

**GRAND FORKS COUNTY  
GRAND FORKS, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022

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**GRAND FORKS COUNTY**  
COUNTY OFFICIALS  
AS OF DECEMBER 31, 2022

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

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, North Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Grand Forks County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, North Dakota, as of December 31, 2022, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibility for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Grand Forks County's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Forks County's ability to continue as a going concern for a reasonable period of time.

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

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the County adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***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, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand Forks County's basic financial statements. The schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2023 on our consideration of Grand Forks County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grand Forks County's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

September 25, 2023



**GRAND FORKS COUNTY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Fair Association
<b>ASSETS</b>			
Cash, cash equivalents, and investments	\$ 71,833,839	\$ 6,230,212	\$ 143,685
Accounts receivable	301,647	-	-
Interest receivable	99,734	-	-
Intergovernmental receivable	1,439,011	-	-
Special assessments receivable	-	6,823,667	-
Other receivable	-	-	1,401
Prepaid expense	136,561	-	-
Taxes receivable	342,944	18,369	-
Capital assets, net	83,174,352	12,349,597	379,450
Leased assets, net	2,079,980	-	-
Total Assets	159,408,068	25,421,845	524,536
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Derived from pensions and OPEB	25,659,559	271,867	-
<b>LIABILITIES</b>			
Accounts payable	1,771,552	110,481	285
Payroll withholdings	-	-	944
Payroll liabilities	330,722	-	-
Salaries payable	66,903	-	-
Sales tax payable	1,117	-	-
Other liability	-	-	2,500
Interest payable	264,753	23,460	1,236
Grants received in advance	11,491,801	-	-
Long-term liabilities			
Due within one year			
Long-term debt	2,393,204	345,000	20,643
Long-term leases	430,982	-	-
Compensated absences payable	174,421	-	-
Due after one year			
Long-term debt	34,305,751	6,320,712	11,716
Long-term leases	1,652,328	-	-
Compensated absences payable	1,569,788	-	-
Net pension and OPEB liability	39,405,059	290,770	-
Total Liabilities	93,858,381	7,090,423	37,324
<b>DEFERRED INFLOW OF RESOURCES</b>			
Taxes received in advance	3,831,377	-	-
Derived from pensions and OPEB	16,107,067	109,261	-
Total Deferred Inflow of Resources	19,938,444	109,261	-
<b>NET POSITION</b>			
Net investment in capital and leased assets	46,472,067	12,507,552	345,855
Restricted			
Debt service	3,142,858	-	-
Capital projects	32,648,494	142,479	-
Flood repair	170,566	-	-
Conservation of natural resources	105,490	-	-
Emergency	568,263	-	-
Drain maintenance	-	2,288,551	-
Unrestricted	(11,836,936)	3,555,446	141,357
Total Net Position	\$ 71,270,802	\$ 18,494,028	\$ 487,212

See Notes to the Basic Financial Statements

**GRAND FORKS COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues			Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	Fair Association
<b>Primary Government</b>							
Governmental Activities							
General government	\$ 10,582,600	\$ 1,651,234	\$ 874,582	\$ -	\$ (8,056,784)	\$ -	\$ -
Public safety	15,596,242	1,535,184	557,608	-	(13,503,450)	-	-
Highways and bridges	5,377,679	558,867	3,069,827	-	(1,748,985)	-	-
Flood repair	2,604,570	-	2,592,146	-	(12,424)	-	-
Health and welfare	7,789,172	-	6,772,063	-	(1,017,109)	-	-
Culture and recreation	4,100	-	-	-	(4,100)	-	-
Conser. of natural resources	822,798	14,302	53,908	-	(754,588)	-	-
Economic development	173,156	-	-	-	(173,156)	-	-
Other	59,284	-	-	-	(59,284)	-	-
Interest on long-term debt	208,422	-	-	-	(208,422)	-	-
Fiscal agent charges	400,524	-	-	-	(400,524)	-	-
Total Primary Government	43,618,547	3,759,587	13,920,134	-	(25,938,826)	-	-
<b>Component Units</b>							
Water Resource District	2,423,572	303,593	352,165	1,684,687	-	(83,127)	-
Fair Association	372,169	200,771	-	-	-	-	(171,398)
Total Component Units	\$ 2,795,741	\$ 504,364	\$ 352,165	\$ 1,684,687	-	(83,127)	(171,398)
<b>General Revenues</b>							
Property taxes					19,500,780	862,419	92,348
Drain assessments					-	328,521	-
Special assessments - interest					-	157,857	-
Non restricted grants and contributions					3,400,630	-	65,301
Gain on disposal of assets					68,177	5,160	-
Unrestricted investment earnings					422,032	20,310	-
Miscellaneous revenue					897,366	57,844	15,154
Total General Revenues					24,288,985	1,432,111	172,803
Change in Net Position					(1,649,841)	1,348,984	1,405
Net Position - January 1					72,920,643	17,145,044	485,807
Net Position - December 31					\$ 71,270,802	\$ 18,494,028	\$ 487,212

See Notes to the Basic Financial Statements

**GRAND FORKS COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**

	General	Jail Expansion	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents, and investments	\$ 18,294,705	\$ 32,506,795	\$ 16,962,389	\$ 4,069,950	\$ 71,833,839
Accounts receivable	301,647	-	-	-	301,647
Intergovernmental receivable	308,457	-	1,115,834	14,720	1,439,011
Interest receivable	83,514	-	16,220	-	99,734
Prepaid Expenses	110,974	-	25,587	-	136,561
Taxes receivable	267,141	-	69,326	6,477	342,944
Total Assets	<u>\$ 19,366,438</u>	<u>\$ 32,506,795</u>	<u>\$ 18,189,356</u>	<u>\$ 4,091,147</u>	<u>\$ 74,153,736</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 292,680	\$ 115,274	\$ 1,346,484	\$ 17,111	\$ 1,771,549
Payroll liabilities	330,722	-	-	-	330,722
Grants Received in Advance	-	-	11,491,801	-	11,491,801
Sales tax payable	1,117	-	-	-	1,117
Salaries payable	41,000	-	25,903	-	66,903
Total Liabilities	<u>665,519</u>	<u>115,274</u>	<u>12,864,188</u>	<u>17,111</u>	<u>13,662,092</u>
Deferred Inflows of Resources					
Taxes receivable	267,141	-	69,326	6,477	342,944
Taxes received in advance	2,630,768	-	791,162	409,447	3,831,377
Total Deferred Inflows of Resources	<u>2,897,909</u>	<u>-</u>	<u>860,488</u>	<u>415,924</u>	<u>4,174,321</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,563,428</u>	<u>115,274</u>	<u>13,724,676</u>	<u>433,035</u>	<u>17,836,413</u>
Fund Balances					
Committed					
County improvements	-	-	971,682	-	971,682
Restricted					
General Government	-	-	156,251	-	156,251
Public safety	-	-	324,418	-	324,418
Highways and bridges	-	-	952,765	-	952,765
Flood repair	-	-	170,566	-	170,566
Health and welfare	-	-	685,861	-	685,861
Conservation of natural resources	-	-	238,369	-	238,369
Emergency	-	-	964,768	-	964,768
Debt service	-	-	-	3,401,137	3,401,137
Capital projects	-	32,391,521	-	256,975	32,648,496
Unassigned					
General Fund	<u>15,803,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,803,010</u>
Total Fund Balances	<u>15,803,010</u>	<u>32,391,521</u>	<u>4,464,680</u>	<u>3,658,112</u>	<u>56,317,323</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,366,438</u>	<u>\$ 32,506,795</u>	<u>\$ 18,189,356</u>	<u>\$ 4,091,147</u>	<u>\$ 74,153,736</u>

