023	(279)	162	1,501
2024	(2,317)	120	1,207
2025	(2,739)	48	406
2026	395	10	11

**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	Not applicable
Investment rate of 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.



**WALSH COUNTY**

## Notes to the Financial Statements – Continued

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

**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, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**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:

<b>Proportionate Share of the OPEB Liability</b>	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
County	\$ 260,210	\$ 198,403	\$ 146,137
Water Resource District	4,991	3,806	2,803
Public Health District	31,009	23,644	17,415

**NOTE 10 TRANSFERS**

Transfers are used to move unrestricted general revenue to finance programs that the County accounts for in other funds in accordance with budget authority and to subsidize other programs.

**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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$3,458,716 for mobile equipment and portable property (public assets).

**WALSH COUNTY**

Notes to the Financial Statements – Continued

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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.

**NOTE 12      JOINT VENTURE**

**Red River Joint Water Resource District**

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, Grand Forks 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. 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:

Total Assets	\$	15,159,408
Total Liabilities		190,456
Net Position	\$	14,968,952
Total Revenues	\$	2,760,072
Total Expenses		1,168,138
Change in Net Position	\$	1,591,934

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.

**Park River Joint Water Resource District**

Under authorization of state statutes, the County and Pembina County formed the Park River Joint Water Resource District to address common water issues and problems with the portions of the Park River Watershed in those counties. 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. Under the agreement, and assessment project costs will be assessed and paid from the properties benefited by the project, and any excess costs of such project will be shared equally from the individual water resource district general funds. Other general and administrative costs will be paid by the individual water resource districts as described in the joint powers agreement.

**WALSH COUNTY**

## Notes to the Financial Statements – Continued

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2018, the most recent information available.

Total Assets	\$	192,004
Total Liabilities		-
Net Position	\$	192,004
Total Revenues	\$	135,355
Total Expenses		134,133
Change in Net Position	\$	1,222

Complete financial statements for the Park River Joint Water Resource District may be obtained from the Park River Joint Water Resource District, 308 Courthouse Drive #5, Cavalier, ND 58220.

**Forest River Joint Water Resource District**

Under authorization of state statutes, the County, Nelson County and Grand Forks County formed the Forest River Joint Water Resource District to address common water issues and problems with the portions of the Forest River Watershed in those counties. 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. Under the agreement, and assessment project costs will be assessed and paid from the properties benefited by the project, and any excess costs of such project will be shared equally from the individual water resource district general funds. Other general and administrative costs will be paid by the individual water resource districts as described in the joint powers agreement.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2018, the most recent information available.

Total Assets	\$	93,384
Total Liabilities		-
Net Position	\$	93,384
Total Revenues	\$	146,569
Total Expenses		179,187
Change in Net Position	\$	(32,618)

Complete financial statements for the Park River Joint Water Resource District may be obtained from the Forest River Joint Water Resource District, 600 Cooper Ave, Grafton, ND 58237.

**NOTE 13 CONSTRUCTION COMMITMENTS****Discretely Presented Component Units**

The Water Resource District had four construction projects open at year-end:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Drain 4	\$ 151,520	\$ 151,520	\$ 1,801	\$ 1,801
Drain 30-2	392,175	392,175	2,088	2,088
Drain 87 Phase 2	2,262,453	2,212,525	113,122	163,050
Total All Projects	\$ 2,806,148	\$ 2,756,220	\$ 117,011	\$ 166,939

**WALSH COUNTY**

Notes to the Financial Statements – Continued

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**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 party 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.

**Community Development Block Grants**

The County is currently involved in a program that had issued Community Development Block Grant Loans. Community Development Block Grant Loans provide financial assistance private-sector entities for various purposes. The loans are secured by the property financed and are payable solely from payments received on the underlying block grant loans.

As of December 31, 2020, there were two Community Development Block Grant with principal balances that totaled \$250,000.

**NOTE 15 TAX ABATEMENTS**

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

At December 31, 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.

**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 is exempt.

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

	<b>Reduction in Property Tax Revenue</b>
Charitable Organizations	\$ 216,444
Other Programs	35,557
<b>Total Reduction in Property Tax Revenue</b>	<b>\$ 252,001</b>

**NOTE 16 CONTINGENT LIABILITIES**

The County is a defendant in various lawsuits incident to its operations. In the opinion of the Counsel and management, most claims against the County not covered by insurance would not materially affect the financial condition of the County.

**WALSH COUNTY**

## Budgetary Comparison Schedule – General Fund

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 3,019,000	\$ 3,019,000	\$ 3,299,951	\$ 280,951
Intergovernmental	951,775	951,775	1,980,877	1,029,102
Licenses, Permits and Fees	1,025	1,025	1,150	125
Charges for Services	93,355	93,355	131,263	37,908
Interest Income	65,000	65,000	51,188	(13,812)
Miscellaneous	70,950	70,950	147,881	76,931
Total Revenues	\$ 4,201,105	\$ 4,201,105	\$ 5,612,310	\$ 1,411,205
<b>EXPENDITURES</b>				
Current				
General Government	\$ 2,424,314	\$ 2,461,633	\$ 2,302,800	\$ 158,833
Public Safety	2,096,376	2,096,376	1,935,421	160,955
Culture and Recreation	134,575	134,575	102,641	31,934
Total Expenditures	\$ 4,655,265	\$ 4,692,584	\$ 4,340,862	\$ 351,722
Excess (Deficiency) of Revenues Over Expenditures	\$ (454,160)	\$ (491,479)	\$ 1,271,448	\$ 1,762,927
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	\$ -	\$ -	\$ (80,029)	\$ (80,029)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (80,029)	\$ (80,029)
Net Change in Fund Balances	\$ (454,160)	\$ (491,479)	\$ 1,191,419	\$ 1,682,898
Fund Balance - January 1	\$ 3,812,826	\$ 3,812,826	\$ 3,812,826	\$ -
Fund Balance - December 31	\$ 3,358,666	\$ 3,321,347	\$ 5,004,245	\$ 1,682,898

