



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Grand Forks County

Grand Forks, North Dakota

Audit Report for the Year Ended December 31, 2021

Client Code: PS18000



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Office of the
State Auditor

GRAND FORKS COUNTY

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GRAND FORKS COUNTY

County Officials
December 31, 2021

COUNTY OFFICIALS

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Grand Forks County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, North Dakota, as of December 31, 2021, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grand Forks County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Forks County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Grand Forks County's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Forks County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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*, 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.

GRAND FORKS COUNTY

Independent Auditor's Report - Continued

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand Forks County's basic financial statements. The *schedule of expenditures of federal awards 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and notes to the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of Grand Forks County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grand Forks County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 30, 2022

GRAND FORKS COUNTY

Statement of Net Position

December 31, 2021

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Fair Association
ASSETS			
Cash, cash equivalents, and investments	\$ 37,245,524.76	\$ 5,368,763	\$ 152,796
Accounts receivable	225,618.37	-	-
Interest receivable	6,698.59	-	-
Intergovernmental receivable	602,957.29	-	-
Special assessments receivable	-	7,131,509	-
Unamortized Bond Issue Cost	6,515.17	-	-
Other receivable	-	750	1,629
Other asset	17,242.94	-	-
Taxes receivable	367,158.22	19,888	-
Capital assets, net	78,535,179.14	12,318,869	376,806
Total Assets	\$ 117,006,894.48	\$ 24,839,779	\$ 531,231
DEFERRED OUTFLOW OF RESOURCES			
Derived from pensions and OPEB	\$ 16,965,957.11	\$ 200,921	\$ -
LIABILITIES			
Accounts payable	\$ 394,697.15	\$ 1,875	\$ -
Payroll withholdings	-	18	804
Salaries payable	39,797.93	-	-
Sales tax payable	854.99	-	-
Retainage Payable	-	229,931	-
Interest payable	8,043.08	28,179	265
Grants received in advance	5,753,319.43	308,225	-
Other Liability	-	-	2,500
Long-term liabilities			
Due within one year			
Long-term debt	1,344,054.28	354,385	9,336
Compensated absences payable	182,165.09	-	-
Due after one year			
Long-term debt	3,590,765.16	6,659,172	32,519
Compensated absences payable	1,639,485.83	-	-
Net pension and OPEB liability	14,927,506.00	109,820	-
Total Liabilities	\$ 27,880,688.94	\$ 7,691,605	\$ 45,424
DEFERRED INFLOW OF RESOURCES			
Taxes received in advance	\$ 4,727,397.49	\$ -	\$ -
Derived from pensions and OPEB	28,444,122.00	204,051	-
Total Deferred Inflow of Resources	\$ 33,171,519.49	\$ 204,051	\$ -
NET POSITION			
Net investment in capital assets	\$ 73,606,874.87	\$ 12,206,890	\$ 334,686
Restricted			
Debt service	4,709,140.08	-	-
Capital projects	237,326.34	-	-
Highways and bridges	226,499.47	-	-
Flood repair	194,552.66	-	-
Conservation of natural resources	319,513.67	-	-
Emergency	947,218.07	-	-
Drain maintenance	-	2,136,977	-
Unrestricted	(7,320,482.00)	2,801,177	151,121
Total Net Position	\$ 72,920,643.16	\$ 17,145,044	\$ 485,807

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

GRAND FORKS COUNTY
Statement of Activities
For the Year Ended December 31, 2021

					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues			Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	Fair Association
Primary Government							
Governmental Activities							
General government	\$ 9,311,690.01	\$ 1,776,498.26	\$ 634,403.44	\$ -	\$ (6,900,788.31)	\$ -	\$ -
Public safety	13,905,010.37	2,206,587.29	746,479.07	-	(10,951,944.01)	-	-
Highways and bridges	5,961,309.61	545,256.90	2,894,595.87	685,303.91	(1,836,152.93)	-	-
Flood repair	1,613,036.13	-	7,417,781.15	-	5,804,745.02	-	-
Health and welfare	7,316,842.49	-	707,875.94	-	(6,608,966.55)	-	-
Culture and recreation	4,099.72	-	-	-	(4,099.72)	-	-
Conser. of natural resources	786,909.91	10,235.35	33,334.59	-	(743,339.97)	-	-
Economic development	180,780.06	-	-	-	(180,780.06)	-	-
Other	59,627.75	-	-	-	(59,627.75)	-	-
Interest on long-term debt	254,839.64	-	-	-	(254,839.64)	-	-
Fiscal agent charges	2,455.38	-	-	-	(2,455.38)	-	-
Total Primary Government	\$ 39,396,601.07	\$ 4,538,577.80	\$ 12,434,470.06	\$ 685,303.91	\$ (21,738,249.30)	\$ -	\$ -
Component Units							
Water Resource District	\$ 1,801,489	\$ 277,870	\$ 126,696	\$ 8,202,025	\$ -	\$ 6,805,102	\$ -
Fair Association	321,891	225,860	-	-	-	-	(96,031)
Total Component Units	\$ 2,123,380	\$ 503,730	\$ 126,696	\$ 8,202,025	\$ -	\$ 6,805,102	\$ (96,031)
General Revenues							
Property taxes					\$ 19,350,514.79	\$ 707,303	\$ 95,272
Drain assessments					-	387,839	-
Non restricted grants and contributions					2,994,743.70	56,080	-
Special assessments interest					-	27,857	-
Unrestricted investment earnings					116,415.57	7,093	-
Miscellaneous revenue					830,088.19	393,253	16,378
Total General Revenues					\$ 23,291,762.25	\$ 1,579,425	\$ 111,650
Change in Net Position					\$ 1,553,512.95	\$ 8,384,527	\$ 15,619
Net Position - January 1					\$ 71,367,130.21	\$ 8,760,517	\$ 470,188
Net Position - December 31					\$ 72,920,643.16	\$ 17,145,044	\$ 485,807

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

GRAND FORKS COUNTY

Balance Sheet – Governmental Funds

December 31, 2021

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents, and investments	\$ 18,699,108.13	\$ 13,607,922.51	\$ 4,938,494.12	\$ 37,245,524.76
Accounts receivable	225,618.37	-	-	225,618.37
Intergovernmental receivable	237,068.51	365,888.78	-	602,957.29
Interest receivable	6,698.59	-	-	6,698.59
Taxes receivable	276,141.85	67,848.99	23,167.38	367,158.22
Other Asset	17,242.94	-	-	17,242.94
Total Assets	<u>\$ 19,461,878.39</u>	<u>\$ 14,041,660.28</u>	<u>\$ 4,961,661.50</u>	<u>\$ 38,465,200.17</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 189,839.42	\$ 197,705.73	\$ 7,152.00	\$ 394,697.15
Grants Received in Advance	-	5,753,319.43	-	5,753,319.43
Sales tax payable	854.99	-	-	854.99
Salaries payable	32,442.17	7,355.76	-	39,797.93
Total Liabilities	<u>\$ 223,136.58</u>	<u>\$ 5,958,380.92</u>	<u>\$ 7,152.00</u>	<u>\$ 6,188,669.50</u>
Deferred Inflows of Resources				
Taxes receivable	\$ 276,141.85	\$ 67,848.99	\$ 23,167.38	\$ 367,158.22
Taxes received in advance	3,725,289.48	1,002,108.01	-	4,727,397.49
Total Deferred Inflows of Resources	<u>\$ 4,001,431.33</u>	<u>\$ 1,069,957.00</u>	<u>\$ 23,167.38</u>	<u>\$ 5,094,555.71</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,224,567.91</u>	<u>\$ 7,028,337.92</u>	<u>\$ 30,319.38</u>	<u>\$ 11,283,225.21</u>
Fund Balances				
Committed				
County improvements	\$ -	\$ 971,683.51	\$ -	\$ 971,683.51
Restricted				
General Government	-	128,369.35	-	128,369.35
Public safety	-	268,646.84	-	268,646.84
Highways and bridges	-	2,949,214.72	-	2,949,214.72
Flood repair	-	194,552.66	-	194,552.66
Health and welfare	-	763,150.70	-	763,150.70
Conservation of natural resources	-	451,798.95	-	451,798.95
Emergency	-	1,285,905.63	-	1,285,905.63
Debt service	-	-	4,694,015.78	4,694,015.78
Capital projects	-	-	237,326.34	237,326.34
Unassigned				
General Fund	15,237,310.48	-	-	15,237,310.48
Total Fund Balances	<u>\$ 15,237,310.48</u>	<u>\$ 7,013,322.36</u>	<u>\$ 4,931,342.12</u>	<u>\$ 27,181,974.96</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,461,878.39</u>	<u>\$ 14,041,660.28</u>	<u>\$ 4,961,661.50</u>	<u>\$ 38,465,200.17</u>

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

GRAND FORKS COUNTY

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

December 31, 2021

Total Fund Balances of Governmental Funds	\$ 27,181,974.96
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	78,535,179.14
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Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.

Property taxes receivable	367,158.22
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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	\$ 16,965,957.11	
Deferred inflows derived from pensions and OPEB	<u>(28,444,122.00)</u>	(11,478,164.89)

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	\$ (4,928,304.27)	
Interest payable	(8,043.08)	
Compensated absences	(1,821,650.92)	
Net pension and OPEB liability	<u>(14,927,506.00)</u>	<u>(21,685,504.27)</u>

Total Net Position of Governmental Activities	<u>\$ 72,920,643.16</u>
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The notes to the financial statements are an integral part of this financial statement.

