



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Walsh County

Grafton, North Dakota

Audit Report for the Year Ended December 31, 2021

Client Code: PS50000



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Office of the
State Auditor

WALSH COUNTY

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COUNTY OFFICIALS

Dennis Skorheim
Karen Anderson
Krist Brintnell
Ernie Barta
Amy Suda

Kris Molde
Sherry O'Toole
Yvette Moe
Bev Demers
Ron Jurgens
Kelley Cole

Chairman
Commissioner
Commissioner
Commissioner
Commissioner

Auditor
Treasurer
County Recorder
Clerk of Court
Sheriff
State's Attorney

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241
FAX
701-328-2345

www.nd.gov/auditor

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

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Walsh County
Grafton, North Dakota

Report on the Audit of the Financial Statements

Opinions

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

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

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 (GAS)*, 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 Walsh County and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

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 Walsh 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 Responsibilities 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 GAS 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 GAS, 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 Walsh 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 Walsh 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 is the responsibility of management and, 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.

WALSH 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 Walsh 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 GAS

In accordance with GAS, we have also issued our report dated February 27, 2023 on our consideration of Walsh County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Walsh County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering Walsh County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 27, 2023

WALSH COUNTY
Statement of Net Position
December 31, 2021

	Primary Government	Component Units
ASSETS		
Cash, Cash Equivalents and Investments	\$ 11,596,422	\$ 5,693,682
Intergovernmental Receivable	102,886	636,855
Accounts Receivable	51,297	17,140
Due from County	-	3,835
Loans Receivable, Net	-	280,738
Road Accounts Receivable	4,592	-
Taxes Receivable	191,328	15,716
Interest Receivable	3,643	-
Special Assessment Receivable	-	54,632
Other Assets	-	7,654
Capital Assets, Net	<u>26,584,379</u>	<u>23,569,651</u>
 Total Assets	 <u>\$ 38,534,547</u>	 <u>\$ 30,279,903</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pensions and OPEB	<u>\$ 3,752,274</u>	<u>\$ 711,636</u>
 LIABILITIES		
Accounts Payable	\$ 454,311	\$ 221,186
Salaries Payable	5,646	5,348
Grants Received in Advance	1,081,787	-
Payroll Liability	2,636	1,650
Cash Held for Other Governments	-	24,553
Retainage Payable	-	8,080
Interest Payable	8,646	40,848
Other Liability	-	-
Long-Term Liabilities		
Due Within One Year		
Long-Term Debt	234,188	1,065,368
Compensated Absences Payable	16,985	2,782
Due After One Year		
Long-Term Debt	508,058	13,646,524
Compensated Absences Payable	152,865	25,042
Net Pension & OPEB Liability	<u>2,475,788</u>	<u>474,471</u>
 Total Liabilities	 <u>\$ 4,940,910</u>	 <u>\$ 15,515,852</u>
 DEFERRED INFLOWS OF RESOURCES		
Pension & OPEB	\$ 6,357,131	\$ 905,617
Taxes Received in Advance	<u>1,464,771</u>	<u>-</u>
 Total Deferred Inflows of Resources	 <u>\$ 7,821,902</u>	 <u>\$ 905,617</u>
 NET POSITION		
Net Investment in Capital Assets	\$ 25,833,487	\$ 8,808,831
Restricted		
Highways	1,128,714	-
Health and Welfare	-	101,480
Conservation of Natural Resources	386,767	4,750,214
Emergencies	78,522	-
Economic Development	-	909,545
Unrestricted	<u>2,096,519</u>	<u>-</u>
 Total Net Position	 <u>\$ 29,524,009</u>	 <u>\$ 14,570,070</u>

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

WALSH COUNTY

Statement of Activities

For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities Primary Government	Component Units
Primary Government						
Governmental Activities						
General Government	\$ 2,481,107	\$ 108,707	\$ -	\$ -	\$ (2,372,400)	
Public Safety	2,357,705	600,104	256,140	-	(1,501,461)	
Highways	4,816,724	3,913	1,025,108	2,880,170	(907,533)	
Flood Repair	307,337	-	984,654	-	677,317	
Health and Welfare	67,896	69,585	-	-	1,689	
Culture and Recreation	121,133	755	-	-	(120,378)	
Conserv. of Natural Resources	406,015	-	13,141	-	(392,874)	
Interest on Long-Term Debt	11,860	-	-	-	(11,860)	
Total Primary Government	\$ 10,569,777	\$ 783,064	\$ 2,279,043	\$ 2,880,170	\$ (4,627,500)	
Component Units	\$ 3,365,177	\$ 441,258	\$ 1,551,405	\$ 1,387,227	\$ 14,713	
General Revenues						
Property Taxes					\$ 5,898,267	\$ 545,120
Non Restricted Grants and Contributions					1,012,308	41,519
Unrestricted Investment Earnings					25,540	25,891
Gain (loss) on Sale of Capital Assets					(31,151)	-
Miscellaneous Revenue					365,419	7,969
Total General Revenues					\$ 7,270,383	\$ 620,499
Change in Net Position					\$ 2,642,883	\$ 635,212
Net Position - January 1					\$ 26,710,046	\$ 13,934,858
Prior Period Adjustments					\$ 171,080	\$ -
Net Position - January 1, as restated					\$ 26,881,126	\$ 13,934,858
Net Position - December 31					\$ 29,524,009	\$ 14,570,070

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

WALSH COUNTY

Balance Sheet – Governmental Funds

December 31, 2021

	General	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 6,044,905	\$ 5,551,517	\$ 11,596,422
Intergovernmental Receivable	73,778	29,108	102,886
Accounts Receivable	8,852	42,445	51,297
Road Accounts Receivable	-	4,592	4,592
Interest Receivable	3,117	526	3,643
Taxes Receivable	108,150	83,178	191,328
Total Assets	\$ 6,238,802	\$ 5,711,366	\$ 11,950,168
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 301,181	\$ 153,130	\$ 454,311
Salaries Payable	5,646	-	5,646
Grants Received In Advance	-	1,081,787	1,081,787
Payroll Liabilities	2,636	-	2,636
Total Liabilities	\$ 309,463	\$ 1,234,917	\$ 1,544,380
Deferred Inflows of Resources			
Road Accounts Receivable	\$ -	\$ 4,592	\$ 4,592
Taxes Received in Advance	813,762	651,009	1,464,771
Taxes Receivable	108,150	83,178	191,328
Total Deferred Inflows of Resources	\$ 921,912	\$ 738,779	\$ 1,660,691
Total Liabilities and Deferred Inflows of Resources	\$ 1,231,375	\$ 1,973,696	\$ 3,205,071
Fund Balances			
Restricted			
Public Safety	\$ -	\$ 719,162	\$ 719,162
Highways and Bridges	-	2,476,637	2,476,637
Conservation of Natural Resources	-	409,423	409,423
Emergencies	-	78,522	78,522
General Government	-	85,257	85,257
Unassigned			
General Fund	5,007,427	-	5,007,427
Negative Fund Balance	-	(31,331)	(31,331)
Total Fund Balances	\$ 5,007,427	\$ 3,737,670	\$ 8,745,097
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,238,802	\$ 5,711,366	\$ 11,950,168