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

**WALSH COUNTY**Budgetary Comparison Schedule – Special Revenue Fund  
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,263,397	\$ 2,263,397	\$ 2,526,496	\$ 263,099
Intergovernmental	1,476,466	1,476,466	2,049,782	573,316
Charges for Services	844,870	844,870	426,566	(418,304)
Interest Income	50,000	50,000	3,346	(46,654)
Miscellaneous	123,300	123,300	251,762	128,462
Total Revenues	<u>\$ 4,758,033</u>	<u>\$ 4,758,033</u>	<u>\$ 5,257,952</u>	<u>\$ 499,919</u>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 42,600	\$ 42,600	\$ 5,681	\$ 36,919
Public Safety	1,171,804	1,174,304	598,391	575,913
Highways and Bridges	3,587,844	3,642,145	2,870,469	771,676
Flood Repair	-	1,109,051	1,073,198	35,853
Health and Welfare	68,949	68,949	66,065	2,884
Conserv. of Natural Resources	406,000	406,000	344,328	61,672
Debt Service				
Principal	-	-	162,318	(162,318)
Interest	-	-	11,153	(11,153)
Total Expenditures	<u>\$ 5,277,197</u>	<u>\$ 6,443,049</u>	<u>\$ 5,131,603</u>	<u>\$ 1,311,446</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (519,164)</u>	<u>\$ (1,685,016)</u>	<u>\$ 126,349</u>	<u>\$ 1,811,365</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 11,503	\$ 11,503	\$ 1,088,683	\$ 1,077,180
Sale of Capital Assets	-	-	35,850	35,850
Transfers Out	-	-	(1,008,654)	(1,008,654)
Total Other Financing Sources (Uses)	<u>\$ 11,503</u>	<u>\$ 11,503</u>	<u>\$ 115,879</u>	<u>\$ 104,376</u>
Net Change in Fund Balances	<u>\$ (507,661)</u>	<u>\$ (1,673,513)</u>	<u>\$ 242,228</u>	<u>\$ 1,915,741</u>
Fund Balances - January 1	<u>\$ 2,670,274</u>	<u>\$ 2,670,274</u>	<u>\$ 2,670,274</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 2,162,613</u>	<u>\$ 996,761</u>	<u>\$ 2,912,502</u>	<u>\$ 1,811,365</u>

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

**WALSH 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**

<b>County</b>	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	0.254904%	\$ 8,019,334	\$ 2,811,902	285.19%	48.91%
2019	0.340446%	3,990,273	3,541,217	112.68%	71.66%
2018	0.331478%	5,594,053	3,405,334	164.27%	62.80%
2017	0.329503%	5,296,195	3,363,712	157.45%	61.98%
2016	0.334919%	3,264,112	3,375,191	96.71%	70.46%
2015	0.331323%	2,252,940	2,951,687	76.33%	77.15%
2014	0.338654%	2,149,509	2,852,754	75.35%	77.70%

<b>Water Resource District</b>	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	0.004675%	\$ 147,077	\$ 51,568	285.21%	48.91%
2019	0.005150%	60,362	53,572	112.67%	71.66%
2018	0.004913%	82,912	50,471	164.28%	62.80%
2017	0.004651%	74,757	47,478	157.46%	61.98%
2016	0.004930%	48,048	49,680	96.71%	70.46%
2015	0.003679%	25,017	32,779	76.32%	77.15%
2014	0.004107%	26,608	34,592	76.92%	77.70%

<b>Health District</b>	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	0.029046%	\$ 913,793	\$ 320,412	285.19%	48.91%
2019	0.029538%	346,207	307,241	112.68%	71.66%
2018	0.030106%	508,072	309,285	164.27%	62.80%
2017	0.024819%	398,923	253,360	157.45%	61.98%
2016	0.027501%	268,024	277,143	96.71%	70.46%
2015	0.031106%	211,515	277,115	76.33%	77.15%
2014	0.031649%	200,883	266,607	75.35%	77.70%

The notes to the required supplementary information are an integral part of this statement

**WALSH 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**

<b>County</b>	<b>Statutory Required Contribution</b>	<b>Contributions in Relation to the Statutory Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2020	\$ 199,107	\$ 233,777	\$ (34,670)	\$ 2,945,663	7.94%
2019	257,821	255,700	2,121	3,541,217	7.22%
2018	250,817	252,473	(1,656)	3,405,334	7.41%
2017	243,910	248,138	(4,228)	3,363,712	7.38%
2016	244,359	245,626	(1,267)	3,375,191	7.28%
2015	224,204	228,804	(4,600)	2,951,687	7.75%
2014	203,116	203,116	-	2,852,754	7.12%