GRAND FORKS COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended December 31, 2021

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 14,570,788.61	\$ 3,613,172.58	\$ 1,222,367.25	\$ 19,406,328.44
Licenses, permits and fees	49,517.74	-	-	49,517.74
Intergovernmental	3,719,743.17	11,799,032.81	115,838.27	15,634,614.25
Charges for services	3,822,072.14	666,987.92	-	4,489,060.06
Interest income	115,909.11	501.08	5.38	116,415.57
Miscellaneous	607,155.26	148,180.92	74,752.01	830,088.19
Total Revenues	\$ 22,885,186.03	\$ 16,227,875.31	\$ 1,412,962.91	\$ 40,526,024.25
EXPENDITURES				
Current				
General government	\$ 7,920,733.75	\$ 62,910.29	\$ -	\$ 7,983,644.04
Public safety	13,290,051.58	203,366.69	-	13,493,418.27
Highways and bridges	-	5,005,348.71	-	5,005,348.71
Flood repair	-	1,818,436.62	-	1,818,436.62
Health and welfare	-	7,038,413.25	-	7,038,413.25
Conserv. of natural resources	-	780,814.23	-	780,814.23
Economic development	180,780.06	-	-	180,780.06
Capital Outlay	537,521.87	-	30,068.13	567,590.00
Debt Service				
Principal	-	-	1,198,349.90	1,198,349.90
Interest	-	-	224,708.33	224,708.33
Fiscal agent charges	-	-	2,455.38	2,455.38
Total Expenditures	\$ 21,929,087.26	\$ 14,909,289.79	\$ 1,455,581.74	\$ 38,293,958.79
Excess (Deficiency) of Revenues Over Expenditures	\$ 956,098.77	\$ 1,318,585.52	\$ (42,618.83)	\$ 2,232,065.46
OTHER FINANCING SOURCES (USES)				
Proceeds of bond issuance	\$ -	\$ -	\$ 4,425,000.00	\$ 4,425,000.00
Bond discount	-	-	(6,653.79)	(6,653.79)
Bond premium	-	-	207,166.10	207,166.10
Pymt to Refunded Bond Escrow Agent	-	-	(4,625,512.31)	(4,625,512.31)
Transfers in	12,157.89	329,478.67	6,101,350.00	6,442,986.56
Transfers out	(4,816,478.67)	(340,157.89)	(1,286,350.00)	(6,442,986.56)
Total Other Financing Sources and Uses	\$ (4,804,320.78)	\$ (10,679.22)	\$ 4,815,000.00	\$ -
Net Change in Fund Balances	\$ (3,848,222.01)	\$ 1,307,906.30	\$ 4,772,381.17	\$ 2,232,065.46
Fund Balance - January 1	\$ 19,085,532.49	\$ 5,705,416.06	\$ 158,960.95	\$ 24,949,909.50
Fund Balance - December 31	\$ 15,237,310.48	\$ 7,013,322.36	\$ 4,931,342.12	\$ 27,181,974.96

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

GRAND FORKS COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds

\$ 2,232,065.46

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

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

Current year capital outlay	\$ 1,523,996.19	
Current year capital contribution	479,903.40	
Current year depreciation expense	<u>(3,080,398.67)</u>	(1,076,499.08)

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

(24,683.69)

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

Debt issuance	\$ (4,436,523.18)	
Debt Defeasance	4,625,512.31	
Bond Discount	6,653.79	
Bond Premium	(207,166.10)	
Repayment of debt	<u>1,198,349.90</u>	1,186,826.72

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

(37,286.70)

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

Increase in compensated absences	\$ (12,897.67)	
Decrease in interest payable	<u>7,155.39</u>	(5,742.28)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Decrease in taxes receivable		(55,813.65)
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The Net Pension and OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Decrease in Net pension and OPEB liability	\$ 28,928,539.00	
Decrease in Deferred outflows of resources related to pensions and OPEB	(8,421,640.83)	
Increase in Deferred inflows of resources related to pensions and OPEB	<u>(21,172,252.00)</u>	<u>(665,353.83)</u>

Change in Net Position of Governmental Activities

\$ 1,553,512.95

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

GRAND FORKS COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	<u>18,682,214.96</u>
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	253,266.94
Funds Held for Other Purposes	<u>311,806.75</u>
Total Liabilities	<u>565,073.69</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>18,117,141.27</u>
Total Liabilities and Deferred Inflows of Resources	<u>18,682,214.96</u>

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

GRAND FORKS COUNTY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Year Ended December 31, 2021

	Custodial Funds
ADDITIONS	
Tax Collections for Other Governments	85,103,839.12
Payroll Withholding Collections	13,232,605.54
Grant Collections for Other Governments	3,622,408.29
Miscellaneous Collections	<u>(12,041,828.00)</u>
Total Additions	<u><u>89,917,024.95</u></u>
DEDUCTIONS	
Tax Disbursements to Other Governments	85,103,839.12
Payroll Withholding Disbursements	13,221,635.63
Grant Disbursements to Other Governments	3,622,408.29
Miscellaneous Disbursements	<u>(12,030,858.09)</u>
Total Deductions	<u><u>89,917,024.95</u></u>
Net Increase (Decrease) in Fiduciary Net Position	<u>-</u>
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u><u>-</u></u>

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

GRAND FORKS COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Based on these criteria, there are three component units to be included within the County as a reporting entity.

Component Units

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units, although legally separate entities, are, in substance, part of the government's operations and so data from this unit is combined with data from the primary government.

Grand Forks County Building Authority ("Building Authority") – The Building Authority serves only the County. All members of the board of county commissioners also serve as the board of the Building Authority. The sole purpose of the Building Authority is to issue bonds for various construction projects, and to lease these structures to the County. The funds of the Building Authority are blended with the capital projects and debt service funds of the County.

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

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

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

Component Unit Financial Statements. The financial statements of each of the two discretely presented component units are presented in the basic financial statements. Complete financial statements of the individual component units can be obtained from the County Director of Tax and Finance at 151 S. 4th St, Grand Forks, North Dakota, 58206-0726.

B. Basis of Presentation

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

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

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fund type:

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

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

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

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

E. Capital Assets

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

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

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

F. Compensated Absences

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 hours of vacation leave may be carried over. Sick leave benefits are earned at the rate of one day per month regardless of years of service. An unlimited number of sick leave hours may be carried over and employees are paid for 25% of their accumulated sick, to a maximum of 900 hours of leave, upon termination. When intent to terminate employment is submitted, the employee must have 5 continuous years of service to be eligible for monetary compensation of sick leave. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

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

H. Pension

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

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

I. Other Post-Employment Benefits (OPEB)

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

J. Fund Balances

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

Minimum Fund Balance Policy. The County established a 15% - 20% general fund carryover balance target to help with financial stability. The 15% - 20% fund balance range is a part of the County's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the County.

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

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

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

K. Net Position

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

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

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

L. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

M. Special Assessments

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

NOTE 2: GRAND SKY EUL PROJECT

The County entered into an Enhanced Use Lease (EUL) with the United States Air Force on February 6, 2015. The location of the property (estimated 217 acres) is located on Grand Forks Air Force Base. The term of the lease is 50 years with the option of renewal if the County is not in any default of any of its obligations. The project will be used solely for the advancement of the Unmanned Aerial Systems (UAS) industry and the Remotely Piloted Aircraft (RPA) industry, along with support for manned aviation, light industrial and manufacturing activities, and mixed use facilities which include hangars, classrooms/training facilities, administrative offices, data centers, and other uses approved by the United States Air Force. The County's competitively selected developer, Grand Sky Development Company, LLC, will recommend to the County board of commissioners certain contractors to perform work funded through the North Dakota Department of Transportation and North Dakota Department of Commerce as required only after following the selection process set forth in the North Dakota Century Code requirements for bidding development projects. Through the sublease, Grand Sky Development Company, LLC will be financially responsible for making the lease payments to the United States Air Force. The County has an escrow account to transmit funds to the United States Air Force when payments are due. The County to date has out of pocket costs of a sum total of \$512,960 that was related to this project. The County will own no land, equipment, or infrastructure in result of the stated costs. The purpose of this project was solely to benefit the economy of the County and its citizens.