See Notes to the Basic Financial Statements

**GRAND FORKS COUNTY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

<b>Total Fund Balances of Governmental Funds</b>		\$ 56,317,323
Total <i>net position</i> reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		83,174,352
Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,079,980
Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.		
Property taxes receivable		342,942
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows derived from pensions and OPEB	\$ 25,659,559	
Deferred inflows derived from pensions and OPEB	<u>(16,107,067)</u>	9,552,492
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	(36,698,955)	
Long-term leases	(2,083,310)	
Interest payable	(264,754)	
Compensated absences	(1,744,209)	
Net pension and OPEB liability	<u>(39,405,059)</u>	<u>(80,196,287)</u>
<b>Total Net Position of Governmental Activities</b>		<b><u>\$ 71,270,802</u></b>

See Notes to the Basic Financial Statements

**GRAND FORKS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	General	Jail Expansion	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 15,456,061	\$ -	\$ 4,049,716	\$ 19,216	\$ 19,524,993
Licenses, permits and fees	74,367	-	-	-	74,367
Intergovernmental	4,253,427	-	13,051,593	15,745	17,320,765
Charges for services	3,060,487	-	624,734	-	3,685,221
Interest income	405,825	-	16,207	-	422,032
Miscellaneous	570,068	-	128,267	199,035	897,370
Total Revenues	23,820,235	-	17,870,517	233,996	41,924,748
<b>EXPENDITURES</b>					
Current					
General government	8,877,348	-	56,248	-	8,933,596
Public safety	13,363,387	-	74,694	-	13,438,081
Highways and bridges	-	-	3,657,592	-	3,657,592
Flood repair	-	-	2,604,570	-	2,604,570
Health and welfare	-	-	7,167,467	-	7,167,467
Conserv. of natural resources	-	-	824,771	-	824,771
Economic development	173,156	-	-	-	173,156
Capital Outlay	2,773,909	487,820	6,029,991	65,041	9,356,761
Debt Service					
Principal	113,807	-	-	1,267,220	1,381,027
Interest	20,266	-	-	88,350	108,616
Fiscal agent charges	-	200,851	-	199,673	400,524
Total Expenditures	25,321,873	688,671	20,415,333	1,620,284	48,046,161
Excess (Deficiency) of Revenues Over Expenditures	(1,501,638)	(688,671)	(2,544,816)	(1,386,288)	(6,121,413)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of bond/lease issuance	1,995,335	32,765,000	-	-	34,760,335
Bond premium	-	428,250	-	-	428,250
Sale of Assets	63,334	-	4,843	-	68,177
Transfers in	9,479	-	-	113,058	122,537
Transfers out	(810)	(113,058)	(8,669)	-	(122,537)
Total Other Financing Sources and Uses	2,067,338	33,080,192	(3,826)	113,058	35,256,762
Net Change in Fund Balances	565,700	32,391,521	(2,548,642)	(1,273,230)	29,135,349
Fund Balance - January 1	15,237,310	-	7,013,322	4,931,342	27,181,974
Fund Balance - December 31	\$ 15,803,010	\$ 32,391,521	\$ 4,464,680	\$ 3,658,112	\$ 56,317,323

See Notes to the Basic Financial Statements

**GRAND FORKS COUNTY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Net Change in Fund Balances - Total Governmental Funds** \$ 29,135,349

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

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

Current year capital outlay	\$ 7,863,994	
Current year depreciation expense	(3,189,219)	4,674,775

In the statement of activities, only the gain (loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold. (35,602)

Lease payments are reported in governmental funds as expenditures. However, in the statement of activities, those assets are set up as lease assets and amortized over the life of the lease along with interest expense. In the current period, this resulted in the following difference:

New leases for GASB 87		2,033,007
Amortization expense - leases		(154,809)
Interest expense - leases		(20,266)
Fund financials expenses - leases		134,073

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

Debt issuance	(34,761,861)	
Bond Premium	(428,250)	
Repayment of debt	1,267,219	(33,922,892)

Bond premium amortization is a reduction to interest expense as it is amortized over the life of the outstanding bonds using the straight-line method. 156,905

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.

Decrease in compensated absences	77,443	
Increase in interest payable	(256,712)	(179,269)

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

Decrease in taxes receivable		(24,216)
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The Net Pension and OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Increase in Net pension and OPEB liability	(24,477,553)	
Increase in Deferred outflows of resources related to pensions and OPEB	8,693,602	
Decrease in Deferred inflows of resources related to pensions and OPEB	12,337,055	(3,446,896)

**Change in Net Position of Governmental Activities** \$ (1,649,841)

See Notes to the Basic Financial Statements

**GRAND FORKS COUNTY**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**DECEMBER 31, 2022**

	Custodial Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 15,632,269
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	
Liabilities	
Funds Held for Other Governmental Units	\$ 1,760,779
Funds Held for Other Purposes	531,828
Total Liabilities	2,292,607
Deferred Inflows of Resources	
Taxes Received in Advance	13,339,662
Total Liabilities and Deferred Inflows of Resources	\$ 15,632,269

See Notes to the Basic Financial Statements

**GRAND FORKS COUNTY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Custodial Funds
<b>ADDITIONS</b>	
Tax Collections for Other Governments	\$ 91,414,211
Grant Collections for Other Governments	3,702,427
Miscellaneous Collections	4,246,529
	<hr/>
Total Additions	99,363,167
	<hr/>
<b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	91,414,211
Grant Disbursements to Other Governments	3,702,427
Miscellaneous Disbursements	4,246,529
	<hr/>
Total Deductions	99,363,167
	<hr/>
Net Increase (Decrease) in Fiduciary Net Position	-
	<hr/>
Net Position - Beginning	-
	<hr/>
Net Position - Ending	\$ -
	<hr/> <hr/>

See Notes to the Basic Financial Statements



**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**Component Unit**

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

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

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

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

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

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

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

**B. Basis of Presentation**

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

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

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

The County reports the following major governmental funds:

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

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

*Jail Expansion Fund* - This capital projects fund accounts for financial resources that exist for the jail expansion.

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

Additionally, the County reports the following fund type:

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

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

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

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

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

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

**D. Cash and Investments**

Cash includes amounts in demand deposits and money market accounts.

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

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**E. Capital Assets**

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

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

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

**F. Compensated Absences**

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

**G. Long-Term Obligations**

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

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

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**H. Pensions**

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.