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

WALSH COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2021

Total Fund Balances of Governmental Funds \$ 8,745,097

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. 26,584,378

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

Road Accounts Receivable	\$ 4,592	
Property Taxes Receivable	<u>191,328</u>	195,920

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	\$ 3,752,274	
Deferred Inflows Derived From Pensions and OPEB	<u>(6,357,131)</u>	(2,604,857)

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	\$ (742,246)	
Interest Payable	(8,646)	
Compensated Absences	(169,849)	
Net Pension & OPEB Liability	<u>(2,475,788)</u>	<u>(3,396,529)</u>

Total Net Position of Governmental Activities \$ 29,524,009

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

WALSH COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2021

	General	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 3,382,223	\$ 2,560,914	\$ 5,943,137
Intergovernmental	1,018,180	2,273,171	3,291,351
Charges for Services	232,033	560,732	792,765
Licenses, Permits and Fees	1,200	-	1,200
Interest Income	22,743	2,796	25,539
Miscellaneous	182,662	182,757	365,419
Total Revenues	\$ 4,839,041	\$ 5,580,370	\$ 10,419,411
EXPENDITURES			
Current			
General Government	\$ 2,631,337	\$ 326	\$ 2,631,663
Public Safety	2,072,334	687,311	2,759,645
Highways and Bridges	-	3,685,196	3,685,196
Flood Repair	-	307,337	307,337
Health and Welfare	-	70,725	70,725
Culture and Recreation	110,154	-	110,154
Conserv. of Natural Resources	-	396,370	396,370
Debt Service			
Principal	-	162,189	162,189
Interest and Fees	-	11,282	11,282
Total Expenditures	\$ 4,813,825	\$ 5,320,736	\$ 10,134,561
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,216	\$ 259,634	\$ 284,850
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ -	\$ 311,440	\$ 311,440
Sale of Capital Assets	-	28,500	28,500
Bond Proceed	-	515,000	515,000
Transfers Out	(22,034)	(289,406)	(311,440)
Total Other Financing Sources and Uses	\$ (22,034)	\$ 565,534	\$ 543,500
Net Change in Fund Balances	\$ 3,182	\$ 825,168	\$ 828,350
Fund Balances - January 1	\$ 5,004,245	\$ 2,912,502	\$ 7,916,747
Fund Balances - December 31	\$ 5,007,427	\$ 3,737,670	\$ 8,745,097

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

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

Net Change in Fund Balances - Total Governmental Funds \$ 828,350

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

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

Capital Outlay	\$ 1,298,123	
Capital Contributions	2,880,170	
Depreciation Expense	<u>(2,261,162)</u>	1,917,131

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

Loss on Sale of Capital Assets	\$ (31,151)	
Proceeds from Sale of Capital Assets	<u>(28,500)</u>	(59,651)

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

Repayment of Debt	\$ 162,189	
Bond Proceeds	<u>(515,000)</u>	(352,811)

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

Net Change in Compensated Absences	\$ 13,749	
Net Change in Interest Payable	<u>(578)</u>	13,171

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

Net Change in Road Accounts Receivable	\$ (10,902)	
Net Change in Taxes Receivable	<u>(44,870)</u>	(55,772)

The net pension and OPEB liability and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension & OPEB Liability	\$ 5,741,949	
Net Change in Deferred Outflows of Resources	(1,066,790)	
Net Change in Deferred Inflows of Resources	<u>(4,322,694)</u>	<u>352,465</u>

Change in Net Position of Governmental Activities \$ 2,642,883

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

WALSH COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2021

	Private-Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and cash equivalents	<u>\$ 19,767</u>	<u>\$ 3,356,004</u>
LIABILITIES & DEFERRED INFLOWS OF RESOURCES		
Liabilities		
Funds Held for Other Governments	\$ -	\$ 11,643
Funds Held for Tax Collections	-	161,971
Funds Held for Private Purpose Trust	19,767	-
Funds Held for Other Purposes	<u>-</u>	<u>2,398</u>
Total Liabilities	<u>\$ 19,767</u>	<u>\$ 176,012</u>
Deferred Inflows of Resources		
Taxes Received in Advance	<u>\$ -</u>	<u>\$ 3,179,992</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 19,767</u>	<u>\$ 3,356,004</u>

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

WALSH COUNTY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

December 31, 2021

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS		
Tax Collections for Other Governments	\$ -	\$ 13,389,583
Turnkey Collections	8,650	-
Grant Collections for Other Governments	-	912,425
Miscellaneous Collections	-	101,627
	<hr/>	<hr/>
Total Additions	<u>\$ 8,650</u>	<u>\$ 14,403,635</u>
DEDUCTIONS		
Tax Disbursements to Other Governments	\$ -	\$ 13,389,583
Turnkey Disbursement	8,650	-
Grant Disbursements to Other Governments	-	912,425
Miscellaneous Disbursements	-	101,627
	<hr/>	<hr/>
Total Deductions	<u>\$ 8,650</u>	<u>\$ 14,403,635</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>	<u>\$ -</u>
Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>

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

WALSH COUNTY

Combining Statement of Net Position – All Discretely Presented Component Units
 For the Year Ended December 31, 2021

	Water Resource District	Job Development Authority	Health District	Totals
ASSETS				
Cash, Cash Equivalents and Investments	\$ 4,441,400	\$ 647,499	\$ 604,783	\$ 5,693,682
Intergovernmental Receivable	537,656	-	99,199	636,855
Accounts Receivable	8,184	-	8,956	17,140
Due from County	1,784	1,003	1,048	3,835
Loans Receivable, Net	-	280,738	-	280,738
Taxes Receivable	7,210	4,056	4,450	15,716
Special Assessments Receivable	54,632	-	-	54,632
Other Assets	6,424	802	428	7,654
Capital Assets, Net	23,564,538	-	5,113	23,569,651
Total Assets	\$ 28,621,828	\$ 934,098	\$ 723,977	\$ 30,279,903
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pensions and OPEB	\$ 43,705	\$ -	\$ 667,931	\$ 711,636
LIABILITIES				
Accounts Payable	\$ 213,810	\$ -	\$ 7,376	\$ 221,186
Salaries Payable	5,348	-	-	5,348
Payroll Liability	1,650	-	-	1,650
Cash Held for Other Governments	-	24,553	-	24,553
Retainage Payable	8,080	-	-	8,080
Interest Payable	40,848	-	-	40,848
Long-Term Liabilities				
Due Within One Year				
Long-Term Debt	1,065,368	-	-	1,065,368
Compensated Absences Payable	292	-	2,490	2,782
Due After One Year				
Long-Term Debt	13,646,524	-	-	13,646,524
Compensated Absences Payable	2,632	-	22,410	25,042
Net Pension & OPEB Liability	36,248	-	438,223	474,471
Total Liabilities	\$ 15,020,800	\$ 24,553	\$ 470,499	\$ 15,515,852
DEFERRED INFLOWS OF RESOURCES				
Pension & OPEB	\$ 90,801	\$ -	\$ 814,816	\$ 905,617
NET POSITION				
Net Investment in Capital Assets	\$ 8,803,718	\$ -	\$ 5,113	\$ 8,808,831
Restricted				
Health and Welfare	-	-	101,480	101,480
Conservation of Natural Resources	4,750,214	-	-	4,750,214
Economic Development	-	909,545	-	909,545
Total Net Position	\$ 13,553,932	\$ 909,545	\$ 106,593	\$ 14,570,070