<b>Water Resource District</b>	<b>Statutory Required Contribution</b>	<b>Contributions in Relation to the Statutory Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2020	\$ 3,652	\$ 3,613	\$ 39	\$ 35,685	10.12%
2019	3,900	3,760	140	53,572	7.02%
2018	3,717	3,448	269	50,471	6.83%
2017	3,443	3,871	(428)	47,478	8.15%
2016	3,597	3,376	221	49,680	6.80%
2015	2,490	3,289	(799)	32,779	10.03%
2014	2,463	2,463	-	34,592	7.12%

<b>Health District</b>	<b>Statutory Required Contribution</b>	<b>Contributions in Relation to the Statutory Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2020	\$ 22,688	\$ 22,688	\$ -	\$ 253,088	8.96%
2019	22,369	21,823	546	307,241	7.10%
2018	22,780	20,244	2,536	309,285	6.55%
2017	18,372	22,732	(4,360)	253,360	8.97%
2016	20,065	20,534	(469)	277,143	7.41%
2015	21,049	19,731	1,318	277,115	7.12%
2014	18,982	18,982	-	266,607	7.12%

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



**WALSH 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**

<b>County</b>	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	0.235858%	\$ 198,403	\$ 2,811,902	7.06%	63.38%
2019	0.317354%	254,895	3,541,217	7.20%	63.13%
2018	0.311212%	245,101	3,405,334	7.20%	61.89%
2017	0.310925%	245,945	3,463,712	7.10%	59.78%

<b>Water Resource District</b>	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	0.004524%	\$ 3,806	\$ 51,568	7.38%	63.38%
2019	0.004801%	\$ 3,856	\$ 53,572	7.20%	63.13%
2018	0.004613%	3,633	50,471	7.20%	61.89%
2017	0.004389%	3,472	47,478	7.31%	59.78%

<b>Health District</b>	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	0.028107%	\$ 23,644	\$ 320,412	7.38%	63.38%
2019	0.027534%	22,115	307,241	7.20%	63.13%
2018	0.028265%	22,261	309,285	7.20%	61.89%
2017	0.004389%	3,472	253,360	1.37%	59.78%

The notes to the required supplementary information are an integral part of this statement.

**WALSH COUNTY**

Schedule of Employer's Share of Net OPEB 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**

<b>County</b>	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	\$ 31,587	\$ 36,782	\$ (5,195)	\$ 2,945,663	1.25%
2019	41,184	40,940	244	3,541,217	1.16%
2018	39,943	40,424	(481)	3,405,334	1.19%
2017	39,101	39,730	(629)	3,463,712	1.15%

<b>Water Resource District</b>	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	\$ 606	\$ 578	\$ 28	\$ 35,685	1.62%
2019	623	602	21	53,572	1.12%
2018	592	552	40	50,471	1.09%
2017	552	620	(68)	47,478	1.31%

<b>Health District</b>	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	\$ 3,764	\$ 3,633	\$ 131	\$ 253,088	1.44%
2019	3,573	3,494	79	307,241	1.14%
2018	3,628	3,241	387	309,285	1.05%
2017	2,945	3,640	(695)	253,360	1.44%

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

## **WALSH COUNTY**

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2020

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### **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. N.D.C.C. 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. N.D.C.C. 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. N.D.C.C. 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. N.D.C.C. 57-15-31.1
- All appropriations lapse at year-end.

### **NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS**

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

### **NOTE 3: CHANGES OF 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.

**WALSH COUNTY**

Notes to the Required Supplementary Information - Continued

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**NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB**

**Pension**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- 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

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

**OPEB**

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

- 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
General Fund	\$ 4,655,265	\$ 37,319	\$ 4,692,584
Special Revenue Fund	5,277,197	1,165,852	6,443,049

**WALSH COUNTY**Schedule of Expenditures of Federal Awards – Primary Government  
For the Year Ended December 31, 2020

Federal CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
<b>US DEPARTMENT OF TRANSPORTATION</b>			
20.616	Passed through the State Department of Transportation National Priority Safety Programs	N/A	<u>\$ 4,137</u>
<b>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
93.563	Passed Through State Department of Human Services Child Support Enforcement	N/A	<u>\$ 92</u>
<b>US DEPARTMENT OF JUSTICE</b>			
16.576	Passed Through State Department of Corrections and Rehabilitation Crime Victim Compensation	19218	<u>\$ 58,742</u>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>			
97.042	Passed through the State Department of Emergency Management Emergency Management Performance Grants	EMPG2018	\$ 35,626
97.067	Homeland Security Grant Programs	HLS2016-2018	102,519
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4444 & DR4475	<u>502,483</u>
	Total U.S. Department of Homeland Security		<u>\$ 640,628</u>
<b>US DEPARTMENT OF TREASURY</b>			
21.019	Passed through the State Treasurer Department Coronavirus Relief Fund	N/A	<u>\$ 798,368</u>
	Total Expenditures of Federal Awards		<u>\$ 1,501,967</u>

See notes to the Schedule of Expenditures of Federal Awards

**WALSH COUNTY**Schedule of Expenditures of Federal Awards – Water Resource District  
For the Year Ended December 31, 2020

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Federal CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
<b>US DEPARTMENT OF AGRICULTURE</b>			
	Direct Program		
10.916	Watershed Rehabilitation Program		<u>\$ 821,405</u>
	Total U.S. Department of Agriculture		<u>\$ 821,405</u>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>			
	Passed through the State Department of Emergency Management		
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4553/DR4444	<u>\$ 303,522</u>
	Total U.S. Department of Homeland Security		<u>\$ 303,522</u>
	Total Expenditures of Federal Awards		<u>\$ 1,124,927</u>