**I. Other Post-Employment Benefits (OPEB)**

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

**J. Fund Balance Classifications**

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

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

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

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

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

**K. Net Position**

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

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

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

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**L. Deferred Outflows/Inflows of Resources**

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

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

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

**M. Special Assessments**

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

**N. Leases**

The County implemented GASB Statement No. 87, *Leases*, in the fiscal year ended December 31, 2022. GASB Statement No. 87 establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset.

The adoption of GASB 87 resulted in recognition of a right to use leased asset and a lease liability of approximately \$201,782 at January 1, 2022. Results for periods prior to January 1, 2022 continued to be reported in accordance with the County's historical accounting treatment.

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the County has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the County is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the County uses its incremental borrowing rate based on the information available at the lease commencement date. The County has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The County accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The County continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the County is reasonable certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.



**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

The County's lease agreements do not include any material residual value guarantees or restrictive covenants.

Key estimates and judgments include how the County determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The County uses its estimated incremental borrowing rate as the discount rate for leases. The County has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement.
- The lease term includes the noncancellable period of the lease.

**NOTE 2 GRAND SKY EUL PROJECT**

The County entered into an Enhanced Use Lease (EUL) with the United States Air Force on February 6, 2015. The location of the property (estimated 217 acres) is located on Grand Forks Air Force Base. The term of the lease is 50 years with the option of renewal if the County is not in any default of any of its obligations. The project will be used solely for the advancement of the Unmanned Aerial Systems (UAS) industry and the Remotely Piloted Aircraft (RPA) industry, along with support for manned aviation, light industrial and manufacturing activities, and mixed use facilities which include hangars, classrooms/training facilities, administrative offices, data centers, and other uses approved by the United States Air Force. The County's competitively selected developer, Grand Sky Development Company, LLC, will recommend to the County board of commissioners certain contractors to perform work funded through the North Dakota Department of Transportation and North Dakota Department of Commerce as required only after following the selection process set forth in the North Dakota Century Code requirements for bidding development projects. Through the sublease, Grand Sky Development Company, LLC will be financially responsible for making the lease payments to the United States Air Force. The County has an escrow account to transmit funds to the United States Air Force when payments are due. The County to date has out of pocket costs of a sum total of \$528,200 that was related to this project. The County will own no land, equipment, or infrastructure in result of the stated costs. The purpose of this project was solely to benefit the economy of the County and its citizens.

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 3 DEPOSITS**

**Custodial Credit Risk**

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

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

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

At year ended December 31, 2022, the County's carrying amount of deposits totaled \$87,466,108, and the bank balances totaled \$86,358,055. Of the bank balances, \$60,843,457 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2022, the Water Resource District's carrying amount of deposits totaled \$6,230,212, and the bank balances totaled \$6,611,010. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2022, the Fair Association's carrying amount of deposits totaled \$143,685, and the bank balances totaled \$127,988, all of which was covered by Federal Depository Insurance.

**NOTE 4 PROPERTY TAXES**

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



**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 5 CAPITAL ASSETS**

**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2022:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Primary Government</b>				
Capital assets not being depreciated				
Land	\$ 505,895	\$ 20,100	\$ -	\$ 525,995
Construction in Progress	16,388	533,728	(16,388)	533,728
Total capital assets not being depreciated	<u>522,283</u>	<u>553,828</u>	<u>(16,388)</u>	<u>1,059,723</u>
Capital assets being depreciated				
Buildings	47,510,217	684,347	-	48,194,564
Equipment	5,496,148	378,751	(21,805)	5,853,094
Furniture	955,023	-	(16,035)	938,988
Vehicles	4,251,062	233,466	(270,550)	4,213,978
Infrastructure	75,859,516	6,029,991	-	81,889,507
Total capital assets being depreciated	<u>134,071,966</u>	<u>7,326,555</u>	<u>(308,390)</u>	<u>141,090,131</u>
Less accumulated depreciation				
Buildings	(21,156,442)	(1,030,067)	-	(22,186,509)
Equipment	(3,942,573)	(302,603)	9,809	(4,235,367)
Furniture	(895,159)	(13,643)	16,036	(892,766)
Vehicles	(3,051,226)	(294,428)	246,943	(3,098,711)
Infrastructure	(27,013,671)	(1,548,478)	-	(28,562,149)
Total accumulated depreciation	<u>(56,059,071)</u>	<u>(3,189,219)</u>	<u>272,788</u>	<u>(58,975,502)</u>
Net capital assets being depreciated	<u>78,012,895</u>	<u>4,137,336</u>	<u>(35,602)</u>	<u>82,114,629</u>
Net capital assets	<u>\$ 78,535,178</u>	<u>\$ 4,691,164</u>	<u>\$ (51,990)</u>	<u>\$ 83,174,352</u>

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

General Government	\$ 734,590
Public Safety	633,925
Highways and Bridges	1,796,356
Health and Welfare	20,248
Culture and Recreation	4,100
	<u>\$ 3,189,219</u>

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**Discretely Presented Component Units**

The following is a summary of changes in capital assets for the year ended December 31, 2022 for the Water Resource District:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Water Resource District</b>				
Capital assets not being depreciated				
Land	\$ 842,898	\$ -	\$ -	\$ 842,898
Construction in Progress	6,829,301	270,718	(7,100,019)	-
Total capital assets not being depreciated	<u>7,672,199</u>	<u>270,718</u>	<u>(7,100,019)</u>	<u>842,898</u>
Capital assets being depreciated				
Land Improvements	4,460,530	7,100,019	-	11,560,549
Office Equipment	20,254	-	-	20,254
Vehicles and Equipment	956,163	-	(82,000)	874,163
Total capital assets being depreciated	<u>5,436,947</u>	<u>7,100,019</u>	<u>(82,000)</u>	<u>12,454,966</u>
Less accumulated depreciation				
Land Improvements	(298,501)	(101,984)	-	(400,485)
Office Equipment	(20,254)	-	-	(20,254)
Vehicles and Equipment	(471,522)	(64,206)	8,200	(527,528)
Total accumulated depreciation	<u>(790,277)</u>	<u>(166,190)</u>	<u>8,200</u>	<u>(948,267)</u>
Net capital assets being depreciated	<u>4,646,670</u>	<u>6,933,829</u>	<u>(73,800)</u>	<u>11,506,699</u>
Net capital assets	<u>\$ 12,318,869</u>	<u>\$ 7,204,547</u>	<u>\$ (7,173,819)</u>	<u>\$ 12,349,597</u>

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

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

The following is a summary of changes in capital assets for the year ended December 31, 2022 for the Fair Association:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Fair Association</b>				
Capital assets not being depreciated				
Land	\$ 85,420	\$ -	\$ -	\$ 85,420
Capital assets being depreciated				
Equipment	291,164	30,650	-	321,814
Leasehold Improvements	768,379	21,346	-	789,725
Total capital assets being depreciated	<u>1,059,543</u>	<u>51,996</u>	<u>-</u>	<u>1,111,539</u>
Less accumulated depreciation				
Equipment	(244,615)	(16,897)	-	(261,512)
Leasehold Improvements	(523,542)	(32,455)	-	(555,997)
Total accumulated depreciation	<u>(768,157)</u>	<u>(49,352)</u>	<u>-</u>	<u>(817,509)</u>
Net capital assets being depreciated	<u>291,386</u>	<u>2,644</u>	<u>-</u>	<u>294,030</u>
Net capital assets	<u>\$ 376,806</u>	<u>\$ 2,644</u>	<u>\$ -</u>	<u>\$ 379,450</u>

Depreciation expense was charged to the culture and recreation function.