NOTE 3: DEPOSITS**Custodial Credit Risk**

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

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

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

At year ended December 31, 2021, the County's carrying amount of deposits totaled \$47,117,801, and the bank balances totaled \$57,197,817. Of the bank balances, \$36,419,927 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2021, the Water Resource District's carrying amount of deposits totaled \$5,356,403, and the bank balances totaled \$5,696,596. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2021, the Fair Association's carrying amount of deposits totaled \$152,796, and the bank balances totaled \$164,272, all of which was covered by Federal Depository Insurance.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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: CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2021:

Primary Government	Balance January 1	Increases	Decreases	Balance December 31
Capital assets not being depreciated				
Land	\$ 505,895.00	\$ -	\$ -	\$ 505,895.00
Construction in Progress	-	16,388.43	-	16,388.43
Total Capital Assets, Not Being Depreciated	505,895.00	16,388.43	-	522,283.43
Capital assets, being depreciated				
Buildings	47,102,382.95	407,834.35	-	47,510,217.30
Equipment	5,366,780.27	207,781.82	78,414.00	5,496,148.09
Furniture	939,996.33	15,026.20	-	955,022.53
Vehicles	4,070,012.44	302,859.58	121,810.24	4,251,061.78
Infrastructure	74,805,506.95	1,054,009.23	-	75,859,516.18
Total Capital Assets, Being Depreciated	\$ 132,284,678.94	\$ 1,987,511.18	\$ 200,224.24	\$ 134,071,965.88
Less accumulated depreciation				
Buildings	\$ 20,154,598.07	\$ 1,001,843.93	\$ -	\$ 21,156,442.00
Equipment	3,679,816.04	334,201.17	71,444.60	3,942,572.61
Furniture	881,515.71	13,642.95	-	895,158.66
Vehicles	2,859,541.40	295,780.23	104,095.95	3,051,225.68
Infrastructure	25,578,740.85	1,434,930.39	-	27,013,671.24
Total Accumulated Depreciation	\$ 53,154,212.07	\$ 3,080,398.67	\$ 175,540.55	\$ 56,059,070.19
Total Capital Assets Being Depreciated, Net	\$ 79,130,466.87	\$ (1,092,887.49)	\$ 24,683.69	\$ 78,012,895.69
Total Capital Assets, Net	\$ 79,636,361.87	\$ (1,076,499.06)	\$ 24,683.69	\$ 78,535,179.12

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

General Government	\$ 725,810.02
Public Safety	636,830.43
Highways and Bridges	1,693,410.21
Health and Welfare	20,248.29
Conservation of Natural Resources	4,099.72
Total Depreciation Expense	\$ 3,080,398.67

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component Units

The following is a summary of changes in capital assets for the year ended December 31, 2021 for the Water Resource District:

Water Resource District	Balance January 1	Increases	Decreases	Balance December 31
Capital assets not being depreciated				
Land	\$ 842,898	\$ -	\$ -	\$ 842,898
Construction in Progress	50,400	6,778,901	-	6,829,301
Total Capital Assets, Not Being Depreciated	\$ 893,298	\$ 6,778,901	\$ -	\$ 7,672,199
Capital assets, being depreciated				
Land Improvement	\$ 4,460,530	\$ -	\$ -	\$ 4,460,530
Office Equipment	20,254	-	-	20,254
Vehicles and Equipment	589,863	366,300	-	956,163
Total Capital Assets, Being Depreciated	\$ 5,070,647	\$ 366,300	\$ -	\$ 5,436,947
Less accumulated depreciation				
Land Improvement	\$ 208,350	\$ 90,151	\$ -	\$ 298,501
Office Equipment	20,006	248	-	20,254
Vehicles and Equipment	413,418	58,104	-	471,522
Total Accumulated Depreciation	\$ 641,774	\$ 148,503	\$ -	\$ 790,277
Total Capital Assets Being Depreciated, Net	\$ 4,428,873	\$ 217,797	\$ -	\$ 4,646,670
Total Capital Assets, Net	\$ 5,322,171	\$ 6,996,698	\$ -	\$ 12,318,869

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

The following is a summary of changes in capital assets for the year ended December 31, 2021 for the Fair Association:

Fair Association	Balance January 1	Increases	Decreases	Balance December 31
Capital assets not being depreciated				
Land	\$ 85,420	\$ -	\$ -	\$ 85,420
Capital assets, being depreciated				
Equipment	\$ 285,414	\$ 5,750	\$ -	\$ 291,164
Leasehold Improvements	768,379	-	-	768,379
Total Capital Assets, Being Depreciated	\$ 1,053,793	\$ 5,750	\$ -	\$ 1,059,543
Less accumulated depreciation				
Equipment	\$ 230,227	\$ 14,388	\$ -	\$ 244,615
Leasehold Improvements	490,829	32,713	-	523,542
Total Accumulated Depreciation	\$ 721,056	\$ 47,101	\$ -	\$ 768,157
Total Capital Assets Being Depreciated, Net	\$ 332,737	\$ (41,351)	\$ -	\$ 291,386
Total Capital Assets, Net	\$ 418,157	\$ (41,351)	\$ -	\$ 376,806

Depreciation expense was charged to the culture and recreation function.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

NOTE 6: LONG-TERM LIABILITIES**Primary Government**

During the year ended December 31, 2021, the following changes occurred in governmental activities long-term liabilities:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 5,945,000.00	\$ 4,425,000.00	\$ 5,745,000.00	\$ 4,625,000.00	\$ 1,265,000.00
Bond Discount	-	(6,653.79)	(138.62)	(6,515.17)	(1,663.45)
Bond Premium	132,844.27	207,166.10	30,884.82	309,125.55	78,360.39
Special Assessments Payable	-	11,523.18	10,829.29	693.89	693.89
Total Long-Term Debt	\$ 6,077,844.27	\$ 4,637,035.49	\$ 5,786,575.49	\$ 4,928,304.27	\$ 1,342,390.83
Compensated Absences *	1,808,753.25	12,897.67	-	1,821,650.92	182,165.09
Net Pension and OPEB Liability	43,856,045.00	-	28,928,539.00	14,927,506.00	-
Total Long-Term Liabilities	\$ 51,742,642.52	\$ 4,649,933.16	\$ 34,715,114.49	\$ 21,677,461.19	\$ 1,524,555.92

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

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

Year Ending Dec 31	Bonds Payable		Bond Discount	Bond Premium	Special Assessment Payable
	Principal	Interest	Amortization	Amortization	Principal
2022	\$ 1,265,000	\$ 90,500	\$ 1,664	\$ 78,360	\$ 694
2023	1,105,000	67,200	1,664	78,360	-
2024	1,120,000	45,100	1,664	78,360	-
2025	1,135,000	22,700	1,524	74,045	-
Total	\$ 4,625,000	\$ 225,500	\$ 6,516	\$ 309,125	\$ 694

Advanced Debt Refunding (Defeased Debt)

On April 28, 2021, Grand Forks County issued \$4,415,000 Lease Revenue Refunding Bonds, Series 2021 with a true interest cost of 0.53% to refund the remaining Grand Forks County Lease Revenue Refunding Bonds, Series 2013 which had a balance of \$4,847,750. This gave a total cost savings of \$199,250, which resulted in \$198,627 in net present value savings (economic gain) over the remainder of the bonds. The Series 2013 issue is considered defeased and is not shown in the financial statements.

Discretely Presented Component Units

During the year ended December 31, 2021, the following changes occurred in governmental long-term liabilities of the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 2,785,000	\$ 4,465,000	\$ 295,000	\$ 6,955,000	\$ 345,000
Bond Discount	(6,343)	-	(634)	(5,709)	634
Bond Premium	31,698	35,150	2,582	64,266	8,751
Total Long-Term Debt	\$ 2,810,355	\$ 4,500,150	\$ 296,948	\$ 7,013,557	\$ 354,385
Net Pension and OPEB Liability	\$ 149,752	-	\$ 39,932	\$ 109,820	-
Total Long-Term Liabilities	\$ 2,960,107	\$ 4,500,150	\$ 336,880	\$ 7,123,377	\$ 354,385

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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

Year Ending Dec 31	Bonds Payable		Bond Discount	Bond Premium
	Principal	Interest	Amortization	Amortization
2022	\$ 345,000	\$ 180,032	\$ 634	\$ 8,751
2023	345,000	141,136	634	8,751
2024	350,000	131,736	634	8,751
2025	355,000	123,023	634	8,751
2026	365,000	114,940	3,173	8,751
2027 - 2031	1,835,000	461,490	-	8,606
2032 - 2036	1,715,000	287,377	-	8,606
2037 - 2041	1,645,000	86,970	-	3,299
Total	\$ 6,955,000	\$ 1,526,704	\$ 5,709	\$ 64,266

During the year ended December 31, 2021, the following changes occurred in governmental long-term liabilities of the Fair Association.

Fair Association	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 27,439	\$ -	\$ 8,847	\$ 18,592	\$ 9,152
Lease Payable	43,737	-	20,843	22,894	-
Special Assessments Payable	791	-	422	369	184
Total Long-Term Liabilities	\$ 71,967	\$ -	\$ 30,112	\$ 41,855	\$ 9,336

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

Year Ending Dec 31	Loan Payable		Lease Payable		Special Assess. Pay.	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	9,152	641	-	-	184	10
2023	9,440	302	11,178	1,100	185	68
2024	-	-	11,716	563	-	-
Total	\$ 18,592	\$ 943	\$ 22,894	\$ 1,663	\$ 369	\$ 78

NOTE 7: OPERATING LEASES

The County is engaged in various operating leases which include copiers, postage machines, printers, and motor graders. Total lease payments made during 2021 totaled \$402,754. The County departments are listed along with the piece of equipment that is being leased by that department in the following schedules.