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

WALSH COUNTY

Combining Statement of Activities – All Discretely Presented Component Units

December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Water Resource District	Job Develop. Authority	Health District	
Component Units								
Water Resource District	\$ 2,322,308	\$ 301,497	\$ 991,156	\$ 1,387,227	\$ 357,572	\$ -	\$ -	\$ 357,572
Job Development Authority	183,522	3,182	10,000	-	-	(170,340)	-	(170,340)
Health District	859,347	136,579	550,249	-	-	-	(172,519)	(172,519)
Total Component Units	\$ 3,365,177	\$ 441,258	\$ 1,551,405	\$ 1,387,227	\$ 357,572	\$ (170,340)	\$ (172,519)	\$ 14,713
General Revenues								
Property Taxes					\$ 227,727	\$ 127,099	\$ 190,294	\$ 545,120
Non Restricted Grants and Contributions					-	-	41,519	41,519
Unrestricted Investment Earnings					23,839	1,738	314	25,891
Miscellaneous Revenue					1,207	553	6,209	7,969
Total General Revenues					\$ 252,773	\$ 129,390	\$ 238,336	\$ 620,499
Change in Net Position					\$ 610,345	\$ (40,950)	\$ 65,817	\$ 635,212
Net Position - January 1					\$ 12,943,587	\$ 950,495	\$ 40,776	\$ 13,934,858
Net Position - December 31					\$ 13,553,932	\$ 909,545	\$ 106,593	\$ 14,570,070

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

WALSH COUNTY

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

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

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

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

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

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

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

Component Unit Financial Statements. The financial statements of each of the three discretely presented component units are presented in the basic financial statements. Complete financial statements of the individual component units can be obtained from the County Auditor at 600 Cooper Ave., Grafton, North Dakota, 58237.

WALSH COUNTY

Notes to the Financial Statements – Continued

Basis of Presentation

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

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

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fiduciary fund types:

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

WALSH COUNTY

Notes to the Financial Statements – Continued

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

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

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

Capital Assets

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

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

Assets	County	Water Resource District	Health District
Buildings	20 - 50	-	-
Equipment	5 - 50	-	5
Infrastructure	15 - 20	30	-

Compensated Absences

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

Long-Term Obligations

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

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

Pension

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

WALSH COUNTY

Notes to the Financial Statements – Continued

Other Post-Employment Benefits (OPEB)

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

Fund Balances

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

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

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

Net Position

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

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

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

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

Interfund Transactions

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

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

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

Special Assessments

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

WALSH COUNTY

Notes to the Financial Statements – Continued

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Primary Government

Net position of the County as of January 1, 2021 has been restated for net capital asset adjustments as shown below. The results of the adjustment increased the beginning net position of the County.

County	Amounts
Beginning Net Position, as Previously Reported	\$ 26,710,046
Prior Period Adjustments	
Capital Assets, Net	171,080
Net Position January 1, Restated	\$ 26,881,126

NOTE 3 DEPOSITS

Custodial Credit Risk

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

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

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

At December 31, 2021, the County's carrying amount of deposits was \$14,608,963 and the bank balances were \$15,284,463. Of the bank balances, \$6,855,129 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2021, the Water Resource District's carrying amount of deposits was \$4,441,400 and the bank balance was \$4,413,655. Of the bank balances, \$266,050 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2021, the Job Development Authority's carrying amount of deposits was \$647,499 and the bank balance was \$649,802. Of the bank balances, \$614,852 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name except for \$26,325.

At December 31, 2021, the Health District's carrying amount of deposits was \$604,593 and the bank balance was \$588,394. Of the bank balances, \$429,640 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 TRANSFERS

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

WALSH COUNTY

Notes to the Financial Statements – Continued

NOTE 5 PROPERTY TAXES

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

NOTE 6 LOANS RECEIVABLE

The Job Development Authority provides loans to businesses for either startup costs or expansion costs. The Job Development Authority had the following loans receivable activity for the year ended December 31, 2021.

	Balance Jan 1	Loan Adjustments	New Loans	Principal Payments	Balance Dec 31
Loans Receivable	\$ 399,575	\$ (23,182)	\$ 37,498	\$ 103,153	\$ 310,738
Less: Allowance for Doubtful Accounts	(30,000)	-	-	-	(30,000)
Total Loans Receivable, Net	\$ 369,575	\$ (23,182)	\$ 37,498	\$ 103,153	\$ 280,738

NOTE 7 CAPITAL ASSETS**Primary Government**

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

	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Primary Government					
Capital Assets Not Being Depreciated					
Land	\$ 15,479	\$ -	\$ -	\$ -	\$ 15,479
Construction in Progress	143,970	3,681,781	-	(3,697,648)	128,103
Total Capital Assets, Not Being Depreciated	\$ 159,449	\$ 3,681,781	\$ -	\$ (3,697,648)	\$ 143,582
Capital Assets Being Depreciated					
Buildings	\$ 2,554,218	\$ -	\$ -	\$ -	\$ 2,554,218
Equipment	6,165,310	500,512	442,041	-	6,223,781
Infrastructure	33,862,932	-	-	3,697,648	37,560,580
Total Capital Assets, Being Depreciated	\$ 42,582,460	\$ 500,512	\$ 442,041	\$ 3,697,648	\$ 46,338,579
Less Accumulated Depreciation					
Buildings	\$ 1,565,097	\$ 46,423	\$ -	\$ -	\$ 1,611,520
Equipment	3,417,305	327,776	378,390	-	3,366,691
Infrastructure	13,032,608	1,886,963	-	-	14,919,571
Total Accumulated Depreciation	\$ 18,015,010	\$ 2,261,162	\$ 378,390	\$ -	\$ 19,897,782
Total Capital Assets Being Depreciated, Net	\$ 24,567,450	\$ (1,760,650)	\$ 63,651	\$ 3,697,648	\$ 26,440,797
Governmental Activities Capital Assets, Net	\$ 24,726,899	\$ 1,921,131	\$ 63,651	\$ -	\$ 26,584,379

WALSH COUNTY

Notes to the Financial Statements – Continued

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

Governmental Activities:	Amounts
General Government	\$ 6,520
Public Safety	118,217
Highways and bridges	2,102,031
Health and Welfare	8,510
Culture & Recreation	14,826
Conservation of Natural Resources	11,058
Total Depreciation Expense - Governmental Activities	\$ 2,261,162