**NOTE 6 LONG-TERM LIABILITIES**

**Primary Government**

During the year ended December 31, 2022, the following changes occurred in governmental activities long-term liabilities:

	Balance 1/1/2022	Additions	Retired	Balance 12/31/2022	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 4,625,000	\$ 32,765,000	\$ 1,265,000	\$ 36,125,000	\$ 2,320,000
Bond Discount	(6,515)	-	(6,515)	-	-
Bond Premium	309,125	428,250	163,420	573,955	73,204
Special Assessments Payable	694	1,526	2,220	-	-
Total Long-Term Debt	<u>4,928,304</u>	<u>33,194,776</u>	<u>1,424,125</u>	<u>36,698,955</u>	<u>2,393,204</u>
Compensated Absences *	1,821,651	-	77,442	1,744,209	174,421
Net Pension and OPEB Liability	14,927,506	24,477,553	-	39,405,059	-
Total Long-Term Liabilities	<u>\$ 21,677,461</u>	<u>\$ 57,672,329</u>	<u>\$ 1,501,567</u>	<u>\$ 77,848,223</u>	<u>\$ 2,567,625</u>

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

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

Year Ending 12/31/2022	Bonds Payable		Bond Discount	Bond Premium
	Principal	Interest	Amortization	Amortization
2023	\$ 2,320,000	\$ 1,271,500	\$ -	\$ 73,204
2024	2,220,000	1,368,488	-	73,204
2025	2,275,000	1,302,088	-	68,888
2026	1,190,000	1,233,788	-	21,413
2027	1,245,000	1,174,287	-	21,413
2028-2032	7,220,000	4,886,837	-	107,062
2033-2037	8,870,000	3,240,275	-	107,062
2038-2042	10,785,000	1,328,200	-	101,709
Total	<u>\$ 36,125,000</u>	<u>\$ 15,805,463</u>	<u>\$ -</u>	<u>\$ 573,955</u>

**Discretely Presented Component Units**

During the year ended December 31, 2022, the following changes occurred in governmental long-term liabilities of the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 6,955,000	\$ -	\$ 345,000	\$ 6,610,000	\$ 345,000
Bond Discount	(5,709)	-	(634)	(5,075)	-
Bond Premium	64,266	-	3,479	60,787	-
Total Long-Term Debt	<u>7,013,557</u>	<u>-</u>	<u>347,845</u>	<u>6,665,712</u>	<u>345,000</u>
Net Pension and OPEB Liability	<u>109,820</u>	<u>180,950</u>	<u>-</u>	<u>290,770</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 7,123,377</u>	<u>\$ 180,950</u>	<u>\$ 347,845</u>	<u>\$ 6,956,482</u>	<u>\$ 345,000</u>

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

Year Ending Dec 31	Bonds Payable		Bond Discount	Bond Premium
	Principal	Interest	Amortization	Amortization
2023	\$ 345,000	\$ 141,136	\$ 634	\$ 3,479
2024	350,000	131,736	634	3,479
2025	355,000	123,024	634	3,479
2026	365,000	115,210	634	3,479
2027	365,000	106,755	634	3,479
2028 - 2032	1,795,000	426,581	1,905	17,396
2033 - 2037	1,755,000	249,552	-	17,396
2038 - 2042	1,280,000	52,949	-	8,600
Total	<u>\$ 6,610,000</u>	<u>\$ 1,346,943</u>	<u>\$ 5,075</u>	<u>\$ 60,787</u>

**GRAND FORKS COUNTY**  
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During the year ended December 31, 2022, the following changes occurred in governmental long-term liabilities of the Fair Association.

<b>Fair Association</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Loans Payable	\$ 41,486	\$ -	\$ 9,127	\$ 32,359	\$ 20,643
Special Assessments Payable	369	-	369	-	-
Total Long-Term Liabilities	<u>\$ 41,855</u>	<u>\$ -</u>	<u>\$ 9,496</u>	<u>\$ 32,359</u>	<u>\$ 20,643</u>

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

<b>Year Ending</b>	<b>Loan Payable</b>	
<b>Dec 31</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 20,643	\$ 1,426
2024	11,716	562
Total	<u>\$ 32,359</u>	<u>\$ 1,988</u>

**NOTE 7 LEASES**

The District leases copy machines, a postage meter, two vehicles and twelve motor graders. The term of the copier leases is for periods from 30 to 60 months, commencing from 2020 to 2021 and terminating from 2024 through 2027, with monthly payments ranging from \$104 to \$1,616. The term of the postage meter machine is for a period of 41 months, commencing February 2022 and terminating in May of 2025, with a monthly payment of \$2,540. The terms of the motor graders is for a period of 60 months, commencing October 2022 and terminating September 2027, with a monthly payment of \$3,032 each. The term of the vehicles leases is for 36 months, commencing June 2022 and terminating May 2025, with monthly payments of \$547 and \$736.

Following is the total lease expense for the year ended December 31, 2022:

<b>Lease expense</b>	<b>Year Ending 2022</b>
Amortization expense by class of underlying asset	
Equipment	\$ 100,085
Copy Machine	45,810
Vehicle	8,914
Total amortization expense	<u>154,809</u>
Interest on lease liabilities	20,266
Variable lease expense	-
<b>Total</b>	<u><u>\$ 175,075</u></u>

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

Following is a schedule of activity of leased assets and lease liabilities for the year ended December 31, 2022:

	Beginning of		Modifications &			Amounts
	Year	Additions	Remeasurements	Subtractions	End of Year	Due
<b>Lease Assets</b>						Within
Equipment	\$ 2,484	\$ 1,987,161	\$ -	\$ -	\$ 1,989,645	One Year
Copy Machine	199,298	-	-	-	199,298	
Vehicle	-	45,846	-	-	45,846	
	<u>201,782</u>	<u>2,033,007</u>	<u>-</u>	<u>-</u>	<u>2,234,789</u>	
<b>Less: Accumulated Amortization</b>						
Equipment	-	(100,085)	-	-	(100,085)	
Copy Machine	-	(45,810)	-	-	(45,810)	
Vehicle	-	(8,914)	-	-	(8,914)	
	<u>-</u>	<u>(154,809)</u>	<u>-</u>	<u>-</u>	<u>(154,809)</u>	
<b>Total Lease Assets, net</b>	<u>\$ 201,782</u>	<u>\$ 1,878,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,079,980</u>	
<b>Lease Liabilities</b>	<u>\$ 201,782</u>	<u>\$ 1,995,335</u>	<u>\$ -</u>	<u>\$ (113,807)</u>	<u>\$ 2,083,310</u>	<u>\$430,982</u>

Following is a schedule by years of future minimum payments required under the leases:

<b>Maturity Analysis</b>	Principal	Interest	Total Payments
2023	\$ 430,982	\$ 68,414	\$ 499,395
2024	445,471	53,300	498,771
2025	449,335	37,631	486,966
2026	435,282	21,465	456,747
2027	322,240	5,259	327,499
Total Future Payments	<u>\$ 2,083,310</u>	<u>\$ 186,068</u>	<u>\$ 2,269,377</u>

**NOTE 8 DEFINED BENEFIT PENSION PLAN – STATEWIDE**

Substantially, all employees of the County are required by state law to belong to a pension plan administered by the North Dakota Public Employees Retirement System (NDPERS), which is administered on a statewide basis.