Year Ending 31-Dec	Sheriff Copier	Juvenile Detention Copier	Social Services Copiers & Postage Machine	Emergency Management Copier	States Attorney Copiers & Printers	NDSU Extension Postage & Copier	Tax Equalization	Highway Motor Graders
2022	8,187	1,759	9,575	1,668	12,580	6,040	3,754	176,690
2023	8,187	1,759	821	1,668	12,580	6,040	3,754	-
2024	8,187	733	821	1,668	12,580	6,040	3,754	-
2025	8,187	733	821	1,251	12,580	3,275	3,754	-
2026					10,483			-
Totals	\$ 32,748	\$ 4,984	\$ 12,038	\$ 6,255	\$ 60,803	\$ 21,395	\$ 15,016	\$ 176,690

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.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

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

At December 31, 2021, the following net pension liabilities were reported:

	Net Pension Liability
Primary Government	\$ 14,232,624
Water Resource District	104,053

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on Employer's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2021, the Employer's had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 Measurement	Pension Expense
Primary Government	1.365501%	0.005365%	\$ 2,004,345
Water Resource District	0.009983%	0.005343%	34,195

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

At December 31, 2021, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 245,722	\$ 1,452,634
Changes of Assumptions	15,752,751	20,538,295
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	5,278,656
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	165,082	854,999
Employer Contributions Subsequent to the Measurement Date	572,773	-
Total	\$ 16,736,328	\$ 28,124,584

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,797	\$ 10,620
Changes of Assumptions	115,166	150,153
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	38,592
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	74,434	2,519
Employer Contributions Subsequent to the Measurement Date	3,933	-
Total	\$ 195,330	\$ 201,884

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	\$ 572,773
Water Resource District	3,933

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

	Primary Government	Water Resource District
2022	\$ (1,875,126)	\$ 7,834
2023	(2,768,762)	1,194
2024	(2,215,649)	3,980
2025	(5,101,492)	(23,495)
2026	-	-

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2021 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
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 1.92%; and the resulting Single Discount Rate is 7.00%.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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

The following presents the entities proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Primary Government	\$ 22,634,656	\$ 14,232,624	\$ 7,236,613
Water Resource District	165,479	104,053	52,906

Pension Plan Fiduciary Net Position

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

NOTE 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.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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.

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

At December 31, 2021, the following net OPEB liabilities were reported:

	Net OPEB Liability
Primary Government	\$ 694,882
Water Resource District	5,767

The net OPEB liability was measured as of June 30, 2021, 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, 2021, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 Measurement	OPEB Expense
Primary Government	1.249400%	-0.017692%	\$ 77,589
Water Resource District	0.010369%	0.005879%	1,521

At December 31, 2021, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 39,907	\$ 19,047
Changes of Assumptions	107,610	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	238,084
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,582	62,407
Employer Contributions Subsequent to the Measurement Date	77,530	-
Total	\$ 229,629	\$ 319,538

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 331	\$ 158
Changes of Assumptions	893	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	1,976
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,120	33
Employer Contributions Subsequent to the Measurement Date	1,247	-
Total	\$ 5,591	\$ 2,167

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	\$ 77,530
Water Resource District	1,247

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

	Primary Government	Water Resource District
2022	\$ (31,748)	\$ 613
2023	(33,462)	599
2024	(45,065)	506
2025	(59,304)	254
2026	2,140	205
2027	-	-
Thereafter	-	-

Actuarial assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	40%	0.50%
International Equities	21%	6.25%

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 rates described in this report. 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, 2021, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Primary Government	\$ 1,030,600	\$ 694,882	\$ 410,815
Water Resource District	8,553	5,767	3,409

NOTE 10: 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 (NDRF), 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 NDRF is limited to losses of ten million dollars per occurrence for general liability and automobile and \$5,753,719 for mobile equipment and portable property (public assets).

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

The County pays annual premiums for flood insurance with American Bankers Insurance Company of Florida and AXIS Surplus Insurance Company. The County also pays an annual premium to the Hartford Steam Boiler Inspection and Insurance Company for the county boiler.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

NOTE 11: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2021:

	Transfers In	Transfers Out
<u>Major Funds</u>		
General Fund	\$ 12,157.89	\$ 4,816,478.67
Special Revenue Fund	329,478.67	340,157.89
<u>Non-Major Funds</u>		
Capital Construction	-	-
Lease Revenue Bonds 2013	6,101,350.00	1,286,350.00
Total Transfers	\$ 6,442,986.56	\$ 6,442,986.56

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

NOTE 12: JOINT VENTURE

Under authorization of state statutes, the Water Resource District joined Southeast Grand Forks Water Resource District, North Grand Forks Water Resource District, Maple River Water Resource District, Rush River Water Resource District, and the water resource districts of Richland County, Pembina County, Traill County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for the water management districts located within the Red River Valley. Known as the Red River Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution each year depends on where Red River Joint Water Resource Board projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2021, which is the most current audited information available:

	Red River
Total Assets	\$ 17,087,415.00
Total Liabilities	30,427.00
Net Position	\$ 17,056,988.00
Revenues	\$ 2,796,564.00
Expenses	708,528.00
Change in Net Position	\$ 2,088,036.00

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

NOTE 13: CONSTRUCTION COMMITMENTS

The Water Resource District had one construction project open at year end:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Drain 59	\$ 4,463,476	\$ 4,368,691	\$ 229,931	\$ 324,716

NOTE 14: CONDUIT DEBT

Conduit debt obligations are defined as certain limited-obligation revenue bonds, certifications of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third part that is not part of the issuer's financial reporting entity. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

At December 31, 2021, the county is involved in conduit debt obligations under the following criteria.

Industrial Revenue Bonds

The County is currently involved in a program that had issued Industrial Revenue Bonds. Industrial Revenue Bonds provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans and bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans and bonds, ownership of the acquired facilities transfers to the private-sector entity served by the loan issuance.

As of December 31, 2021, there were seven Industrial Revenue Bond issuances which had a combined total of \$154,489,637.

Recovery Zone Facility Bonds

The county is currently involved in a program that had issued Recovery Zone Facility Bonds. Recovery Zone Facility Bonds are a type of tax-exempt private activity bond created by the American Recovery and Reinvestment Act, passed by Congress in February 2009. They may be used to finance certain kinds of business development activities in areas of significant economic distress.

As of December 31, 2021, there were four Recovery Zone Facility bond issuances which had a combined total of \$30,206,891.

Qualified Zone Academy Bonds

The County is currently involved in a program that had issued Qualified Zone Academy Bonds. Qualified Zone Academy Bonds (QZABs) are a U.S. debt instrument created by Section 226 of the Taxpayer Relief Act of 1997. QZABs allow certain qualified schools to borrow at nominal interest rates (as low as zero percent) for costs incurred in connection with the establishment of special programs in partnership with the private sector.

As of December 31, 2021, there was one Qualified Zone Academy Bond issuance which totaled \$5,000,000.

Qualified School Construction Bonds

The County is currently involved in a program that had issued Qualified School Construction Bonds. Qualified School Construction Bond (QSCB) is a U.S. debt instrument created by Section 1521 of the American Recovery and Reinvestment Act of 2009. Section 54F of the Internal Revenue code covers QSCBs. QSCBs allow schools to borrow at nominal at zero percent for the rehabilitation, repair and equipping of schools. In addition, QSCB funds can be used to purchase land on which a public school will be built. The QSCB lender receives a Federal tax credit in lieu of receiving an interest payment. The tax credit rate is set by the IRS each day.

As of December 31, 2021, there was one Qualified School Construction Bond issuance which totaled \$6,230,000.

NOTE 15: TAX ABATEMENTS

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

At December 31, 2021, the local governments within the County provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria.

New Business

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

Charitable Organization

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

Single Family Residence

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

Childhood Services

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

Improvements to Commercial and Residential Buildings and Structures

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

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

	Reduction in Property Tax Revenue
New Business	\$ 132,596.03
Charitable Organization	1,046,240.55
Single Family Residence	117,880.01
Childhood Services	9,790.67
Commercial and Residential	70,681.79
Total Reduction in Property Tax Revenue	\$ 1,377,189.05

GRAND FORKS COUNTYNotes to the Financial Statements – Continued

NOTE 16: SUBSEQUENT EVENTS**County**

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

GRAND FORKS COUNTY

Budgetary Comparison Schedule - General Fund

For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 15,469,307.00	\$ 15,469,307.00	\$ 14,570,788.61	\$ (898,518.39)
Licenses, Permits and Fees	77,750.00	77,750.00	49,517.74	(28,232.26)
Intergovernmental	2,372,354.00	2,372,354.00	3,719,743.17	1,347,389.17
Charges for Services	3,376,914.00	3,376,914.00	3,822,072.14	445,158.14
Interest Income	80,000.00	80,000.00	115,909.11	35,909.11
Miscellaneous	195,500.00	195,500.00	607,155.26	411,655.26
Total Revenues	<u>\$ 21,571,825.00</u>	<u>\$ 21,571,825.00</u>	<u>\$ 22,885,186.03</u>	<u>\$ 1,313,361.03</u>
EXPENDITURES				
Current				
General Government	\$ 8,160,953.00	\$ 8,325,453.00	\$ 7,920,733.75	\$ 404,719.25
Public Safety	13,336,971.00	13,439,299.00	13,290,051.58	149,247.42
Economic Development	191,448.00	191,448.00	180,780.06	10,667.94
Capital Outlay	750,000.00	1,230,000.00	537,521.87	692,478.13
Total Expenditures	<u>\$ 22,439,372.00</u>	<u>\$ 23,186,200.00</u>	<u>\$ 21,929,087.26</u>	<u>\$ 1,257,112.74</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (867,547.00)</u>	<u>\$ (1,614,375.00)</u>	<u>\$ 956,098.77</u>	<u>\$ 2,570,473.77</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 12,157.89	\$ 12,157.89
Transfers Out	-	-	(4,816,478.67)	(4,816,478.67)
Net Change in Fund Balances	<u>\$ (867,547.00)</u>	<u>\$ (1,614,375.00)</u>	<u>\$ (3,848,222.01)</u>	<u>\$ (2,233,847.01)</u>
Fund Balance - January 1	<u>\$ 19,085,532.49</u>	<u>\$ 19,085,532.49</u>	<u>\$ 19,085,532.49</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 18,217,985.49</u>	<u>\$ 17,471,157.49</u>	<u>\$ 15,237,310.48</u>	<u>\$ (2,233,847.01)</u>