Discretely Presented Component Unit

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

	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Water Resource District					
Capital Assets Not Being Depreciated					
Easements	\$ 1,326,042	\$ -	\$ -	\$ 1,121,109	\$ 2,447,151
Construction in Progress	13,824,197	688,045	-	(13,921,716)	590,526
Total Capital Assets, Not Being Depreciated	\$ 15,150,239	\$ 688,045	\$ -	\$ (12,800,607)	\$ 3,037,677
Capital Assets Being Depreciated					
Infrastructure	\$ 11,806,950	\$ -	\$ -	\$ 12,800,607	\$ 24,607,557
Less Accumulated Depreciation					
Infrastructure	\$ 3,260,444	\$ 820,252	\$ -	\$ -	\$ 4,080,696
Total Capital Assets Being Depreciated, Net	\$ 8,546,506	\$ (820,252)	\$ -	\$ 12,800,607	\$ 20,526,861
Governmental Activities Capital Assets, Net	\$ 23,696,745	\$ (132,207)	\$ -	\$ -	\$ 23,564,538

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

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

	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Health District					
Capital Assets Being Depreciated					
Equipment	\$ 6,255	\$ 5,681	\$ -	\$ -	\$ 11,936
Less Accumulated Depreciation					
Equipment	\$ 6,255	\$ 568	\$ -	\$ -	\$ 6,823
Governmental Activities Capital Assets, Net	\$ -	\$ 5,113	\$ -	\$ -	\$ 5,113

Depreciation expense was charged to the health and welfare function.

WALSH COUNTY

Notes to the Financial Statements – Continued

NOTE 8 LONG-TERM LIABILITIES**Primary Government**

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

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Leases Payable	\$ 355,816	\$ -	\$ 128,570	\$ 227,246	\$ 132,190
Bonds Payable	-	515,000	-	515,000	101,998
Loans Payable	33,618	-	33,618	-	-
Total Long-Term Debt	\$ 389,434	\$ 515,000	\$ 162,188	\$ 742,246	\$ 234,188
Compensated Absences *	\$ 183,598	\$ -	\$ 13,748	\$ 169,850	\$ 16,985
Net Pension and OPEB Liability	8,217,737	-	5,741,949	2,475,788	-
Total Governmental Activities	\$ 8,790,769	\$ 515,000	\$ 5,917,885	\$ 3,387,884	\$ 251,173

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

Debt Service requirement on long-term debt at December 31, 2021 are as follows:

Year Ending Dec 31	Capital Leases Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2022	\$ 132,190	\$ 6,813	\$ 101,998	\$ 6,466
2023	46,768	3,089	100,204	8,260
2024	48,288	1,569	102,208	6,256
2025	-	-	104,252	4,212
2026	-	-	106,338	2,127
Total	\$ 227,246	\$ 11,471	\$ 515,000	\$ 27,321

Discretely Presented Component Units

During the year ended December 31, 2021, the following changes occurred in liabilities reported in 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	\$ 14,690,000	\$ -	\$ 790,000	\$ 13,900,000	\$ 815,000
Bond Premium	134,100	-	7,889	126,211	7,888
Loans Payable	624,676	135,000	73,995	685,681	242,480
Total Long-Term Debt	\$ 15,448,776	\$ 135,000	\$ 871,884	\$ 14,711,892	\$ 1,065,368
Compensated Absences *	\$ 3,163	\$ -	\$ 239	\$ 2,924	\$ 292
Net Pension and OPEB Liability	150,883	-	114,635	36,248	-
Total Governmental Activities	\$ 15,602,822	\$ 135,000	\$ 986,758	\$ 14,751,064	\$ 1,065,660

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

WALSH COUNTY

Notes to the Financial Statements – Continued

Debt Service requirement on long-term debt at December 31, 2021 are as follows:

Year Ending Dec 31	Bonds Payable		Bond Premium	Loans Payable	
	Principal	Interest		Principal	Interest
2022	\$ 815,000	\$ 430,438	\$ 7,888	\$ 242,480	\$ 12,163
2023	765,000	406,737	7,888	59,667	9,793
2024	755,000	383,938	7,888	60,733	8,785
2025	775,000	360,987	7,888	17,938	7,441
2026	805,000	337,288	7,888	18,332	7,047
2027-2031	3,960,000	1,330,063	39,441	97,893	29,004
2032-2036	4,195,000	676,800	39,441	109,146	17,752
2037-2041	1,830,000	64,412	7,889	79,492	5,683
Total	\$ 13,900,000	\$ 3,990,663	\$ 126,211	\$ 685,681	\$ 97,668

During the year ended December 31, 2021, the following changes occurred in governmental long-term liabilities of the Job Development Authority:

Health District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 32,915	\$ -	\$ 8,015	\$ 24,900	\$ 2,490
Net Pension and OPEB Liability	937,437	(499,214)	-	438,223	-
Total Governmental Activities	\$ 970,352	\$ (499,214)	\$ 8,015	\$ 463,123	\$ 2,490

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

NOTE 9 PENSION PLAN**General Information about the NDPERS Pension Plan****North Dakota Public Employees Retirement System (Main System)**

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

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

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

NDPERS Law Enforcement Retirement System (Law Enforcement System)

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

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

WALSH COUNTY

Notes to the Financial Statements – Continued

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

Main System

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.

Law Enforcement System (With prior main system service)

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement 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 (55) with three or more years of service. 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 first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 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 (Main and Law Enforcement System)

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System or Law Enforcement 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 or Law Enforcement System, the surviving spouse will be entitled to a single payment refund, lifetime 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.

WALSH COUNTY

Notes to the Financial Statements – Continued

Refunds of Member Account Balance

Main System

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.

Law Enforcement System (With prior main system service)

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 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

Main System

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

Law Enforcement System (With prior main system service)

Member and employer contributions paid to NDPERS are established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

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

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

WALSH COUNTY

Notes to the Financial Statements – Continued

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

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

	Net Pension Liability
Main System	\$ 2,129,879
Law Enforcement System	211,392
Water Resource District	34,344
Public Health District	416,482

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 proportion of the net pension liability was based on their respective share of covered payroll in the main system and law enforcement system pension plan relative to the covered payroll of all participating main system and law enforcement 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	Pension Expense
Main System	0.204344%	-0.050560%	\$ (43,262)
Law Enforcement System	1.275638%	1.275638%	28,871
Water Resource District	0.003295%	-0.001380%	882
Public Health District	0.039958%	0.010912%	105,479

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

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 36,772	\$ 217,383
Changes in Assumptions	2,357,362	3,073,507
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	789,938
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	49,399	1,332,353
Contributions - Employer	138,223	-
Total	\$ 2,581,756	\$ 5,413,181

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 403,501	\$ 10,072
Changes of Assumptions	479,280	735,304
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	114,678
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	194,107	-
Contributions - Employer	44,332	-
Total	\$ 1,121,220	\$ 860,054

WALSH COUNTY

Notes to the Financial Statements – Continued

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 593	\$ 3,505
Changes in Assumptions	38,012	49,560
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	12,738
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,712	23,480
Contributions - Employer	2,622	-
Total	\$ 42,939	\$ 89,283

Public Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 7,191	\$ 42,508
Changes in Assumptions	460,965	601,002
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	154,467
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	159,193	8,434
Contributions - Employer	26,791	-
Total	\$ 654,140	\$ 806,411