Disclosures relating to this plan follow:

**North Dakota Public Employees Retirement 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

and is subsequently reemployed, they have the option of repurchasing their previous service.

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024.

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

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

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

At December 31, 2022, the County reported the following net pension liabilities:

	<b>Net Pension Liability</b>
Primary Government	\$ 38,002,997
Water Resource District	277,754

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the County had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2021 Measurement</b>	<b>Pension Expense</b>
Primary Government	1.31952%	(0.045983)	\$ 4,565,714
Water Resource District	0.00964%	(0.000339)	62,598

At December 31, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 198,235	\$ 725,923
Changes of assumptions	22,726,352	14,089,080
Net difference between projected and actual earnings on pension plan investments	1,390,901	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	108,599	1,197,212
Employer contributions subsequent to the measurement date	586,904	-
Total	<u>\$ 25,010,991</u>	<u>\$ 16,012,215</u>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,448	\$ 5,306
Changes of assumptions	166,101	102,973
Net difference between projected and actual earnings on pension plan investments	10,166	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,798	844
Employer contributions subsequent to the measurement date	4,160	-
Total	<u>\$ 257,673</u>	<u>\$ 109,123</u>

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, 2023:

Primary Government	\$ 586,904
Water Resource District	4,160

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

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

<b>Year ending December 31:</b>	<b>Primary Government</b>	<b>Water Resource District</b>
2023	\$ 2,237,831	\$ 45,476
2024	2,774,384	48,140
2025	(6,621)	21,437
2026	3,406,278	29,337

**Actuarial Assumptions**

The total pension liability in the July 1, 2022 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	5.10%, net of investment expenses
Cost-of-living adjustments	None

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	30.00%	5.75%
International Equity	21.00%	6.45%
Private Equity	7.00%	9.20%
Domestic Fixed Income	23.00%	0.34%
Global Real Assets	19.00%	4.35%

**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,

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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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 6.50%; the municipal bond rate is 3.69%; and the resulting single discount rate is 5.10%.

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

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 5.10 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 (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (4.10%)</b>	<b>Current Discount Rate (5.10%)</b>	<b>1% Increase (6.10%)</b>
Primary Government	\$ 50,161,342	\$ 38,002,997	\$ 28,021,417
Water Resource District	366,616	277,754	204,801

**Pension Plan Fiduciary Net Position**

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

**NOTE 9 OTHER POST EMPLOYMENT BENEFITS**

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,

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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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.

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

At December 31, 2022, the County reported the following net OPEB liabilities:

	<b>Net OPEB Liability</b>
Primary Government	\$ 1,402,062
Water Resource District	13,016

**GRAND FORKS COUNTY**  
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The net OPEB liability was measured as of June 30, 2022, 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, 2022, the entities had the following proportions, change in proportions, and pension expense:

		<b>Increase (Decrease) in Proportion from June 30, 2021</b>	
	<b>Proportion</b>	<b>Measurement</b>	<b>OPEB Expense</b>
Primary Government	1.16808%	(0.081316)	\$ 209,098
Water Resource District	0.01084%	0.000475	4,270

At December 31, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 33,238	\$ 12,057
Changes of assumptions	353,163	-
Net difference between projected and actual earnings on pension plan investments	188,783	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,733	82,795
Employer contributions subsequent to the measurement date	70,651	-
Total	<u>\$ 648,568</u>	<u>\$ 94,852</u>

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 308	\$ 112
Changes of assumptions	3,279	-
Net difference between projected and actual earnings on pension plan investments	1,753	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,607	26
Employer contributions subsequent to the measurement date	1,247	-
Total	<u>\$ 14,194</u>	<u>\$ 138</u>

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, 2023:

Primary Government	\$ 70,651
Water Resource District	1,247

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

<b>Year ending December 31:</b>	<b>Primary Government</b>	<b>Water Resource District</b>
2023	\$ 122,734	\$ 3,469
2024	111,816	3,371
2025	98,816	3,112
2026	149,700	2,857
2027	-	-
Thereafter	-	-

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2022 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	5.75%, net of investment expenses
Cost-of-living adjustments	None

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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 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad US Equities	39.00%	5.75%
International Equity	26.00%	6.00%
Core-Plus Fixed Income	35.00%	0.22%

#### **Discount Rate**

The discount rate used to measure the total OPEB liability was 5.39%. 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, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (4.39%)</b>	<b>Current Discount Rate (5.39%)</b>	<b>1% Increase (6.39%)</b>
Primary Government	\$ 1,789,648	\$ 1,402,062	\$ 1,076,694
Water Resource District	16,614	13,016	9,996

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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Detailed information about the OPEB plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

**NOTE 10 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The coverage by NDIRF is limited to losses of ten million dollars per occurrence for general liability and automobile and \$5,753,719 for mobile equipment and portable property (public assets).

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

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

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

**NOTE 11 TRANSFERS**

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2022:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Funds</u>		
General Fund	\$ 9,479	\$ 810
Special Revenue Fund	-	8,669
<u>Non-Major Funds</u>		
Capital Construction	-	113,058
Lease Revenue Bonds 2013	113,058	-
Total Transfers	<u>\$ 122,537</u>	<u>\$ 122,537</u>

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



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**DECEMBER 31, 2022**

**NOTE 12 JOINT VENTURE**

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2022, which is the most current audited information available:

	<b>Red River Joint WRD</b>
Total Assets	\$ 18,790,636
Total Liabilities	170,802
Net Position	\$ 18,619,834
Revenues	\$ 2,870,300
Expenses	1,307,454
Change in Net Position	\$ 1,562,846

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

**NOTE 13 CONSTRUCTION COMMITMENTS**

The County had one construction project with signed contracts open at year end:

<b>Project</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>
Jail Expansion	\$ 1,921,250	\$ 480,313	\$ -	\$ 1,440,937

**NOTE 14 CONDUIT DEBT**

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

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

At December 31, 2022, the county is involved in conduit debt obligations under the following criteria.

**Industrial Revenue Bond**

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

As of December 31, 2022, there were seven Industrial Revenue Bond issuances which had a combined total of \$141,087,917.