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

GRAND FORKS COUNTY

Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 3,830,098.00	\$ 3,830,098.00	\$ 3,613,172.58	\$ (216,925.42)
Intergovernmental	9,726,104.00	9,726,104.00	11,799,032.81	2,072,928.81
Charges for Services	665,000.00	665,000.00	666,987.92	1,987.92
Interest Income	400.00	400.00	501.08	101.08
Miscellaneous	55,021.00	55,021.00	148,180.92	93,159.92
Total Revenues	<u>\$ 14,276,623.00</u>	<u>\$ 14,276,623.00</u>	<u>\$ 16,227,875.31</u>	<u>\$ 1,951,252.31</u>
EXPENDITURES				
Current				
General Government	\$ 173,000.00	\$ 173,000.00	\$ 62,910.29	\$ 110,089.71
Public Safety	74,000.00	227,500.00	203,366.69	24,133.31
Highways and Bridges	5,907,255.00	5,907,255.00	5,005,348.71	901,906.29
Flooding	-	1,853,900.00	1,818,436.62	35,463.38
Health and Welfare	7,427,786.00	7,427,786.00	7,038,413.25	389,372.75
Culture and Recreation	-	-	-	-
Conserv. Of Natural Resources	885,374.00	885,374.00	780,814.23	104,559.77
Total Expenditures	<u>\$ 14,467,415.00</u>	<u>\$ 16,474,815.00</u>	<u>\$ 14,909,289.79</u>	<u>\$ 1,565,525.21</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (190,792.00)</u>	<u>\$ (2,198,192.00)</u>	<u>\$ 1,318,585.52</u>	<u>\$ 3,516,777.52</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 329,478.67	\$ 329,478.67
Transfers Out	-	-	(340,157.89)	(340,157.89)
Net Change in Fund Balances	<u>\$ (190,792.00)</u>	<u>\$ (2,198,192.00)</u>	<u>\$ 1,307,906.30</u>	<u>\$ 3,506,098.30</u>
Fund Balance - January 1	<u>\$ 5,705,416.06</u>	<u>\$ 5,705,416.06</u>	<u>\$ 5,705,416.06</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 5,514,624.06</u></u>	<u><u>\$ 3,507,224.06</u></u>	<u><u>\$ 7,013,322.36</u></u>	<u><u>\$ 3,506,098.30</u></u>

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

GRAND FORKS COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2021

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

Primary Government	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	1.365501%	\$ 14,232,624	\$ 15,462,806	92.04%	78.26%
2020	1.360136%	42,790,170	15,003,939	285.19%	48.91%
2019	1.460376%	17,116,663	15,190,399	112.68%	71.66%
2018	1.465863%	24,738,037	15,059,060	164.27%	62.80%
2017	1.481789%	23,817,212	15,125,744	157.46%	61.98%
2016	1.469409%	14,320,823	14,808,175	96.71%	70.46%
2015	1.486855%	10,110,360	13,246,075	76.33%	77.15%
2014	1.557809%	11,436,085	13,122,653	87.15%	77.70%

Water Resource District	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.009983%	\$ 104,053	\$ 113,050	92.04%	78.26%
2020	0.004640%	145,975	51,186	285.19%	48.91%
2019	0.009983%	104,053	113,050	92.04%	71.66%
2018	0.004815%	81,258	49,468	164.26%	62.80%
2017	0.003561%	57,237	36,350	157.46%	61.98%
2016	0.005296%	51,615	53,375	96.70%	70.46%
2015	0.006246%	42,472	55,644	76.33%	77.15%
2014	0.634100%	40,248	53,418	75.35%	77.70%

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

GRAND FORKS COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued
 For the Year Ended December 31, 2021

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

Primary Government	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 1,140,314	\$ 1,232,663	(92,349)	15,862,367	7.77%
2020	1,062,410	1,113,562	(51,152)	15,003,939	7.42%
2019	1,105,947	1,007,855	98,092	15,190,399	6.63%
2018	1,109,164	1,095,065	14,099	15,059,060	7.27%
2017	1,096,873	1,179,531	(82,658)	15,125,744	7.80%
2016	1,072,088	967,745	104,343	14,808,175	6.54%
2015	1,006,145	1,012,374	(6,229)	13,246,075	7.64%
2014	934,333	934,333	-	13,122,653	7.12%

Water Resource District	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 8,337	\$ 3,456	\$ 4,881	\$ 127,248	2.72%
2020	3,624	3,637	(13)	51,186	7.11%
2019	3,627	3,538	89	113,050	3.13%
2018	3,643	3,504	139	49,468	7.08%
2017	2,636	3,351	(715)	36,350	9.22%
2016	3,864	4,137	(273)	53,375	7.75%
2015	4,227	3,962	265	55,644	7.12%
2014	3,804	3,804	-	53,418	7.12%

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

GRAND FORKS COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2021

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

Primary Government	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	1.249400%	694,882	13,621,678	5.10%	76.63%
2020	1.267092%	1,065,875	14,444,471	7.38%	63.38%
2019	1.361321%	1,093,396	15,190,399	7.20%	63.13%
2018	1.376241%	1,083,884	15,059,060	7.20%	61.89%
2017	1.398241%	1,106,024	15,126,744	7.31%	59.78%

Water Resource District	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.010369%	\$ 5,767	\$ 113,050	5.10%	76.63%
2020	0.004490%	3,777	51,186	7.38%	63.38%
2019	0.010369%	5,767	113,050	5.10%	63.13%
2018	0.452100%	3,561	49,468	7.20%	61.89%
2017	0.336000%	2,658	36,350	7.31%	59.78%

GRAND FORKS COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions – Continued
 For the Year Ended December 31, 2021

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

Primary Government	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 163,804	\$ 176,667	(12,863)	13,871,084	1.27%
2020	169,692	176,570	(6,878)	14,444,471	1.22%
2019	176,665	161,348	15,317	15,190,399	1.06%
2018	176,634	175,332	1,302	15,059,060	1.15%
2017	175,332	188,856	(13,524)	15,126,744	1.25%

Water Resource District	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 1,359	\$ 553	806	\$ 127,248	0.43%
2020	601	582	19	51,186	1.14%
2019	579	567	12	113,050	0.50%
2018	580	561	19	49,468	1.13%
2017	423	537	(114)	36,350	1.48%

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

GRAND FORKS COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The County commission adopts an appropriated budget on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The County auditor prepares an annual budget for the general fund and each special revenue fund of the County. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.
- The County commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The board of County commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the County auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (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, 2020.

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, 2020.

GRAND FORKS COUNTYNotes to the Required Supplementary Information - Continued

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

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

Pension**OPEB**

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

NOTE 5: LEGAL COMPLIANCE - BUDGETS**Budget Amendments**

The board of county commissioners amended the budget for 2021 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Major Funds			
General Fund	\$ 22,439,372.00	\$ 746,828.00	\$ 23,186,200.00
Special Revenue Fund	14,467,415.00	2,007,400.00	16,474,815.00
Nonmajor Funds			
Capital Construction	1,502,174.00	5,900.00	1,508,074.00