See notes to the Schedule of Expenditures of Federal Awards

**WALSH COUNTY**

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

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**NOTE 1 BASIS OF PRESENTATION / ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and the Water Resource District 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 and Water Resource District, it is not intended to and does not present the financial position or changes in net position of the County or Water Resource District. Expenditures represent only the federally funded portions of the program. County and Water Resource District 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 and Water Resource District have not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance

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

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### Independent Auditor's Report

Board of County Commissioners  
Walsh County  
Grafton, 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 Walsh County as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Walsh County's basic financial statements, and have issued our report thereon dated January 12, 2023.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Walsh 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 Walsh County's internal control. Accordingly, we do not express an opinion on the effectiveness of Walsh 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 preceding paragraph 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. However, we did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings and questioned costs* as items 2020-001, 2020-002, and 2020-004 that we consider to be material weaknesses.



## **WALSH COUNTY**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Walsh 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying *schedule of audit findings and questioned costs* as item 2020-001 and 2020-003.

### **Walsh County's Response to Findings**

Walsh County's response to the findings identified in our audit is described in the accompanying *schedule of audit findings and questioned costs*. Walsh 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  
January 12, 2023

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

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### Independent Auditor's Report

Board of County Commissioners  
Walsh County  
Grafton, North Dakota

#### **Report on Compliance for Each Major Federal Program**

We have audited Walsh County's and Walsh County Water Resource District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Walsh County's and Walsh County Water Resource District's major federal programs for the year ended December 31, 2020. Walsh County's and Walsh County Water Resource District's major federal programs are identified in the summary of auditor's results section of the accompanying *schedule of audit 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 Walsh County's and Walsh County Water Resource District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 Walsh County's and Walsh County Water Resource District'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 qualified and unmodified opinions on compliance for the major federal programs. However, our audit does not provide a legal determination of Walsh County's and Walsh County Water Resource District's compliance.

#### **Basis for Qualified Opinion on the Coronavirus Relief Fund**

As described in the accompanying *schedule of audit findings and questioned costs*, Walsh County did not comply with requirements regarding CFDA 21.019 Coronavirus Relief Fund as described in finding number 2020-005 for Allowable

## WALSH COUNTY

### Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance - Continued

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Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for Walsh County to comply with the requirements applicable to this program.

#### Qualified Opinion on the Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, Walsh County complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on Coronavirus Relief Fund for the year ended December 31, 2020.

#### Unmodified Opinion on the Watershed Rehabilitation Program

In our opinion, Walsh County Water Resource District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Watershed Rehabilitation Program for the year ended December 31, 2020.

#### Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *schedule of audit findings and questioned costs* as item 2020-006. Our opinion on the major federal program is not modified with respect to these matters.

Walsh County's and Walsh County Water Resource District's response to the noncompliance findings identified in our audit is described in the accompanying *schedule of audit findings and question costs* and *corrective action plan*. Walsh County's and Walsh County Water Resource District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### Report on Internal Control Over Compliance

Management of Walsh County and Walsh County Water Resource District 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 Walsh County's and Walsh County Water Resource District'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 Walsh County's and Walsh County Water Resource District'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 identified certain deficiencies in internal control over compliance, as described in the accompanying *schedule of audit findings and questioned costs* as item 2020-005 that we consider to be a material weakness.

**WALSH COUNTY**

**Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance - Continued**

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Walsh County's and Walsh County Water Resource District's responses to the internal control over compliance findings identified in our audit are described in the accompanying *schedule of audit findings and questioned costs and corrective action plan*. Walsh County's and Walsh County Water Resource District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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  
January 12, 2023

**WALSH COUNTY**

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

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**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> X </u> Yes	<u> </u> None	Noted

**Federal Awards**

Internal Control Over Major Programs

Material weaknesses identified?	<u> X </u> Yes	<u> </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:	Qualified		
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u> X </u> Yes	<u> </u> None	noted

**Identification of Major Programs**

CFDA 20.019

Coronavirus Relief Fund

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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

**WALSH COUNTY**

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

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**Federal Awards – Water Resource District**

Internal Control Over Major Programs

Material weaknesses identified?  Yes  None noted

Reportable conditions identified not considered to be material weaknesses?  Yes  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?  Yes  None noted

**Identification of Major Programs – Water Resource District**

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CFDA 10.916	Watershed Rehabilitation Program
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Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

**WALSH COUNTY**

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

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**Section I - Financial Statement Findings**

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**2020-001— LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE****Condition**

Walsh County did not have supporting documentation for the estimated cash amount for the 2020 General Fund budget.

**Criteria**

N.D.C.C. §11-23-02 states, " The county auditor shall prepare an annual budget for the general fund, each special revenue fund, and each debt service fund of the county in the form prescribed by the state auditor. The budget must set forth specifically:

1. The detailed breakdown of the estimated revenues and appropriations requested for each fund for the ensuing year.
2. The detailed breakdown of the revenues and expenditures for each fund for the preceding year.
3. The detailed breakdown of estimated revenues and expenditures for each fund for the current year.
4. The transfers in or out for each fund for the preceding year and the estimated transfers in or out for the current year and the ensuing year.
5. The beginning and ending balance of each fund or estimates of the balances for the preceding year, current year, and ensuing year.
6. The tax levy request for any funds levying taxes for the ensuing year.
7. The certificate of levy showing the amount levied for each fund and the total amount levied.
8. The budget must be prepared on the same basis of accounting used by the county for its annual financial reports.
9. The amount of cash reserve for the general fund and each special revenue fund, not to exceed seventy-five percent of the appropriation for the fund.