**Recovery Zone Facility Bonds**

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

As of December 31, 2022, there were four Recovery Zone Facility bond issuances which had a combined total of \$30,102,736.

**Qualified Zone Academy Bonds**

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

As of December 31, 2022, there was one Qualified Zone Academy Bond issuance which totaled \$5,000,000.

**Qualified School Construction Bonds**

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

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

As of December 31, 2022, there was one Qualified School Construction Bond issuance which totaled \$6,230,000.

**NOTE 15 TAX ABATEMENTS**

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

At December 31, 2022, the local governments within the County provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria.

**New Business**

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

**Charitable Organization**

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

**Single Family Residence**

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

**Childhood Services**

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

**GRAND FORKS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022**

**Improvements to Commercial and Residential Buildings and Structures**

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

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

	<b>Reduction in Property Tax Revenue</b>
New Business	\$ 161,404
Charitable Organization	1,049,505
Single Family Residence	110,486
Childhood Services	11,628
Commercial and Residential	71,085
Total Reduction in Property Tax Revenue	<u>\$ 1,404,108</u>

**NOTE 16 SUBSEQUENT EVENTS**

Subsequent to year end, the County issued Limited Tax Capital Projects Fund Bond, Series 2023 for \$5,000,000 and carrying a 2% interest rate, to repair the Courthouse dome and to otherwise improve County facilities and property. The County also issued Limited Tax Capital Projects Fund Bond, Series 2023B for \$15,000,000 and carrying a 2% interest rate, to renovate and construct and addition to the County Correctional Center and to otherwise improve correctional facilities and property. Subsequent events have been evaluated through September 25, 2023, which is the date these financial statements were available to be issued.

**GRAND FORKS COUNTY**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 16,449,196	\$ 16,449,196	\$ 15,456,061	\$ (993,135)
Licenses, Permits and Fees	39,830	39,830	74,367	34,537
Intergovernmental	2,756,361	2,756,361	4,253,427	1,497,066
Charges for Services	3,265,613	3,265,613	3,060,487	(205,126)
Interest Income	80,000	80,000	405,825	325,825
Miscellaneous	218,350	218,350	570,068	351,718
	<u>22,809,350</u>	<u>22,809,350</u>	<u>23,820,235</u>	<u>1,010,885</u>
<b>EXPENDITURES</b>				
Current				
General Government	8,965,511	9,079,460	8,877,348	202,112
Public Safety	14,464,869	14,570,869	13,363,387	1,207,482
Economic Development	199,035	199,035	173,156	25,879
Capital Outlay	2,000,000	2,000,000	2,773,909	(773,909)
	<u>25,629,415</u>	<u>25,849,364</u>	<u>25,321,873</u>	<u>527,491</u>
Total Expenditures				
	<u>25,629,415</u>	<u>25,849,364</u>	<u>25,321,873</u>	<u>527,491</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,820,065)</u>	<u>(3,040,014)</u>	<u>(1,501,638)</u>	<u>1,538,376</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of bond/lease issuance	-	-	1,995,335	1,995,335
Sale of Assets	-	-	63,334	63,334
Transfers In	-	-	9,479	9,479
Transfers Out	-	-	(810)	(810)
	<u>-</u>	<u>-</u>	<u>2,067,338</u>	<u>72,003</u>
Total Other Financing Sources and Uses				
	<u>-</u>	<u>-</u>	<u>2,067,338</u>	<u>72,003</u>
Net Change in Fund Balances	<u>(2,820,065)</u>	<u>(3,040,014)</u>	<u>565,700</u>	<u>1,610,379</u>
Fund Balance - January 1	<u>15,237,310</u>	<u>15,237,310</u>	<u>15,237,310</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 12,417,245</u>	<u>\$ 12,197,296</u>	<u>\$ 15,803,010</u>	<u>\$ 1,610,379</u>

See Notes to the Required Supplementary Information

**GRAND FORKS COUNTY**  
**BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 4,308,137	\$ 4,308,137	\$ 4,049,716	\$ (258,421)
Intergovernmental	3,380,310	3,380,310	13,051,593	9,671,283
Charges for Services	654,788	654,788	624,734	(30,054)
Interest Income	400	400	16,207	15,807
Miscellaneous	55,520	55,520	128,267	72,747
<b>Total Revenues</b>	<u>8,399,155</u>	<u>8,399,155</u>	<u>17,870,517</u>	<u>9,471,362</u>
<b>EXPENDITURES</b>				
Current				
General Government	263,000	271,000	56,248	214,752
Public Safety	177,000	193,000	74,694	118,306
Highways and Bridges	8,050,523	9,260,023	3,657,592	5,602,431
Flooding	-	1,777,600	2,604,570	(826,970)
Health and Welfare	325,789	328,148	7,167,467	(6,839,319)
Capital Outlay	-	-	6,029,991	(6,029,991)
Conserv. Of Natural Resources	962,222	962,222	824,771	137,451
<b>Total Expenditures</b>	<u>9,778,534</u>	<u>12,791,993</u>	<u>20,415,333</u>	<u>(7,623,340)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,379,379)</u>	<u>(4,392,838)</u>	<u>(2,544,816)</u>	<u>1,848,022</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets	-	-	4,843	4,843
Transfers Out	-	-	(8,669)	(8,669)
<b>Net Change in Fund Balances</b>	<u>(1,379,379)</u>	<u>(4,392,838)</u>	<u>(2,548,642)</u>	<u>1,844,196</u>
Fund Balance - January 1	<u>7,013,322</u>	<u>7,013,322</u>	<u>7,013,322</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 5,633,943</u>	<u>\$ 2,620,484</u>	<u>\$ 4,464,680</u>	<u>\$ 1,844,196</u>

See Notes to the Required Supplementary Information

**GRAND FORKS COUNTY**  
**SCHEDULE OF EMPLOYER AND NON-EMPLOYER PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY**  
**LAST 10 YEARS**

**Primary Government**

For the Year Ended December 31	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
2022	1.319518%	\$ 38,002,997	\$ 15,317,451	248.10%	54.47%
2021	1.365501%	14,232,624	15,462,806	92.04%	78.26%
2020	1.360136%	42,790,170	15,003,939	285.19%	48.91%
2019	1.460376%	17,116,663	15,190,399	112.68%	71.66%
2018	1.465863%	24,738,037	15,059,060	164.27%	62.80%
2017	1.481789%	23,817,212	15,125,744	157.46%	61.98%
2016	1.469409%	14,320,823	14,808,175	96.71%	70.46%
2015	1.486855%	10,110,360	13,246,075	76.33%	77.15%
2014	1.557809%	11,436,085	13,122,653	87.15%	77.70%