GRAND FORKS COUNTY

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

Federal ALN Number	Program Title	Pass-Through Grantor's Number	Expenditures	Passed through to Subrecipients
US DEPARTMENT OF TRANSPORTATION:				
<u>Passed through the State Department of Transportation</u>				
	Highway Safety Cluster			
20.600	State and Community Highway Safety	N/A	\$ 19,579	
20.616	National Priority Safety Programs	N/A	27,285	
	Highway Safety Cluster Total		<u>\$ 46,864</u>	
	Total U.S. Department of Transportation		<u>\$ 46,864</u>	
US DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Passed Through State Department of Human Services</u>				
	Aging Cluster			
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	N/A	\$ 378	
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	N/A	1,485	
	Total Aging Cluster		<u>\$ 1,863</u>	
	CCDF Cluster			
93.575	Child Care and Development Block Grant	N/A	3,006	
	Medicaid Cluster			
93.778	Medical Assistance Program	N/A	30	
93.052	National Family Caregiver Support, Title III, Part E	N/A	1,139	
93.563	Child Support Enforcement	N/A	722	
	Total Department of Health and Human Services		<u>\$ 6,760</u>	
US DEPARTMENT OF HOMELAND SECURITY:				
<u>Passed through the State Department of Game and Fish:</u>				
97.012	Boating Safety Financial Assistance	N/A	\$ 5,000	
<u>Passed through the State Department Emergency Management:</u>				
97.042	Emergency Management Performance Grants	EMPG2020, EMPG2021	\$ 95,163	
97.067	Homeland Security Grant Program	HLS2019, HLS2020	201,619	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4553, DR4565	885,073	
97.036	COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4509	3,257	
97.047	BRIC: Building Resilient Infrastructure and Communities	PDM2018	34,186	
	Total U.S. Department of Homeland Security		<u>\$ 1,224,298</u>	
US DEPARTMENT OF TREASURY:				
<u>Direct Program</u>				
21.027	Coronavirus State and Local Fiscal Recovery Funds	SLFRP2882	\$ 1,021,733	\$ 178,470
<u>Passed through the State Treasurer Department:</u>				
21.019	Coronavirus Relief Fund	N/A	\$ 22,004	\$ -
	Total U.S. Department of Treasury		<u>\$ 1,043,737</u>	<u>\$ 178,470</u>
Total Expenditures of Federal Awards			<u>\$ 2,321,659</u>	<u>\$ 178,470</u>

See notes to the Schedule of Expenditures of Federal Awards

GRAND FORKS COUNTY

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2021. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 PASS-THROUGH GRANT NUMBER

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

NOTE 4 INDIRECT COST RATE

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



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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Grand Forks County's basic financial statements, and have issued our report thereon dated September 30, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of audit findings as item 2021-001, 2021-002 and 2021-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grand Forks County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance

GRAND FORKS COUNTY

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

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*.

Grand Forks County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Grand Forks County's response to the findings identified in our audit and described in the accompanying *schedule of audit findings and questioned costs*. The Grand Forks County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 30, 2022



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Qualified Opinion

We have audited Grand Forks County's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Grand Forks County's major federal programs for the year ended December 31, 2021. Grand Forks County's major federal programs are identified in the summary of auditor's results section of the accompanying *schedule of findings and questioned costs*.

Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Grand Forks County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2021.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Grand Forks County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Grand Forks County's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds.

As described in the accompanying *schedule of findings and questioned costs*, Grand Forks County did not comply with requirements regarding Assisting Listing Number 21.027 *Coronavirus State and Local Fiscal Recovery Funds* as described in finding number 2021-004 for Reporting, 2021-006 and 2021-007 for Subrecipient Monitoring.

Compliance with such requirements is necessary, in our opinion, for Grand Forks County to comply with the requirements applicable to that program.

GRAND FORKS COUNTY

Report on Compliance for each Major Federal Programs, and Report on Internal Control Over Compliance – Continued

Responsibilities of Management's Responsibility

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Grand Forks County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Grand Forks County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Grand Forks County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Grand Forks County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Grand Forks County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Grand Forks County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of other 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 items 2021-005, 2021-008, and 2021-009. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Grand Forks County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Grand Forks County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

GRAND FORKS COUNTY

Report on Compliance for each Major Federal Programs, and Report on Internal Control Over Compliance – Continued

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. We consider the deficiencies in internal control over compliance described in the accompanying *schedule of findings and questioned costs* as items 2021-005, and 2021-006 to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Grand Forks County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Grand Forks County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 30, 2022

GRAND FORKS COUNTY

Summary of Auditor's Results
For the Year Ended December 31, 2021

Financial Statements

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

Internal control over financial reporting

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

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None	noted
Significant deficiencies identified?	<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

ALN Number	Name of Federal Program or Cluster
ALN 21.027	Coronavirus State and Local Fiscal Recovery Funds

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

GRAND FORKS COUNTY

Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2021

SECTION I – FINANCIAL STATEMENT FINDINGS

2021-001 – AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

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

In addition, adjustments were made to the Schedule of Expenditures of Federal Awards (SEFA) in the amount of \$452,000 to properly reflect 2021 federal expenditures.

Effect

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

Cause

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

Criteria

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

Repeat Finding

No.

Recommendation

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

Grand Forks County's Response

See Corrective Action Plan.

GRAND FORKS COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2021-002 – LACK OF SEGREGATION OF DUTIES (WRD) – MATERIAL WEAKNESS**Condition**

Grand Forks County Water Resource District has one individual primarily responsible for the accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Effect

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

Cause

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

Criteria

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

Repeat Finding

Yes.

Recommendation

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

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc.

Grand Forks County Water Resource District's Response

See Corrective Action Plan.

GRAND FORKS COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2021-003 – AUDIT ADJUSTMENTS (WRD) – MATERIAL WEAKNESS**Condition**

Material auditor-identified adjusting entries to the financial statements were proposed and adjusted to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Effect

Inadequate internal controls over recording of transactions affects Grand Forks County Water Resource District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause

Grand Forks Water Resource District management does not have sufficient procedures in place to ensure adjusting entries used to compile the financial statements are reviewed.

Criteria

Grand Forks 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 GAAP.

Repeat Finding

No.

Recommendation

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

Grand Forks County Water Resource District's Response

See Corrective Action Plan.

GRAND FORKS COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**2021-004 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – IMPROPER REPORTING OF OBLIGATIONS AND EXPENDITURES – ALN 21.027 – MATERIAL NONCOMPLIANCE****FINDING TYPE: Material Noncompliance**

Finding	2021-004
Federal Program:	Coronavirus State and Local Fiscal Recovery Funds
ALN:	21.027
Federal Award Number(s) and Year(s):	SLFRP2882, 2021
Federal Agency:	U.S. Department of Treasury
Questioned Cost:	None

Condition

Grand Forks County did not properly report total obligations and total expenditures on the December 31, 2021, Project and Expenditure Report for the Coronavirus State and Local Fiscal Recovery Funds program. Total obligations were overstated and understated in various sections of the report with a total understatement of obligations of \$451,038 and total expenditures were understated by \$30,038.

Effect

The amounts reported as expenditures and obligations on the December 31, 2021, Project and Expenditure Report were materially inaccurate.

Cause

Grand Forks County may not have been aware as to what constituted an obligation and expenditure for reporting purposes for the December 31, 2021, Project and Expenditure Report.

Criteria

Page 9 of the Coronavirus State and Local Fiscal Recovery Funds: Project and Expenditure Report User Guide Version 1 (January 7, 2022) states:

- "An obligation is an order placed – such as a contract – and similar transactions that require payment.
- An expenditure is when the service has been rendered or the good has been delivered to the entity, and payment is due."

Repeat Finding

No.

Recommendation

We recommend Grand Forks County review and comply with all reporting requirements of the Coronavirus State and Local Fiscal Recovery Funds program by properly reporting all obligations and expenditures in the Project and Expenditure Reports.

Grand Forks County's Response

See Corrective Action Plan.

GRAND FORKS COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2021-005 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – LACK OF CONTROL SURROUNDING SUSPENSION AND DEBARMENT – ALN 21.027 – MATERIAL WEAKNESS AND OTHER NONCOMPLIANCE**FINDING TYPE: Material Weakness and Other Non-Compliance**

Finding	2021-005
Federal Program:	Coronavirus State and Local Fiscal Recovery Funds
ALN:	21.027
Federal Award Number(s) and Year(s):	SLFRP2882, 2021
Federal Agency:	U.S. Department of Treasury
Questioned Cost:	None

Condition

Grand Forks County did not have procedures in place to ensure an entity that the County enters into a covered transaction with is not suspended and debarred from receiving federal funds through Coronavirus State and Local Fiscal Recovery Funds.

Effect

Without procedures in place, Grand Forks County is at increased risk of entering into a covered transaction with an entity that is suspended and debarred from receiving federal funds.

Cause

Grand Forks County may not have been aware that procedures were required to be in place to ensure an entity entering into a covered transaction with the County was not suspended and debarred.

Criteria

31 CFR 19.300 states: "When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the *EPLS*; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person."

31 CFR 19.200 states: "A covered transaction is a nonprocurement or procurement transaction that is subject to the prohibitions of this part. It may be a transaction at -

- (a) The primary tier, between a Federal agency and a person (see appendix to this part); or
- (b) A lower tier, between a participant in a covered transaction and another person."

2 CFR 200.303(a) states: "The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

GRAND FORKS COUNTY**Schedule of Audit Findings and Questioned Costs – Continued**

According to the “Standards for Internal Control in the Federal Government”, Management develops and maintains documentation of its internal control system. Effective documentation assists in management’s design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors. (Green Book, GAO-14-704G para 3.09 and 3.10).

Repeat Finding

No.

Recommendation

We recommend Grand Forks County develop formal procedures that will provide for a documented review of entities for suspended and debarred status prior to entering into a covered transaction for Coronavirus State and Local Fiscal Recovery Funds to ensure compliance with 31 CFR 19.300.

Grand Forks County’s Response

See Corrective Action Plan.