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:

Main System	\$ 138,223
Law Enforcement System	44,332
Water Resource District	2,622
Public Health District	26,791

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

	Main System	Law Enforcement System	Water Resource District	Public Health District
2022	(627,133)	72,575	(9,675)	(3,262)
2023	(759,759)	50,464	(11,918)	(33,164)
2024	(679,328)	43,644	(11,136)	(21,302)
2025	(903,428)	59,729	(16,237)	(121,334)
2026	-	650	-	-
Thereafter	-	(10,228)	-	-

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

WALSH COUNTY

Notes to the Financial Statements – Continued

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	30%	6.00%
International Equities	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%.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (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%)
Main System	\$ 3,387,223	\$ 2,129,879	\$ 1,082,942
Law Enforcement System	494,762	211,392	(16,001)
Water Resource District	54,618	34,344	17,462
Public Health District	662,347	416,482	211,762

WALSH COUNTY

Notes to the Financial Statements – Continued

Pension Plan Fiduciary Net Position

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

NOTE 10 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

WALSH COUNTY

Notes to the Financial Statements – Continued

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

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

	Net OPEB Liability
Primary Government	\$ 134,517
Water Resource District	1,904
Public Health District	21,741

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	0.241862%	0.006004%	\$ 9,985
Water Resource District	0.003423%	-0.001101%	102
Public Health District	0.039091%	0.010984%	4,631

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	\$ 7,726	\$ 3,687
Changes of Assumptions	20,831	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	46,089
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,825	34,120
Contributions - Employer	14,915	-
Total	\$ 49,297	\$ 83,896

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 108	\$ 52
Changes of Assumptions	295	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	652
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	151	814
Contributions - Employer	212	-
Total	\$ 766	\$ 1,518

WALSH COUNTY

Notes to the Financial Statements – Continued

Public Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,249	\$ 596
Changes of Assumptions	3,367	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	7,449
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	7,171	360
Contributions - Employer	2,003	-
Total	\$ 13,790	\$ 8,405

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	\$ 14,915
Water Resource District	212
Public Health District	2,003

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

	County	Water Resource District	Public Health District
2022	(11,180)	(198)	1,212
2023	(11,512)	(203)	1,158
2024	(13,601)	(236)	772
2025	(14,115)	(291)	(197)
2026	894	(36)	437

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	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

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

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:

WALSH 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 OPEB Liability	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County	\$ 199,506	\$ 134,517	\$ 79,527
Water Resource District	2,824	1,904	1,126
Public Health District	32,245	21,741	12,854

NOTE 11 RISK MANAGEMENT

The County is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$3,804,997 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.

WALSH COUNTY

Notes to the Financial Statements – Continued

NOTE 12 JOINT VENTURE**Red River Joint Water Resource District**

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2020, the most recent information available.

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

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

Park River Joint Water Resource District

Under authorization of state statutes, the County and Pembina County formed the Park River Joint Water Resource District to address common water issues and problems with the portions of the Park River Watershed in those counties. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Under the agreement, and assessment project costs will be assessed and paid from the properties benefited by the project, and any excess costs of such project will be shared equally from the individual water resource district general funds. Other general and administrative costs will be paid by the individual water resource districts as described in the joint powers agreement.

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

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

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

WALSH COUNTY

Notes to the Financial Statements – Continued

Forest River Joint Water Resource District

Under authorization of state statutes, the County, Nelson County and Grand Forks County formed the Forest River Joint Water Resource District to address common water issues and problems with the portions of the Forest River Watershed in those counties. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Under the agreement, and assessment project costs will be assessed and paid from the properties benefited by the project, and any excess costs of such project will be shared equally from the individual water resource district general funds. Other general and administrative costs will be paid by the individual water resource districts as described in the joint powers agreement.

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

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

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

NOTE 13 CONSTRUCTION COMMITMENTS

The County had open construction commitments as of December 31, 2021 as follows:

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Bridge 50-126-24	\$ 111,500	\$ 107,417	\$ -	\$ 4,083
Bridge 50-150-19	33,634	8,750	-	24,884
Bridge 50-124-23	33,266	6,800	-	26,466
Bridge 50-115-04	23,269	10,800	-	12,469
Bridge 50-136-07	23,066	10,450	-	12,616
Bridge 50-138-07	23,066	9,450	-	13,616
Total All Projects	\$ 247,801	\$ 153,667	\$ -	\$ 94,134

The Water Resource District had one open construction commitment as of December 31, 2021.

Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Drain 31	\$ 476,240	\$ 80,805	\$ 8,080	\$ 403,515

WALSH COUNTY

Notes to the Financial Statements – Continued

NOTE 14 CONDUIT DEBT

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

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

Community Development Block Grants

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

As of December 31, 2021, there were two Community Development Block Grant with principal balances that totaled \$250,000.

NOTE 15 TAX ABATEMENTS

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

At December 31, 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.

Charitable Organization

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

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

	Reduction in Property Tax Revenue
Charitable Organizations	\$ 302,670
Other Programs	28,969
Total Reduction in Property Tax Revenue	\$ 331,639

WALSH COUNTY

Budgetary Comparison Schedule – General Fund

For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 3,019,000	\$ 3,019,000	\$ 3,382,223	\$ 363,223
Intergovernmental	741,000	741,000	1,018,180	277,180
Licenses, Permits and Fees	1,025	1,025	1,200	175
Charges for Services	95,755	95,755	232,033	136,278
Interest Income	65,000	65,000	22,743	(42,257)
Miscellaneous	84,109	84,109	182,662	98,553
Total Revenues	\$ 4,005,889	\$ 4,005,889	\$ 4,839,041	\$ 833,152
EXPENDITURES				
Current				
General Government	\$ 2,446,985	\$ 2,451,735	\$ 2,631,337	\$ (179,602)
Public Safety	2,303,473	2,303,473	2,072,334	231,139
Culture and Recreation	134,476	134,476	110,154	24,322
Total Expenditures	\$ 4,884,934	\$ 4,889,684	\$ 4,813,825	\$ 75,859
Excess (Deficiency) of Revenues Over Expenditures	\$ (879,045)	\$ (883,795)	\$ 25,216	\$ 909,011
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ -	\$ -	\$ (22,034)	\$ (22,034)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (22,034)	\$ (22,034)
Net Change in Fund Balances	\$ (879,045)	\$ (883,795)	\$ 3,182	\$ 886,977
Fund Balance - January 1	\$ 3,358,666	\$ 3,321,347	\$ 5,004,245	\$ (1,682,898)
Fund Balance - December 31	\$ 2,479,621	\$ 2,437,552	\$ 5,007,427	\$ (795,921)