**Water Resource District**

For the Year Ended December 31	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
2022	0.009644%	\$ 277,754	\$ 111,952	248.10%	54.47%
2021	0.009983%	104,053	113,050	92.04%	78.26%
2020	0.004640%	145,975	51,186	285.19%	48.91%
2019	0.009983%	104,053	113,050	92.04%	71.66%
2018	0.004815%	81,258	49,468	164.26%	62.80%
2017	0.003561%	57,237	36,350	157.46%	61.98%
2016	0.005296%	51,615	53,375	96.70%	70.46%
2015	0.006246%	42,472	55,644	76.33%	77.15%
2014	0.006341%	40,248	53,418	75.35%	77.70%

See Notes to the Required Supplementary Information

**GRAND FORKS COUNTY**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE NDPERS RETIREMENT FUND**  
**LAST 10 YEARS**

**Primary Government**

For the Year Ended December 31	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
2022	\$ 1,153,664	\$ 1,168,242	\$ (14,578)	\$ 15,317,451	7.63%
2021	1,140,314	1,232,663	(92,349)	15,462,806	7.97%
2020	1,062,410	1,113,562	(51,152)	15,003,939	7.42%
2019	1,105,947	1,007,855	98,092	15,190,399	6.63%
2018	1,109,164	1,095,065	14,099	15,059,060	7.27%
2017	1,096,873	1,179,531	(82,658)	15,125,744	7.80%
2016	1,072,088	967,745	104,343	14,808,175	6.54%
2015	1,006,145	1,012,374	(6,229)	13,246,075	7.64%
2014	934,333	934,333	-	13,122,653	7.12%

**Water Resource District**

For the Year Ended December 31	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
2022	\$ 8,432	\$ 8,432	\$ -	\$ 118,426	7.12%
2021	7,865	7,865	-	110,473	7.12%
2020	4,310	4,310	-	60,534	7.12%
2019	4,054	4,054	-	56,951	7.12%
2018	3,918	3,918	-	50,998	7.68%
2017	2,636	2,636	-	36,350	7.25%
2016	3,864	3,864	-	53,375	7.24%
2015	4,227	4,227	-	55,644	7.60%
2014	3,804	3,804	-	53,418	7.12%

See Notes to the Required Supplementary Information



**GRAND FORKS COUNTY**  
**SCHEDULE OF EMPLOYER AND NON-EMPLOYER PROPORTIONATE SHARE OF THE**  
**NET OPEB LIABILITY**  
**LAST 10 YEARS**

**Primary Government**

For the Year Ended December 31	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
2022	1.168084%	\$ 1,402,062	\$ 12,059,358	11.63%	56.28%
2021	1.249400%	694,882	13,621,678	5.10%	76.63%
2020	1.267092%	1,065,875	14,444,471	7.38%	63.38%
2019	1.361321%	1,093,396	15,190,399	7.20%	63.13%
2018	1.376241%	1,083,884	15,059,060	7.20%	61.89%
2017	1.398241%	1,106,024	15,126,744	7.31%	59.78%

**Water Resource District**

For the Year Ended December 31	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
2022	0.010844%	\$ 13,016	\$ 111,952	11.63%	56.28%
2021	0.010369%	5,767	113,050	5.10%	76.63%
2020	0.004490%	3,777	51,186	7.38%	63.38%
2019	0.010369%	5,767	113,050	5.10%	63.13%
2018	0.004521%	3,561	49,468	7.20%	61.89%
2017	0.003360%	2,658	36,350	7.31%	59.78%

See Notes to the Required Supplementary Information

**GRAND FORKS COUNTY**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE NDPERS RETIREMENT FUND**  
**LAST 10 YEARS**

**Primary Government**

For the Year Ended December 31	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
2022	\$ 146,776	\$ 146,776	-	12,875,088	1.14%
2021	163,804	176,667	(12,863)	13,871,084	1.27%
2020	169,692	176,570	(6,878)	14,444,471	1.22%
2019	176,665	161,348	15,317	15,190,399	1.06%
2018	176,634	175,332	1,302	15,059,060	1.16%
2017	175,332	188,856	(13,524)	15,126,744	1.25%

**Water Resource District**

For the Year Ended December 31	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
2022	\$ 2,297	\$ 2,297	-	118,426	1.94%
2021	2,495	2,495	-	110,473	2.26%
2020	601	582	19	51,186	1.14%
2019	1,148	1,148	-	56,951	2.02%
2018	580	561	19	49,468	1.13%
2017	423	537	(114)	36,350	1.48%

See Notes to the Required Supplementary Information

**GRAND FORKS COUNTY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**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 of America (GAAP).

The County auditor prepares an annual budget for the general fund and each special revenue fund of the County. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.

The County commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04

The board of County commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05

Each budget is controlled by the County auditor at the revenue and expenditure function/object level.

The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1

All appropriations lapse at year-end.

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

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

**NOTE 3 PENSION PLAN AND OPEB**

**Changes of Benefit Terms**

**NDPERS**

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System 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.

**GRAND FORKS COUNTY**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2022

**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.

**Changes of Assumptions**

**NDPERS**

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

**OPEB**

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

**NOTE 4 LEGAL COMPLIANCE - BUDGETS**

**Budget Amendments**

The board of county commissioners amended the budget for 2022 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<b>Major Funds</b>			
General Fund	\$ 25,629,415	\$ 219,949	\$ 25,849,364
Special Revenue Fund	9,778,534	3,013,459	12,791,993
<b>Nonmajor Funds</b>			
Capital Construction	1,892,724	5,900	1,898,624

For the year ended December 31, 2022, expenditures were more than appropriations in the special revenue fund by \$7,623,340.

**GRAND FORKS COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Program Title	AL Number	Pass-Through Grantor's Number	Expenditures
<b>US DEPARTMENT OF DEFENSE:</b>			
<u>Direct Program</u>			
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of Military Installation	12.003		\$ 133,000
Total US Department of Defense			133,000
<b>US DEPARTMENT OF JUSTICE:</b>			
Coronavirus Emergency Supplemental Funding Program	16.034		29,225
Bullet Proof Vest Program	16.607		4,493
Total US Department of Justice			33,718
<b>US DEPARTMENT OF TRANSPORTATION:</b>			
<u>Passed through the State Department of Transportation</u>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	N/A	35,061
National Priority Safety Programs	20.616	N/A	13,254
Total Highway Safety Cluster			48,315
Total U.S. Department of Transportation			48,315
<b>US DEPARTMENT OF HOMELAND SECURITY:</b>			
<u>Passed through the State Department of Game and Fish:</u>			
Boating Safety Financial Assistance	97.012	N/A	2,000
<u>Passed through the State Department Emergency Management:</u>			
Emergency Management Performance Grants	97.042	EMPG2021,EMPG2022	74,130
Homeland Security Grant Program	97.067	HLS2019,2020,2021	130,595
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR4565,DR4475,DR5660	674,465
Disaster Grants - Public Assistance (Presidentially Declared Disasters) - HR2471	97.036	DR4475,DR4553,DR4565	336,027
Total AL 97.036			1,010,492
Total U.S. Department of Homeland Security			1,217,217
<b>US DEPARTMENT OF TREASURY:</b>			
<u>Direct Program</u>			
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	SLFRP2882	1,189,805
Total U.S. Department of Treasury			1,189,805
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,622,055</b>

See Notes to the Schedule of Expenditures of Federal Awards

**GRAND FORKS COUNTY**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Grand Forks County under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of operations of Grand Forks County it is not intended to and does not present the financial position, change in net position, or cash flows of Grand Forks County.