GRAND FORKS COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-006 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – INADEQUATE SUBRECIPIENT MONITORING – ALN 21.027 – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**FINDING TYPE: Material Weakness – Material Noncompliance**

Finding	2021-006
Federal Program:	Coronavirus State and Local Fiscal Recovery Funds
ALN:	21.027
Federal Award Number(s) and Year(s):	SLFRP2882, 2021
Federal Agency:	U.S. Department of Treasury
Questioned Cost:	None

Condition

Grand Forks County did not adequately monitor the subrecipients of the Coronavirus State and Local Fiscal Recovery Fund (SLFRF) program. During testing, we noted the County did not receive supporting documentation as to the expenditures under the SLFRF funds and did not ensure the subrecipient was in compliance with all Federal statutes, regulations, and terms and conditions of the subaward.

Effect

Grand Forks County may not have complied with 2 CFR 200.332(d). In addition, the County may have provided funds to the subrecipient that did not comply with the Federal statutes, regulations, and the terms and conditions of the subaward.

Cause

Grand Forks County was not aware of the requirements set forth in 2 CFR 200.332(d). In addition, Grand Forks County did not have documented procedures regarding subrecipient monitoring for the Coronavirus State and Local Fiscal Recovery Fund (SLFRF) program.

Criteria

2 CFR 200.332(d) states: All pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

2 CFR 200.303 states: The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

According to the “Standards for Internal Control in the Federal Government”, Management develops and maintains documentation of its internal control system. Effective documentation assists in management’s design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors. (Green Book, GAO-14-704G para 3.09 and 3.10).

GRAND FORKS COUNTYSchedule of Audit Findings and Questioned Costs – Continued

Repeat Finding

No.

Recommendation

We recommend Grand Forks County ensure adequate subrecipient monitoring is completed on the Coronavirus State and Local Fiscal Recovery Fund program. In addition, we recommend Grand Forks County have documented policies and procedures for subrecipient monitoring to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Grand Forks County's Response

See Corrective Action Plans

GRAND FORKS COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-007 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – LACK OF RISK ASSESSMENT FOR SUBRECIPIENT MONITORING – ALN 21.027 – MATERIAL NONCOMPLIANCE**FINDING TYPE: Material Noncompliance**

Finding	2021-007
Federal Program:	Coronavirus State and Local Fiscal Recovery Funds
ALN:	21.027
Federal Award Number(s) and Year(s):	SLFRP2882, 2021
Federal Agency:	U.S. Department of Treasury
Questioned Cost:	None

Condition

Grand Forks County is not evaluating each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring for the Coronavirus State and Local Fiscal Recovery Fund program. During testing, we identified one subrecipient that did not have a risk assessment completed.

Effect

Grand Forks County may not have complied with 2 CFR 200.332 (b). Therefore, high-risk subrecipients may not be subjected to adequate monitoring procedures to ensure Federal funds were used for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Cause

Grand Forks County may not have been aware of the requirements set forth in 2 CFR 200.332(b).

Criteria

2 CFR 200.332 (b) states in part all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Repeat Finding

No.

Recommendation

We recommend Grand Forks County ensure compliance with 2 CFR 200.332 (b) to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring for the Coronavirus State and Local Fiscal Recovery Fund program.

Grand Forks County's Response

See Corrective Action Plan.

GRAND FORKS COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

**2021-008 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – INADEQUATE SUBRECIPIENT
AUDIT REPORT MONITORING – ALN 21.027 – OTHER NONCOMPLIANCE****FINDING TYPE:** Other Noncompliance

Finding	2021-008
Federal Program:	Coronavirus State and Local Fiscal Recovery Funds
ALN:	21.027
Federal Award Number(s) and Year(s):	SLFRP2882, 2021
Federal Agency:	U.S. Department of Treasury
Questioned Cost:	None

Condition

Grand Forks County did not ensure that all subrecipients receiving funding from Coronavirus State and Local Fiscal Recovery Fund (SLFRF) program were audited under 2 CFR 200 Subpart F of the Uniform Guidance, as applicable.

Effect

Grand Forks County may not have complied with 2 CFR 200.332. Therefore, subrecipients expending more than \$750,000 for all Federal sources may not be obtaining audits as required or implementing a corrective action plan in a timely manner if findings are noted in audits that were completed.

Cause

Grand Forks County may not have been aware of all the requirements set forth in 2 CFR 200.332.

Criteria

2 CFR 200.332(f) states a pass-through entity must verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in 2 CFR 200.501.

2 CFR 200.332(d)(4) states in part: "the pass-through entity is responsible for resolving audit findings specifically related to the subaward. If a subrecipient has a current Single Audit report posted in the Federal Audit Clearinghouse and has not otherwise been excluded from receipt of Federal funding (e.g., has been debarred or suspended), the pass-through entity may rely on the subrecipient's cognizant audit agency or cognizant oversight agency to perform audit follow-up and make management decisions related to cross-cutting findings in accordance with section § 200.513(a)(3)(vii). Such reliance does not eliminate the responsibility of the pass-through entity to issue subawards that conform to agency and award-specific requirements, to manage risk through ongoing subaward monitoring, and to monitor the status of the findings that are specifically related to the subaward."

Repeat Finding

No.

GRAND FORKS COUNTYSchedule of Audit Findings and Questioned Costs – Continued

Recommendation

We recommend Grand Forks County ensure:

- all subrecipients of Coronavirus State and Local Fiscal Recovery Fund program obtain audits in accordance with 2 CFR 200 Subpart F if applicable,
- management decisions are issued on audit findings within 6 months, and
- the subrecipient takes timely and appropriate corrective action on deficiencies identified in audits.

Grand Forks County's Response

See Corrective Action Plan.

GRAND FORKS COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-009 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – NONCOMPLIANCE WITH SUBRECIPIENT GRANT AGREEMENT REQUIREMENTS – ALN 21.027 – OTHER NONCOMPLIANCE**FINDING TYPE:** Other Noncompliance

Finding	2021-009
Federal Program:	Coronavirus State and Local Fiscal Recovery Funds
ALN:	21.027
Federal Award Number(s) and Year(s):	SLFRP2882, 2021
Federal Agency:	U.S. Department of Treasury
Questioned Cost:	None

Condition

Grand Forks County did not communicate and document all of the elements as outlined in 2 CFR 200.332(a) for the subrecipients of the Coronavirus State and Local Fiscal Recovery Fund program. During testing, we noted the following elements were not included:

- subrecipient's unique entity identifier
- federal award identification number
- federal award date (see § 200.39 Federal award date) of award to the recipient by the Federal agency
- subaward period of performance start and end date
- CFDA number and name
- identification of whether the award is Research and Development
- indirect cost rate for the Federal award (including if the de minimis rate is charged)
- An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (f);
- Appropriate terms and conditions concerning closeout of the subaward.

Effect

Grand Forks County did not comply with all elements of 2 CFR 200.332(a). Therefore, subrecipients may not have been aware of all necessary grant information and requirements.

Cause

Grand Forks County was not aware of the requirements set forth in 2 CFR 200.332(a) that needed to be included in the grant agreements.

Criteria

31 U.S.C 7502(f)(2)(A) states that each pass-through entity shall provide subrecipient the Federal requirements which govern the use of such awards.

2 CFR 200.332(a) states the required information that pass-through entities must disclose. This includes information related to federal award identification and period of performance, approved federally recognized indirect cost rate, requirement that the subrecipient allow access to records, and appropriate terms and conditions concerning closeout of the subaward.

GRAND FORKS COUNTYSchedule of Audit Findings and Questioned Costs – Continued

Repeat Finding

No.

Recommendation

We recommend Grand Forks County ensure that all elements as outlined in 2 CFR 200.332(a) are communicated and documented to the subrecipients of the Coronavirus State and Local Fiscal Recovery Fund program.

Grand Forks County's Response

See Corrective Action Plan.



Department of Finance & Tax

Date: September 26, 2022
To: Joshua C. Gallion, ND State Auditor
From: Debbie Nelson, Finance Director
RE: Grand Forks County – FY2021 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Debbie Nelson, Finance Director

Section I – Financial Statement Findings:

2021-001 – AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition:

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

In addition, adjustments were made to the Schedule of Expenditures of Federal Awards (SEFA) in the amount of \$452,000 to properly reflect 2021 federal expenditures.

Corrective Action Plan:

We have implemented a review of the SEFA and the financial statements to ensure its accuracy in accordance with Uniform Guidance and GAAP respectively.

Anticipated Completion Date:

December 31, 2022

Section II –Federal Award Findings and Questioned Costs:

2021-004 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – IMPROPER REPORTING OF OBLIGATIONS AND EXPENDITURES – ALN 21.017 – MATERIAL NON-COMPLIANCE

Condition:

Grand Forks County did not properly report total obligations and total expenditures on the December 31, 2021, Project and Expenditure Report for the Coronavirus State and Local Fiscal Recovery Funds program. Total obligations were overstated and understated in various sections of the report with a total understatement of obligations of \$451,038 and total expenditures were understated by \$30,038.

Corrective Action Plan:

We agree. We will review the reporting requirements of the Coronavirus State and Local Fiscal Recovery Funds to ensure all costs and obligations for various projects, contracts, and expenditures are included in the appropriate sections of the reports.