**Cause**

Walsh County did not have a process of calculating the estimated cash balance for the preliminary and final budget for the General Fund.

**Effect**

The estimates for year-end cash are key components in the tax levy calculation in any budget year. Thus, Walsh County may have improperly calculated the tax levies for General Fund.

**Repeat Finding**

No.

**Recommendation**

We recommend that Walsh County ensure its compliance with all aspects of N.D.C.C. §11-23-02 and resolve any current circumstances if deemed appropriate by management. We further recommend that Walsh County review budgeted cash estimates carefully to ensure proper documentation exists to support the estimated cash used in the preliminary and final budgets prior to approval.

**Walsh County's Response**

See Corrective Action Plan.

**WALSH COUNTY**Schedule of Audit Findings and Questioned Costs – Continued

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**2020-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS****Condition**

The Walsh County Water Resource District, Walsh County Public Health District, and Walsh County Job Development Authority have 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.

**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 districts.

**Cause**

Management has chosen to allocate economic resources to other functions of the districts

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Water Resource District, Public Health District, and Job Development Authority's financial condition, whether due to fraud or error.

**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.

**Component Units Response**

See Corrective Action Plan.



**WALSH COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued

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**2020-003 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – WATER RESOURCE DISTRICT – MATERIAL NONCOMPLIANCE**

**Condition**

Walsh County Water Resource District did not prepare a Schedule of Expenditures of Federal Awards (SEFA), which required an audit adjustment of \$1,124,927 to accurately report 2020 federal expenditures. This adjustment was proposed and accepted by Walsh County Water Resource District management.

**Criteria**

Uniform Guidance 2 CFR 200.510(b) states: "The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502."

**Cause**

Walsh County Water Resource District may have not been aware of the requirement to prepare a SEFA when federal expenditures exceed \$750,000 in a fiscal year.

**Effect**

As a result of the audit adjustment to the SEFA, a Single Audit of CFDA 10.916 – Watershed Rehabilitation Program was required under the Uniform Guidance.

**Repeat Finding**

No.

**Recommendation**

We recommend Walsh County Water Resource District prepare a SEFA to comply with Uniform Guidance 2 CFR 200.510(b).

**Walsh County's Response**

See Corrective Action Plan.

**WALSH COUNTY**Schedule of Audit Findings and Questioned Costs – Continued

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**2020-004 AUDIT ADJUSTMENTS - WATER RESOURCE DISTRICT - MATERIAL WEAKNESS****Condition**

During testing, material intergovernmental receivables and accounts payable in the amounts of \$151,428 and \$176,455 respectively, were not included in the financial statements for the Walsh County Water Resource District. These adjustments were proposed and accepted by Walsh County Water Resource District management.

**Criteria**

Walsh County Water Resource District is responsible for the preparation of its financial statements to ensure it is reliable, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

**Cause**

Walsh County Water Resource District may not have procedures in place to ensure the financial statements are complete and accurate.

**Effect**

Walsh County Water Resource District's financial statements would have been materiality misstated without the audit adjustments.

**Repeat Finding**

No.

**Recommendation**

We recommend Walsh County Water Resource District review its procedures for the preparation of the financial statements, and update if necessary, to ensure the financial statements are complete and accurate in accordance with GAAP.

**Water Resource District Response**

See Corrective Action Plan.

**Section II - Federal Award Findings and Questioned Costs**

**2020-005 IMPROPER REQUESTS FOR FEDERAL REIMBURSEMENTS – CFDA 21.019 – MATERIAL WEAKNESS – MATERIAL NONCOMPLIANCE**

<b>FINDING TYPE: Material Weakness – Material Noncompliance</b>	
Finding	2020-005
Federal Program:	Coronavirus Relief Fund
CFDA:	21.019
Federal Award Number(s) and Year(s):	SLT0013
Federal Agency:	U.S. Department of the Treasury
Questioned Cost:	\$0

**Condition**

Walsh County submitted request for reimbursements for the Coronavirus Relief Fund that included expenditures that were not allowable for reimbursement. The following issues were noted:

- There were costs submitted and reimbursed by the Coronavirus Relief Fund that were already paid for through other federal, state, and local sources for August to December 2020.
- The March 2020 claim for reimbursement did not have the proper health insurance premium claimed.
- The FICA federal payroll tax and retirement were not accurately calculated for the costs submitted for reimbursement. This did not affect the original calculation for FICA and retirement on the paycheck, but just the portion of those amounts submitted for reimbursement.

**Effect**

Walsh County has questioned costs of \$25,727 in relation to the Coronavirus Relief Fund reimbursements. The questioned costs have no restrictions on how to be spent. Further, if requested by the Federal Department of Treasury, Walsh County may have to return the unallowable reimbursements.

**Cause**

Walsh County did not use the correct calculations for the reimbursement of salaries, retirement, health insurance premium rate, and the FICA federal payroll tax. Additionally, the County did not have a review process in place for reviewing the documentation of reimbursement requests.