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

WALSH COUNTY

Budgetary Comparison Schedule – Special Revenue Fund

For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,678,965	\$ 1,678,965	\$ 2,560,914	\$ 881,949
Intergovernmental	1,331,407	1,331,407	2,273,171	941,764
Charges for Services	820,160	820,160	560,732	(259,428)
Interest Income	250,000	250,000	2,796	(247,204)
Miscellaneous	120,913	120,913	182,757	61,844
Total Revenues	<u>\$ 4,201,445</u>	<u>\$ 4,201,445</u>	<u>\$ 5,580,370</u>	<u>\$ 1,378,925</u>
EXPENDITURES				
Current				
General Government	\$ 200	\$ 200	\$ 326	\$ (126)
Public Safety	1,091,649	1,091,649	687,311	404,338
Highways and Bridges	3,808,530	4,116,383	3,685,196	431,187
Flood Repair	-	-	307,337	(307,337)
Health and Welfare	70,607	70,607	70,725	(118)
Conserv. of Natural Resources	427,708	427,708	396,370	31,338
Debt Service				
Principal	-	-	162,189	(162,189)
Interest	-	-	11,282	(11,282)
Total Expenditures	<u>\$ 5,398,694</u>	<u>\$ 5,706,547</u>	<u>\$ 5,320,736</u>	<u>\$ 385,811</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,197,249)</u>	<u>\$ (1,505,102)</u>	<u>\$ 259,634</u>	<u>\$ 1,764,736</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 311,440	\$ 311,440
Bond Proceeds	-	-	515,000	515,000
Sale of Capital Assets	-	-	28,500	28,500
Transfers Out	-	-	(289,406)	(289,406)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 565,534</u>	<u>\$ 565,534</u>
Net Change in Fund Balances	<u>\$ (1,197,249)</u>	<u>\$ (1,505,102)</u>	<u>\$ 825,168</u>	<u>\$ 2,330,270</u>
Fund Balances - January 1	<u>\$ 2,162,613</u>	<u>\$ 996,761</u>	<u>\$ 2,912,502</u>	<u>\$ (1,915,741)</u>
Fund Balances - December 31	<u>\$ 965,364</u>	<u>\$ (508,341)</u>	<u>\$ 3,737,670</u>	<u>\$ (151,005)</u>

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

WALSH COUNTY

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

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

Main System	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	0.204344%	\$ 2,129,879	\$ 2,313,975	92.04%	78.26%
2020	0.254904%	8,019,334	2,811,902	285.19%	48.91%
2019	0.340446%	3,990,273	3,541,217	112.68%	71.66%
2018	0.331478%	5,594,053	3,405,334	164.27%	62.80%
2017	0.329503%	5,296,195	3,363,712	157.45%	61.98%
2016	0.334919%	3,264,112	3,375,191	96.71%	70.46%
2015	0.331323%	2,252,940	2,951,687	76.33%	77.15%
2014	0.338654%	2,149,509	2,852,754	75.35%	77.70%

Law Enforcement System	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	1.275638%	\$ 211,392	\$ 784,945	26.93%	87.10%

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	0.003295%	\$ 34,344	\$ 37,317	92.03%	78.26%
2020	0.004675%	147,077	51,568	285.21%	48.91%
2019	0.005150%	60,362	53,572	112.67%	71.66%
2018	0.004913%	82,912	50,471	164.28%	62.80%
2017	0.004651%	74,757	47,478	157.46%	61.98%
2016	0.004930%	48,048	49,680	96.71%	70.46%
2015	0.003679%	25,017	32,779	76.32%	77.15%
2014	0.004107%	26,608	34,592	76.92%	77.70%

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

Health 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	0.039958%	\$ 416,482	\$ 452,486	92.04%	78.26%
2020	0.029046%	913,793	320,412	285.19%	48.91%
2019	0.029538%	346,207	307,241	112.68%	71.66%
2018	0.030106%	508,072	309,285	164.27%	62.80%
2017	0.024819%	398,923	253,360	157.45%	61.98%
2016	0.027501%	268,024	277,143	96.71%	70.46%
2015	0.031106%	211,515	277,115	76.33%	77.15%
2014	0.031649%	200,883	266,607	75.35%	77.70%

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

WALSH COUNTY

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

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

Main System	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	\$ 170,645	\$ 197,186	\$ (26,541)	\$ 2,317,701	8.51%
2020	199,107	233,777	(34,670)	2,945,663	7.94%
2019	257,821	255,700	2,121	3,541,217	7.22%
2018	250,817	252,473	(1,656)	3,405,334	7.41%
2017	243,910	248,138	(4,228)	3,363,712	7.38%
2016	244,359	245,626	(1,267)	3,375,191	7.28%
2015	224,204	228,804	(4,600)	2,951,687	7.75%
2014	203,116	203,116	-	2,852,754	7.12%

Law Enforcement System	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	\$ 69,786	\$ 34,313	\$ 35,473	\$ 848,390	4.04%

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	\$ 2,752	\$ 2,478	\$ 274	\$ 27,217	9.10%
2020	3,652	3,613	39	35,685	10.12%
2019	3,900	3,760	140	53,572	7.02%
2018	3,717	3,448	269	50,471	6.83%
2017	3,443	3,871	(428)	47,478	8.15%
2016	3,597	3,376	221	49,680	6.80%
2015	2,490	3,289	(799)	32,779	10.03%
2014	2,463	2,463	-	34,592	7.12%

Health 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	\$ 33,368	\$ 24,583	\$ 8,785	\$ 370,724	6.63%
2020	22,688	22,688	-	253,088	8.96%
2019	22,369	21,823	546	307,241	7.10%
2018	22,780	20,244	2,536	309,285	6.55%
2017	18,372	22,732	(4,360)	253,360	8.97%
2016	20,065	20,534	(469)	277,143	7.41%
2015	21,049	19,731	1,318	277,115	7.12%
2014	18,982	18,982	-	266,607	7.12%

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

WALSH COUNTY

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

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

County	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	0.241862%	\$ 134,517	\$ 2,636,924	5.10%	76.63%
2020	0.235858%	198,403	2,811,902	7.06%	63.38%
2019	0.317354%	254,895	3,541,217	7.20%	63.13%
2018	0.311212%	245,101	3,405,334	7.20%	61.89%
2017	0.310925%	245,945	3,463,712	7.10%	59.78%

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	0.003423%	\$ 1,904	\$ 37,317	5.10%	76.63%
2020	0.004524%	3,806	51,568	7.38%	63.38%
2019	0.004801%	3,856	53,572	7.20%	63.13%
2018	0.004613%	3,633	50,471	7.20%	61.89%
2017	0.004389%	3,472	47,478	7.31%	59.78%

Health 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	0.039091%	\$ 21,741	\$ 426,188	5.10%	76.63%
2020	0.028107%	23,644	320,412	7.38%	63.38%
2019	0.027534%	22,115	307,241	7.20%	63.13%
2018	0.028265%	22,261	309,285	7.20%	61.89%
2017	0.004389%	3,472	253,360	1.37%	59.78%

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

WALSH COUNTY

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

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

County	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	\$ 31,710	\$ 30,972	\$ 738	\$ 3,166,091	0.98%
2020	31,587	36,782	(5,195)	2,945,663	1.25%
2019	41,184	40,940	244	3,541,217	1.16%
2018	39,943	40,424	(481)	3,405,334	1.19%
2017	39,101	39,730	(629)	3,463,712	1.15%

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	\$ 449	\$ 397	\$ 52	\$ 27,217	1.46%
2020	606	578	28	35,685	1.62%
2019	623	602	21	53,572	1.12%
2018	592	552	40	50,471	1.09%
2017	552	620	(68)	47,478	1.31%

Health 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	\$ 5,125	\$ 3,922	\$ 1,203	\$ 370,724	1.06%
2020	3,764	3,633	131	253,088	1.44%
2019	3,573	3,494	79	307,241	1.14%
2018	3,628	3,241	387	309,285	1.05%
2017	2,945	3,640	(695)	253,360	1.44%

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

WALSH COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 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. N.D.C.C. 11-23-02. The budget includes proposed expenditures and means of financing them.
- The County Commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. N.D.C.C. 11-23-04
- The board of County Commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. N.D.C.C. 11-23-05
- Each budget is controlled by the County Auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. N.D.C.C. 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3 CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions decreased 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 or Public Safety 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 increased 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.