Anticipated Completion Date:

Fiscal Year 2022

2021-005 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – INADEQUATE CONTROL SURROUNDING SUSPENSION AND DEBARMENT - ALN 21.027 – MATERIAL WEAKNESS AND OTHER NON-COMPLIANCE

Condition:

Grand Forks County did not have procedures in place to ensure an entity that the County enters into a covered transaction with is not suspended and debarred from receiving federal funds through Coronavirus State and Local Fiscal Recovery Funds.

Corrective Action Plan:

We agree. Although there was a lack of timely guidance provided to the County, we will review the various Code of Federal Regulations surrounding suspension and debarment and implement a control in which verifies that the entity which is receiving Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is not suspended or debarred. As of 8/2/2022, we will be reviewing the agreements in place with various entities receiving SLFRF, that there is a provision in those agreements that they are not suspended or debarred.

Anticipated Completion Date:

Fiscal Year 2022

GRAND FORKS COUNTY

Management's Corrective Action Plan – Continued

2021-006 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – INADEQUATE SUBRECIPIENT MONITORING – ALN 21.027 – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition:

Grand Forks County did not adequately monitor the subrecipients of the Coronavirus State and Local Fiscal Recovery Fund (SLFRF) program. During testing, we noted the County did not receive supporting documentation as to the expenditures under the SLFRF funds and did not ensure the subrecipient was in compliance with all Federal statutes, regulations, and terms and conditions of the subaward.

Corrective Action Plan:

We agree. Although there was a lack of timely guidance provided to the County, we will review the various Code of Federal Regulations surrounding subrecipient monitoring and ensure that all expenditures involving SLFRF are reviewed appropriately to ensure the funds are used in accordance with federal guidance. As of 8/2/2022 all expenditures made by recipients of SLFRF, will submit requests with documentation before funds are released from the county to ensure all expenditures are in accordance with SLFRF guidance.

Anticipated Completion Date:

Fiscal Year 2022

2021-007 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – LACK OF RISK ASSESSMENT FOR SUBRECIPIENT MONITORING – ALN 21.027 – MATERIAL NONCOMPLIANCE

Condition:

Grand Forks County is not evaluating each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring for the Coronavirus State and Local Fiscal Recovery Fund program. During testing, we identified one subrecipient that did not have a risk assessment completed.

Corrective Action Plan:

We agree. Although there was a lack of timely guidance provided to the County, we will review the various Code of Federal Regulations surrounding subrecipient monitoring and ensure that entities receiving SLFRF are risk assessed appropriately to ensure if any additional processes are required are implemented. As of 9/6/2022, we have implemented a subrecipient monitoring policy that outlines various requirements of the county to subrecipients. Additionally, on 10/4/2022, the county will update its policy to specifically address the risk assessment for the risk assessment.

Anticipated Completion Date:

Fiscal Year 2022

GRAND FORKS COUNTY

Management's Corrective Action Plan – Continued

2021-008 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – INADEQUATE SUBRECIPIENT AUDIT REPORT MONITORING – ALN 21.027 – OTHER NONCOMPLIANCE WEAKNESS

Condition:

Grand Forks County did not ensure that all subrecipients receiving funding from Coronavirus State and Local Fiscal Recovery Fund (SLFRF) program were audited under 2 CFR 200 Subpart F of the Uniform Guidance, as applicable.

Corrective Action Plan:

We agree. Although there was a lack of timely guidance provided to the County, we will review the various Code of Federal Regulations surrounding subrecipient monitoring and ensure that entities receiving SLFRF receive an audit annually and if necessary, a single audit. As of 9/6/2022, we have implemented a subrecipient monitoring policy that identifies the county receive a copy of the latest audited financial statements from any subrecipients.

Anticipated Completion Date:

Fiscal Year 2022

2021-009 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – SUBRECIPIENT AGREEMENTS – ALN 21.027 – OTHER NONCOMPLIANCE

Condition:

Grand Forks County did not communicate and document all of the elements as outlined in 2 CFR 200.332(a) for the subrecipients of the Coronavirus State and Local Fiscal Recovery Fund program. During testing, we noted the following elements were not included:

- subrecipient's unique entity identifier
- federal award identification number
- federal award date (see § 200.39 Federal award date) of award to the recipient by the Federal agency subaward period of performance start and end date
- CFDA number and name
- identification of whether the award is Research and Development
- indirect cost rate for the Federal award (including if the de minimis rate is charged)
- An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (f);
- Appropriate terms and conditions concerning closeout of the subaward.

Corrective Action Plan:

We agree. Although there was a lack of timely guidance provided to the County, we will review the various Code of Federal Regulations surrounding subrecipient monitoring and ensure that all subrecipient agreements contain the information required by 2 CFR 200.332(a). As of 8/2/2022, we will be reviewing the current subrecipient grant agreements for entities receiving SLFRF and revise the agreements, if necessary.

Anticipated Completion Date:

Fiscal Year 2022

GRAND FORKS COUNTY

Management's Corrective Action Plan – Continued



Water Resource District • 151 S 4th St, Ste 348 • Grand Forks ND 58201
Office #701-780-8312 Cell #701-741-2383

Date: September 26, 2022
To: Joshua C. Gallion, ND State Auditor
From: Kari Lavecchia, Secretary – Treasurer
RE: Grand Forks County Water Resource District – FY2021 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Kari Lavecchia, Secretary – Treasurer

Section I – Financial Statement Findings:

2021-002 – LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

Grand Forks County Water Resource District has one individual primarily responsible for the accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Corrective Action Plan:

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

Anticipated Completion Date:

Fiscal Year 2022

Section II – Federal Award Findings and Questioned Costs:

2021-003 – AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition:

Material auditor-identified adjusting entries to the financial statements were proposed and adjusted to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Corrective Action Plan:

We agree. We will implement a review of the financial statements to ensure its accuracy in accordance with GAAP.

Anticipated Completion Date:

Fiscal Year 2022

Water Board Managers		Secretary/Treasurer	Attorney	Engineer
Tom Perdue	Tim Farrell	Kari Lavecchia	Dan Gaustad	Jerry Pribula
Richard Axxvig	Pete Buck			
Bob Drees				



Department of Finance & Tax

2020-002 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition:

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

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

Recommendation:

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

Current Status of Recommendation:

We have implemented a review of the SEFA and the financial statements to ensure its accuracy in accordance with Uniform Guidance and GAAP respectively.

GRAND FORKS COUNTY

Schedule of Prior Year Findings – Continued



Water Resource District • 151 S 4th St, Ste 348 • Grand Forks ND 58201

Office #701-780-8312 Cell #701-741-2383

Date: September 21, 2022
To: Joshua C. Gallion, ND State Auditor
From: Kari Lavecchia Secretary-Treasurer
RE: Grand Forks County Water Resource District – 2020 Corrective Action Plan
Contact Person Responsible for Corrective Acton Plan : Kari Lavecchia, Sec/Treasurer

Section I – Financial Statement Findings:

2020-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

Grand Forks County Water Resource District has one individual primarily responsible for the accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Recommendation:

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

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc.

Current Status of Recommendation:

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

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GOVERNANCE COMMUNICATION

Board of County Commissioners
Grand Forks County
Grand Forks, 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 Grand Forks County, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under general accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 24, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Grand Forks County are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by Grand Forks County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives capital assets in determining that is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

GRAND FORKS COUNTY

Governance Communication - Continued

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Special Revenue FundTo record Grants Received in Advance (FEMA Funds)

	<u>Debit</u>	<u>Credit</u>
Revenue	175,201	-
Grants Received in Advance	-	175,201

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

	<u>Audit Adjustments</u>	
General Fund	<u>Debit</u>	<u>Credit</u>
<u>To Combine Payroll Fund with General Fund</u>		
Other Asset	17,243	-
Cash	-	17,243
<u>To combine COVID Fund with General Fund</u>		
Cash	1,678,467	-
Expenditures	289,370	-
Revenue	-	242,519
Fund Balance	-	1,725,318
Special Revenue Funds		
<u>To combine COVID Fund with General Fund</u>		
Fund Balance	1,725,318	-
Revenue	242,519	-
Expenditures	-	289,370
Cash	-	1,678,467
<u>To record Grants Received in Advance</u>		
Revenue	5,753,319	-
Grants Received in Advance	-	5,753,319
<u>To remove Transfer from Emergency Fund to COVID Fund</u>		
Transfers Out	1,795,225	-
Transfers In	-	1,795,225
Gov't Wide		
<u>To record unrecorded capital assets and capital contribution</u>		
Capital Assets, Cost	685,305	-
Operating Grants	205,400	-
Accumulated Depreciation	-	11,779
Capital Contributions	-	685,304
Expenditures	-	193,622

GRAND FORKS COUNTY

Governance Communication - Continued

Water Resource District

To move Capital Grants revenue to Operating Grants revenue

Capital Grants Revenue	126,696	-
Operating Grants Revenue	-	126,696

To include retainage payable for Construction in Progress

Retainage Payable	229,931	-
Capital Assets, Net	-	229,931

To move Property Taxes to Non Restricted Grants and Contributions

Property Tax Revenue	56,080	-
Non Restricted Grants and Contributions	-	56,080

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2022.

Management Consultations with Other Independent Accountants

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

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.

Other Matters

We applied certain limited procedures to the *budgetary comparison information, 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* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

GRAND FORKS COUNTYGovernance Communication - Continued

Restrictions on Use

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 30, 2022



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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