**Criteria**

2 CFR 200.300(b) states, “the non-Federal entity is responsible for complying with all requirements of the Federal award.”

2 CFR 200.403 states, “except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: (a) be necessary and reasonable for the performance of the Federal award and (c) be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.”

Frequently Asked Question #8 from Volume 86 No 10 of the Federal Register Notices on Friday January 15th, 2021 states: “recipients will need to consider the applicable restrictions and limitations of such other sources of funding. In addition, expenses that have been or will be reimbursed under any federal program are not eligible uses of Fund payments.”

**WALSH COUNTY**Schedule of Audit Findings and Questioned Costs – Continued

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The 2020 Compliance Supplement for the Coronavirus Relief Fund states “recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement from other sources.”

According to the “Standards for Internal Control in the Federal Government”, “management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.” (Green Book, GAO-14-704G para 10.10.)

**Questioned Costs**

\$25,727

**Prior Recommendation**

No.

**Recommendation**

We recommend that Walsh County ensure its compliance with all aspects of the Federal statutes, regulations, and the terms and conditions of the federal award for Coronavirus Relief Fund and resolve any current circumstances if deemed appropriate by management. We further recommend Walsh County implement a review process for the reimbursement requests prior to submission.

**Walsh County’s Response**

See Corrective Action Plan

**WALSH COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued

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**2020-006 UNTIMELY FILING OF DATA COLLECTION FORM – WATER RESOURCE DISTRICT – OTHER NONCOMPLIANCE**

<b>FINDING TYPE: Other Noncompliance</b>	
Finding	2020-006
Federal Program:	Watershed Rehabilitation Program
CFDA:	10.916
Federal Award Number(s) and Year(s):	NR196633XXXXC004, NR186633XXXXC006, NR196633XXXXC006
Federal Agency:	U.S. Department of Agriculture
Questioned Cost:	\$0

**Condition**

Walsh County Water Resource District failed to submit the Data Collection Form into the Federal Audit Clearinghouse within nine months of its year-end.

**Criteria**

Uniform Guidance 2 CFR 200.512(a) states in part: “The audit must be completed and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor’s report, or nine months after the end of the audit period.”

**Cause**

Walsh County Water Resource District did not complete a 2020 Schedule of Expenditures of Federal Award (SEFA), thus a Single Audit was not completed timely.

**Effect**

Walsh County Water Resource District is not in compliance with the filing requirement deadline.

**Repeat Finding**

No.

**Recommendation**

We recommend the Walsh County Water Resource District comply with the Uniform Guidance 2 CFR 200.512(a) by submitting the Data Collection Form within the allowable time requirements.

**Water Resource District Response**

See Corrective Action Plan.

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600 COOPER AVE.  
GRAFTON, ND 58237  
701-352-2851 FAX 701-352-3340  
[www.walshcountynd.com](http://www.walshcountynd.com)

Sondra Richardson  
Deputy Auditor  
[sorichardson@nd.gov](mailto:sorichardson@nd.gov)

Kris Molde  
County Auditor  
[kmolde@nd.gov](mailto:kmolde@nd.gov)

Angelle French  
Deputy Auditor  
[tdmecham@nd.gov](mailto:tdmecham@nd.gov)

**Date:** June 18, 2021  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Kris Molde, County Auditor  
**RE:** Walsh County 2020 - Corrective Action Plan

**Contact Person Responsible for Corrective Acton Plan:** Kris Molde, County Auditor

**Section I – Financial Statement Findings:**

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**2020-001— LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – MATERIAL WEAKNESS— NON-COMPLIANCE**

**Condition:**

Walsh County did not have supporting documentation for the estimated cash amount for the 2020 General Fund budget.

**Corrective Action Plan:**

We Agree. The County will provide supporting documents and follow century code guidelines.

**Anticipated Completion Date:**

Fiscal year 2021

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**Section II – Federal Award Findings and Questioned Costs Findings:**

**2020-003 – IMPROPER REQUESTS FOR FEDERAL REIMBURSEMENTS – CFDA 21.019 – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE**

**Condition:**

Walsh County submitted request for reimbursements for the Coronavirus Relief Fund that included expenditures that were not allowable for reimbursement. The following issues were noted:

- There were costs submitted and reimbursed by the Coronavirus Relief Fund that were already paid for through other federal, state, and local sources for August to December 2020.
- The March 2020 claim for reimbursement did not have the proper health insurance premium claimed.
- The FICA federal payroll tax and retirement were not accurately calculated for the costs submitted for reimbursement. This did not affect the original calculation for FICA and retirement on the paycheck, but just the portion of those amounts submitted for reimbursement.

**Corrective Action Plan:**

We Agree. We will properly review and check data and calculation/formulas. I will check with the state to see how they want us to handle overpayment.

**Anticipated Completion Date:**


Fiscal year 2021

**WALSH COUNTY  
WATER RESOURCE DISTRICT**

600 Cooper Avenue  
Grafton, ND 58237

Phone: (701) 352-0081  
Email: wewrb@nd.gov

---

**Date:** January 4, 2023  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Sarah B. Johnston, Administrative Assistant   
**RE:** Walsh County Water Resource District – FY2020 Corrective Action Plan

**Contact Person Responsible for Corrective Action Plan:**  
**Sarah B. Johnston, Administrative Assistant**

**Section I – Financial Statement Findings:**

---

**2020-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS**

**Condition:**

The Walsh 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 that a lack of segregation of duties exists and is attributed the small number personnel employed by the Water Resource District. We understand that this limitation will result in repeated recommendations in future audits to segregate duties. If additional staff are acquired in the future, the duties described above may be segregated to the furthest extent possible.