WALSH COUNTY

Notes to the Required Supplementary Information - Continued

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

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

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
General Fund	\$ 4,884,934	\$ 4,750	\$ 4,889,684
Special Revenue Fund	5,398,694	307,853	5,706,547

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

Assistance Listing Number	Program Title	Pass-Through Grantor's Number	Expenditures
US DEPARTMENT OF TRANSPORTATION:			
Passed through the State Department of Transportation			
20.600	State and Community Highway Safety	HSPSC2107	\$ 1,150
20.616	National Priority Safety Programs	HSPID2110, HSPOP2105	<u>4,262</u>
Total U.S. Department of Transportation			<u>\$ 5,412</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed Through State Department of Human Services			
93.563	Child Support Enforcement	S035A	<u>\$ 225</u>
US DEPARTMENT OF JUSTICE			
Passed Through State Department of Corrections and Rehabilitation			
16.576	Crime Victim Compensation	AG00103, AG00095	<u>\$ 57,309</u>
US DEPARTMENT OF HOMELAND SECURITY			
Passed through the State Department Emergency Management:			
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4553	\$ 715,535
97.036	COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4509	4,934
97.042	Emergency Management Performance Grants	EMPG2020, EMPG2021, EMPG2020_SUPP	36,656
97.047	Building Resilient Infrastructure and Communities	PDM2019	53,611
97.067	Homeland Security Grant Programs	HLS2019, HLS2020	<u>75,581</u>
Total U.S. Department of Homeland Security			<u>\$ 886,317</u>
Total Expenditures of Federal Awards			<u>\$ 949,263</u>

See notes to the Schedule of Expenditures of Federal Awards

WALSH COUNTY

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 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 INDIRECT COST RATE

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

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

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

ndsao@nd.gov

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

Independent Auditor's Report

Board of County Commissioners
Walsh County
Grafton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GAS issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Walsh County as of and for the years ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Walsh County's basic financial statements, and have issued our report thereon dated February 27, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings and questioned costs* as items 2021-001, 2021-002, and 2021-003 to be material weaknesses.

WALSH COUNTY

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walsh County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of audit findings and questioned costs as items 2021-001 and 2021-002.

Walsh County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Walsh County's response to the findings identified in our audit and described in the accompanying *schedule of audit findings and questions costs*. Walsh 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
February 27, 2023

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241
FAX
701-328-2345

www.nd.gov/auditor

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

ndsao@nd.gov

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

Independent Auditor's Report

Board of County Commissioners
Walsh County
Grafton, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Walsh 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 Walsh County's major federal programs for the year ended December 31, 2021. Walsh County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Walsh County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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 (GAS); 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 Walsh 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 Walsh County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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 Walsh County's federal programs.

WALSH COUNTY

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance- Continued

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 Walsh 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, GAS, 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 Walsh County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, GAS, 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 Walsh 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 Walsh 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 Walsh 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 noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *schedule of findings and questioned costs* as item 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

GAS requires the auditor to perform limited procedures Walsh County's response to the noncompliance findings identified in our audit described in the accompanying *schedule of findings and questioned costs*. Walsh 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

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

WALSH COUNTY

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance- Continued

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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
February 27, 2023

WALSH 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 Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

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

Federal Awards

Internal Control Over Major Programs

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

Identification of Major Programs

ALN Number	Name of Federal Program or Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

WALSH COUNTY

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

Section I - Financial Statement Findings

2021-001— BOND COVENANT VIOLATION – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE**Condition**

Walsh County did not create a separate debt service fund to receive the proceeds and future tax collections to make disbursements for principal and interest related to the Limited Tax Bond, Series 2021.

Criteria

The bond agreement states "So long as the Bond is outstanding and unpaid, the County Auditor shall maintain a sinking fund to be designated "Limited Tax Bond, Series 2021 -County Loan Fund" (the "County Loan Fund") as a separate and special bookkeeping account on the official books and records of the County to be used for no purpose other than the payment of the principal of and interest on the Bond and such other general obligation bonds of the County as have been or may be directed to be paid from the County Loan Fund."

Cause

Walsh County may not have been aware of the bond covenant that required it to create the separate debt service fund.

Effect

Walsh County may be in violation of covenants of the Limited Tax Bond, Series 2021 bond agreement.

Repeat Finding

No.

Recommendation

We recommend Walsh County create a separate bond fund for the collection of tax revenue and disbursement of principle and interest payments. We further recommend that Walsh County review the current bond agreements to ensure compliance with all bond covenants.

Walsh County's Response

See Corrective Action Plan.

WALSH COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-002— LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

Condition

Walsh County did not have supporting documentation for the estimated cash amount for the 2021 General Fund budget.

Criteria

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

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

Cause

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

Effect

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

Repeat Finding

Yes.

Recommendation

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

Walsh County's Response

See Corrective Action Plan.

WALSH COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2021-003 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS**Condition**

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

Criteria

Proper internal control according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of the Walsh County Water Resource District, Walsh County Public Health District, and Walsh County Job Development Authority.

Cause

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

Effect

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

Repeat Finding

Yes.

Recommendation

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

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

Walsh County's Response

See Corrective Action Plan.

WALSH COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

Section II - Federal Award Findings and Questioned Costs

2021 - 004 UNTIMELY FILING OF DATA COLLECTION FORM – OTHER NONCOMPLIANCE

FINDING TYPE: Other Noncompliance	
Finding	2021-004
Federal Program:	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
ALN:	97.036
Federal Award Number(s) and Year(s):	4553DRNDP00000001, 2021
Federal Agency:	U.S. Department of Homeland Security
Questioned Cost:	\$0

Condition

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

Criteria

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

Cause

Audited financial statements were not complete; therefore, the Data Collection Form could not be filed timely.

Effect

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

Repeat Finding

No.

Recommendation

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

Walsh County’s Response

See Corrective Action Plan.