**Anticipated Completion Date:**

N/A

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**2020-003 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – MATERIAL NONCOMPLIANCE**

**Condition:**

Walsh County Water Resource District did not prepare a Schedule of Expenditures of Federal Awards (SEFA), which required an audit adjustment of \$1,124,927 to accurately report 2020 federal expenditures. This adjustment was proposed and accepted by Walsh County Water Resource District management.

**Corrective Action Plan:**

We agree with these findings. The WCWRD will submit a SEFA as required for federal grants awards and reimbursements for each audit hereafter.

**Anticipated Completion Date:**

To be completed with the 2021 Audit

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**2020-004 WATER RESOURCE DISTRICT AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition:**

During testing, material intergovernmental receivables and accounts payable in the amounts of \$151,428 and \$176,455 respectively, were not included in the financial statements for the Walsh County Water Resource District. These adjustments were proposed and accepted by Walsh County Water Resource District management.

**Corrective Action Plan:**

We agree with these findings. The WCWRD will prepare a complete list of receivables and payables, including intergovernmental transactions.

**Anticipated Completion Date:**

To be completed with the 2021 Audit

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**Section II – Federal Awards Findings and Questioned Costs:**

**2020-006 UNTIMELY FILING OF DATA COLLECTION FORM – OTHER NONCOMPLIANCE**

**Condition:**

Walsh County Water Resource District failed to submit the Data Collection Form into the Federal Audit Clearinghouse within nine months of its year-end.

**Corrective Action Plan:**

We agree with this finding. The WCWRD will disclose all information in a timely manner to prevent this delay.

**Anticipated Completion Date:**

To be completed with the 2021 Audit





## Walsh County Health District Public Health and WIC

Administration Building • 638 Cooper Ave, Suite 3 • Grafton, ND 58237  
(701) 352-5139 • Fax (701) 352-5074

**Date:** January 4, 2023  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Allen Anderson, Administrator  
**RE:** Walsh County Health District 2020 - Corrective Action Plan

**Contact Person Responsible for Corrective Acton Plan:** Allen Anderson, Administrator

### **Section I – Financial Statement Findings:**

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#### **2020-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS**

##### **Condition:**

The Walsh County Health 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:**

I, Allen Anderson, agree with these findings. ~~In the event that~~ more staff can be hired for financial purposes, the above corrections will be implemented.

##### **Anticipated Completion Date:**

As stated above, at the time additional staff are hired will be the completion date. It's difficult to say with certainty when this might be, but perhaps a timeframe of 5-10 years might be feasible.

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# WCJDA / Walsh County Job Development Authority

600 Cooper Avenue  
Grafton, ND 58237

Phone: (701) 352-2171  
Fax: (701) 352-3914

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**Date:** January 4, 2023  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Angelle French, Executive Director  
**RE:** Walsh County Job Development Authority 2020 - Corrective Action Plan

**Contact Person Responsible for Corrective Acton Plan:** Angelle French, Executive Director

**Section I – Financial Statement Findings:**

---

**2020-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS**

**Condition:**

The Walsh County Job Development Authority 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 that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Job Development Authority.

**Anticipated Completion Date:**

At the time additional staff are hired.

WALSH COUNTY AUDITOR  
600 COOPER AVE.  
GRAFTON, ND 58237  
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[www.walshcountynd.com](http://www.walshcountynd.com)

Sondra Richardson  
Deputy Auditor  
[sorichardson@nd.gov](mailto:sorichardson@nd.gov)

Kris Molde  
County Auditor  
[kmolde@nd.gov](mailto:kmolde@nd.gov)

Angelle French  
Deputy Auditor  
[tdmecham@nd.gov](mailto:tdmecham@nd.gov)

**Date:** June 3, 2021  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Kris Molde, County Auditor  
**RE:** Walsh County – 2020 Audit - Status of Prior Recommendations

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#### **2019-001 MATERIAL WEAKNESS – FINANCIAL STATEMENTS PREPARED BY AUDITOR**

##### **Condition:**

Walsh County currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

##### **Recommendation**

We recommend the Walsh county consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

##### **Current Status**

The County may prepare the financial statements in the future. We are aware of the risk having the state auditors prepare it for us.

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#### **2019-003 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS**

##### **Condition:**

Walsh County does not currently prepare a fraud risk assessment of the entire entity.

##### **Recommendation:**

We recommend Walsh County prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

##### **Current Status:**

This has been completed. Fraud Risk Assessment Forms were created, distributed to all departments and returned to the auditor's office for review.

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#### **2019-004 AUDIT ADJUSTMENTS – MISCELLANEOUS REVENUES – MATERIAL WEAKNESS**

##### **Condition:**

Walsh County recorded \$441,165 of Miscellaneous Revenues that should have been classified as Intergovernmental Revenues and Sale of Capital Assets.

##### **Recommendation:**

We recommend that Walsh County carefully prepare and review revenue entries to ensure proper classification by type to accurately present the financial statements, in accordance with GAAP.

##### **Current Status:**

Miscellaneous revenue has been properly classified for 2020.

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**WALSH COUNTY  
WATER RESOURCE DISTRICT**

600 Cooper Avenue  
Grafton, ND 58237

Phone: (701) 352-0081  
Email: [wcwrb@nd.gov](mailto:wcwrb@nd.gov)

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**Date:** December 8, 2022  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Jennifer Lindenberger, Accountant  
**RE:** Walsh County Water Resource District – FY2020 Schedule of Prior Year Findings

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**2019-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS - MATERIAL WEAKNESS**

**Condition:**

The Walsh County Water Resource District, Walsh County Public Health District, and Walsh County Job Development Authority have 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 and disbursement 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 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**

The Walsh County Water Resource District will have a Certified Public Accountant oversee and review accounting and financial reporting on a monthly basis.

|

*Daryl Campbell, Chairman*

*Board Members  
Larry Tanke, Vice Chairman*

*Albin Jallo, Manager*



## Walsh County Health District Public Health and WIC

Administration Building • 638 Cooper Ave, Suite 3 • Grafton, ND 58237  
(701) 352-5139 • Fax (701) 352-5074

**Date:** December 8, 2022  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Allen Anderson, Administrator  
**RE:** Walsh County Health District – FY2020 Schedule of Prior Year Findings

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### 2019-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS - MATERIAL WEAKNESS

#### Condition:

The Walsh County Water Resource District, Walsh County Public Health District, and Walsh County Job Development Authority have 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 and disbursement 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 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

Financial statements are reviewed at each quarterly Board of Health meeting. Any additional necessary financial documents are also reviewed by the board. Limited staffing inhibits segregation, but communication on financials occur within the office when pertinent with the Director of Nursing.

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### 2019-005 REVENUE RECOGNITION – PUBLIC HEALTH DISTRICT – SIGNIFICANT DEFICIENCY

#### Condition:

Walsh County Public Health District backdated a property tax deposit in the amount of \$36,009, that was received in January of 2020, to December 31, 2019.

#### Recommendation

We recommend Walsh County Public Health District record property tax revenues in the appropriate accounting period, ~~on a monthly basis.~~

#### Current Status

Property tax revenues are being recorded as they are received from the WC Auditor ~~on a monthly basis~~ within the Health District's financial software in the month that they are received.

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# WCJDA / Walsh County Job Development Authority

600 Cooper Avenue  
Grafton, ND 58237

Phone: (701) 352-2171  
Fax: (701) 352-3914

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**Date:** December 8, 2022  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Angelle French, Executive Director  
**RE:** Walsh County Job Development Authority – FY2020 Schedule of Prior Year Findings

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**2019-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS - MATERIAL WEAKNESS**

**Condition:**

The Walsh County Water Resource District, Walsh County Public Health District, and Walsh County Job Development Authority have 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 and disbursement 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 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**

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. Some segregation occurs by the requirement of two signatures on every check issued and all bills are reviewed by the full board. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Job Development Authority.



STATE AUDITOR  
Joshua C. Gallion



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701-328-2224

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

[ndsao@nd.gov](mailto:ndsao@nd.gov)

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## GOVERNANCE COMMUNICATION

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Board of County Commissioners  
Walsh County  
Grafton, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Walsh County, North Dakota, for the year ended December 31, 2020 which collectively comprise Walsh County's basic financial statements, and have issued our report thereon dated January 12, 2023. 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 April 8, 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 Walsh 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 Walsh 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 Walsh 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.

**WALSH COUNTY**

Governance Communication - Continued

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. Management has corrected all such misstatements. The schedule below lists all misstatements detected as a result of audit procedures or provided by management that were corrected by management.

	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
<b>PRIMARY GOVERNMENT</b>						
<u>To Adjust the Beginning Balance of Capital Assets</u>						
Capital Assets, Net	-	-	990,293	-	990,293	-
Beginning Net Position	-	-	-	990,293	-	990,293
Intergovernmental Receivable	466,408	-	-	-	466,408	-
Accounts Receivable	42,190	-	-	-	42,190	-
Revenue	-	508,598	-	-	-	508,598
Expenditures						
Accounts Payable	-	68,201	-	-	-	68,201
Salaries Payable	-	8,390	-	-	-	8,390
<b>WATER RESOURCE DISTRICT</b>						
Intergovernmental Receivable	-	-	60,280	-	60,280	-
Due From County	1,197	-	-	-	1,197	-
Revenues	-	1,197	-	60,280	-	61,477
Expenditures						
Salaries Payable	-	-	6,086	-	6,086	-
Expenditures						
Accounts Payable	-	-	176,455	-	176,455	-
Intergovernmental Receivable	-	-	151,428	-	151,428	-
Operating Grants	-	-	-	151,428	-	151,428
<u>To Restate the Beginning Balance of Net Position</u>						
Special Assessment Receivable	-	-	32,087	-	32,087	-
Beginning Net Position	-	-	-	32,087	-	32,087
<b>JOB DEVELOPMENT AUTHORITY</b>						
Due From County	669	-	-	-	669	-
Revenues	-	669	-	-	-	669
<b>PUBLIC HEALTH DISTRICT</b>						
Due from County	892	-	118,162	-	119,054	-
Intergovernmental Receivable	-	-	-	-	-	-
Revenues	-	892	-	118,162	-	119,054



**WALSH COUNTY**

Governance Communication - Continued

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**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 January 12, 2023.

**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 Walsh 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 Walsh 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 Walsh County.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
January 12, 2023



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