WALSH COUNTY

Management's Corrective Action Plan
For the Year Ended December 31, 2021

WALSH COUNTY AUDITOR
600 COOPER AVE.
GRAFTON, ND 58237
701-352-2851 FAX 701-352-3340
www.walshcountynd.com

Sondra Richardson
Deputy Auditor
srichardson@nd.gov

Kris Molde
County Auditor
kmolde@nd.gov

Savannah Suda
Deputy Auditor
smsuda@nd.gov

Date: February 8, 2023
To: Joshua C. Gallion, ND State Auditor
From: Kris Molde, County Auditor
RE: Walsh County – FY2021 Corrective Action Plan

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

Section I – Financial Statement Findings:

2021-001— BOND COVENANT VIOLATION – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

Condition:

Walsh County did not create a separate debt service fund to receive the proceeds and future tax collections to make disbursements for principal and interest related to the Limited Tax Bond, Series 2021.

Corrective Action Plan:

We agree, we will review any future bond issuances for any bond covenant requirements.

Anticipated Completion Date:

FY 2022

2021-002 – LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

Condition:

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

Corrective Action Plan:

We agree, we will ensure future budgets are in compliance with NDCC 11-23-02 and will attempt to use the budget form on the auditors website.

Anticipated Completion Date:

FY 2023

Section II –Federal Award Findings and Questioned Costs:

2021-004 – UNTIMELY FILING OF DATA COLLECTION FORM – OTHER NONCOMPLIANCE

Condition:

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

Corrective Action Plan:

We agree, if Walsh County is required to have a single audit for an audit year we will consider scheduling our annual audit earlier in the year.

Anticipated Completion Date:

FY 2022



Angelle French, Executive Director
600 Cooper Ave
Grafton, ND 58237
P: (701) 352-2171
C: (701) 331-2121
walshcountyjda@nd.gov
walshcountyjda.com

Date: February 8, 2023
To: Joshua C. Gallion, ND State Auditor
From: Angelle French, Executive Director
RE: Walsh County Job Development Authority – FY2021 Corrective Action Plan

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

Section I – Financial Statement Findings:

2021-003 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS

Condition:

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

Corrective Action Plan:

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


Anticipated Completion Date:

At the time additional staff are hired.

**WALSH COUNTY
WATER RESOURCE DISTRICT**

600 Cooper Avenue
Grafton, ND 58237

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

Date: February 8, 2023
To: Joshua C. Gallion, ND State Auditor
From: Sarah B. Johnston, Administrative Assistant 
RE: Walsh County Water Resource District – FY2021 Corrective Action Plan

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

Section I – Financial Statement Findings:

2021-003 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS

Condition:

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

Corrective Action Plan:

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

Anticipated Completion Date:

N/A

Daryl Campbell, Chairman

*Board Members
Larry Tanke, Vice Chairman*

Albin Jallo, Manager



Public Health
Prevent. Promote. Protect.

Walsh County Health District

Walsh County Health District Public Health and WIC

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

Date: February 8, 2023
To: Joshua C. Gallion, ND State Auditor
From: Allen Anderson, Administrator
RE: Walsh County Health District – FY2021 Corrective Action Plan

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

Section I – Financial Statement Findings:

2021-003 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS

Condition:

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

Corrective Action Plan:

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

Anticipated Completion Date:

At the time additional staff are hired.

WALSH COUNTY

Status of Prior Year Findings

For the Year Ended December 31, 2021

WALSH COUNTY AUDITOR

600 COOPER AVE.

GRAFTON, ND 58237

701-352-2851 FAX 701-352-3340

www.walshcountynd.com

Sondra Richardson
Deputy Auditor
sorichardson@nd.gov

Kris Molde
County Auditor
kmolde@nd.gov

Savannah Suda
Deputy Auditor
smsuda@nd.gov

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

Condition:

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

Recommendation:

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

Current Status of Recommendation:

Issue is repeated for FY2021. Walsh County will ensure future budget years are in compliance with NDCC 11-23-02.

2020-005 IMPROPER REQUESTS FOR FEDERAL REIMBURSEMENTS – CFDA 21.019 – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

Condition:

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

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

Recommendation:

We recommend that Walsh County ensure its compliance with all aspects of the Federal statutes, regulations, and the terms and conditions of the federal award for Coronavirus Relief Fund and resolve

WALSH COUNTY

Status of Prior Year Findings - Continued

any current circumstances if deemed appropriate by management. We further recommend Walsh County implement a review process for the reimbursement requests prior to submission.

Current Status of Recommendation:

Issue is implemented for FY2021. Walsh County did not have any recommendations surrounding improper requests for reimbursement.



Kris Molde
County Auditor, Walsh County



Angelle French, Executive Director
600 Cooper Ave
Grafton, ND 58237
P: (701) 352-2171
C: (701) 331-2121
walshcountyjda@nd.gov
walshcountyjda.com

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

Condition:

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

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.

Current Status of Recommendation:

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

A handwritten signature in cursive script that reads "Angelle French".

Angelle French, Executive Director
Walsh County Job Development Authority

**WALSH COUNTY
WATER RESOURCE DISTRICT**

600 Cooper Avenue
Grafton, ND 58237

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

The Walsh County Water Resource District acknowledges the following Material Weaknesses and Recommendations outlined by the Office of the State Auditor:

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

Condition:

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

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.

Current Status of Recommendation:

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

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

Condition:

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

Recommendation:

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

Current Status of Recommendation:

Issue is implemented for FY2021. Walsh County Water resource District was not required to have a federal single audit in 2021.

Daryl Campbell, Chairman

*Board Members
Larry Tanke, Vice Chairman*

Albin Jallo, Manager

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

Condition:

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

Recommendation:

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

Current Status of Recommendation:

Issue is implemented for FY2021. Walsh County Water resource District did not have any material audit adjustments in 2021.

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

Condition:

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

Recommendation:

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

Current Status of Recommendation:

Issue is implemented for FY2021. Walsh County Water resource District was not required to have a federal single audit in 2021.



Sarah B. Johnston
Administrative Assistant
Walsh County Water Resource District



Walsh County Health District Public Health and WIC

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

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

Condition:

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

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.

Current Status of Recommendation:

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

Allen Anderson

Allen Anderson, Administrator

Walsh County Health District

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-224

FAX
701-328-234

www.nd.gov/auditor

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

ndsao@nd.gov

GOVERNANCE COMMUNICATION

February 27, 2023

Board of County Commissioners
Walsh County
Grafton, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Walsh County, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, GAS 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 August 17, 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 Walsh 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 Walsh 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 of capital assets in determining that it 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.

WALSH 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. Management has corrected all such misstatements. The schedules list all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

2021 Adjustments	Audit Adjustments	
	Debit	Credit
Governmental Funds Adjustments		
<u>To Adjust General Fund Accounts Payable</u>		
Accounts Payable	75,751	
Expenses		75,751
<u>To Adjust Special Revenue Funds Accounts Payable</u>		
Expenses	75,751	
Accounts Payable		75,751
Government Wide Adjustments		
<u>To Adjust Capital Contribution Amount</u>		
Government Wide Expenses - Public Safety	34,173	
Capital Contributions - Public Safety		34,173
Fiduciary Funds Adjustments		
<u>To Adjust Statement of Changes in Fiduciary Net Position</u>		
Tax Collections for Other Governments	48,086	
Tax Disbursements for Other Governments		48,086

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 February 27, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Walsh 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.

Restriction on Use

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 27, 2023



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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