**NOTE 2 DE MINIMIS COST RATE**

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

**NOTE 3 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 4 PASS-THROUGH GRANT NUMBER**

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

**INDEPENDENT AUDITOR'S 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**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Forks County, Grand Forks, North Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 25, 2023.

## **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Grand Forks County's internal control over financial reporting (internal control) as a basis for designing 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Grand Forks County of Grand Forks, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Grand Forks County's Responses to Findings**

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

## **Purpose of this Report**

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

September 25, 2023



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; REQUIRED BY THE UNIFORM GUIDANCE

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

### Report on Compliance for Each Major Federal Program

#### ***Opinion on Each Major Federal Program***

We have audited Grand Forks County's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Grand Forks County's major federal programs for the year ended December 31, 2022. Grand Forks County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Grand Forks 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, 2022.

#### ***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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### ***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 Grand Forks County's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Grand Forks County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Grand Forks County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Grand Forks County's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of 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 items 2022-004 and 2022-005. Our opinion on each major federal program is not modified with respect to these matters.

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

## Report on Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004 to be a significant deficiency.

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

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

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

September 25, 2023

**GRAND FORKS COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>    X    </u> Yes	<u>        </u> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>        </u> Yes	<u>    X    </u> None Reported
Non-compliance material to financial statements noted?	<u>        </u> Yes	<u>    X    </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u>    X    </u> Yes	<u>        </u> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>    X    </u> Yes	<u>        </u> None Reported

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 2 CFR 200.516(a)?	<u>    X    </u> Yes	<u>        </u> No

Identification of major programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recover Funds

Dollar threshold used to distinguish between Type A and Type B programs:	<u>    \$                    750,000    </u>
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Auditee qualified as low-risk auditee?	<u>        </u> Yes	<u>    X    </u> No
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**GRAND FORKS COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Section II – Financial Statement Findings**

**2022-001 Finding     Material Weakness**

**Criteria**

The County is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

**Condition**

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

**Cause**

The County's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

**Effect**

The County's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

**Recommendation**

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

**Repeat Finding**

Yes – See 2021-001

**Views of Responsible Officials and Planned Corrective Actions**

See Corrective Action Plan.

**GRAND FORKS COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**2022-002 Finding      Material Weakness – Water Resource District**

**Criteria**

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

**Condition**

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

**Cause**

The Grand Forks County Water Resource District is subject to size and budget constraints limiting the number of personnel within the accounting department.

**Effect**

The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

**Recommendation**

We recommend the Grand Forks County Water Resource District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

**Repeat Finding**

Yes – See 2021-002.

**Views of responsible officials and planned corrective action:**

See Corrective Action Plan.

**GRAND FORKS COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**2022-003 Finding      Material Weakness – Water Resource District**

**Criteria**

The Grand Forks County Water Resource District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

**Condition**

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

**Cause**

The Grand Forks County Water Resource District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

**Effect**

The Grand Forks County Water Resource District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

**Recommendation**

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

**Repeat Finding**

Yes – See 2021-003

**Views of Responsible Officials and Planned Corrective Actions**

See Corrective Action Plan.

**GRAND FORKS COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**2022-004 Finding**

Federal Program

Coronavirus State and Local Fiscal Recovery Funds (21.027)

Federal Award Number and Year – SLFRP2882, 2021

Reporting

Significant Deficiency

Criteria

Page 9 of the Coronavirus State and Local Fiscal Recovery Funds: Project and Expenditure Report User Guide Version 1 (January 7, 2022) states :“An obligation is an order placed – such as a contract – and similar transactions that require payment. An expenditure is when the service has been rendered or the good has been delivered to the entity, and payment is due.”

Condition

We sampled 2 of the 4 quarterly reports submitted that contained 2022 federal expenditures and tested for accuracy and to ensure the reports are submitted by their respective due date. We noted one report had expenses listed not in the correct project when compared to the supporting documentation. These expenses were corrected in the next quarters' report, but we also noted another project had expenses overstated in the same report. We also noted that the County had corrected this overstatement by year end.

Cause

Lack of oversight by management.

Questioned Costs

None

Context

We sampled 2 of the 4 quarterly reports submitted that contained 2022 federal expenditures and tested for accuracy and to ensure the reports are submitted by their respective due date. We noted one report had expenses listed not in the correct project when compared to the supporting documentation. These expenses were corrected in the next quarters' report, but we also noted another project had expenses overstated in the same report. We also noted that the County had corrected this overstatement by year end.

Effect

The County submitted inaccurate reports to the federal government.

Repeat Finding

Yes – see 2021-004

Recommendation

The County should implement policies and procedures to ensure all reports are submitted accurately.

Views of Responsible Officials

See Corrective Action Plan.



**GRAND FORKS COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**2022-005 Finding**

Federal Program

Coronavirus State and Local Fiscal Recovery Funds (21.027)

Federal Award Number and Year – SLFRP2882, 2021

Procurement, Suspension, and Debarment

Material Weakness

Criteria

Uniform Guidance requires all non-federal entities, other than states must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. Non-federal entities are also prohibited from entering into a covered transaction equal to or exceeding \$25,000 with a vendor who has been suspended or disbarred from receiving federal funds.

Condition

We noted during testing procurement, suspension, and debarment that the County doesn't have a procurement policy that follows Uniform Guidance. We also noted during testing for suspension and debarment that 3 of our 4 vendors tested were not reviewed to ensure they were not suspended or disbarred from federal funds.

Cause

Lack of oversight by management.

Questioned Costs

None

Context

Uniform Guidance states "Review the non-federal entity's procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded (2 CFR sections 200.212 and 200.318(h); 2 CFR section 180.300; 48 CFR section 52.2096)". During this review, we noted that during our testing of procurement, suspension, and debarment that the County doesn't have a procurement policy that follows Uniform Guidance. We also noted during testing for suspension and debarment that 3 of our 4 vendors tested were not reviewed to ensure they were not suspended or disbarred from federal funds.

Effect

The County has an increased risk of not being compliance with federal procurement requirements and increased risk of entering into a covered transaction with a vendor who is suspended or disbarred from federal funds.

Repeat Finding

Yes – see 2021-005

Recommendation

The County should update their Procurement Policy to include suspension and debarment verbiage.

Views of Responsible Officials

See Corrective Action Plan.

**GRAND FORKS COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**2021-001 – AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition**

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

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

**Recommendation**

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

**Current Status of Recommendation**

See finding 2022-001

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

**Condition**

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

**Recommendation**

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

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

**Current Status of Recommendation**

See finding 2022-002

**GRAND FORKS COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**Condition**

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

**Recommendation**

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

**Current Status of Recommendation**

See finding 2022-003

**2021-004 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – IMPROPER REPORTING OF OBLIGATIONS AND EXPENDITURES – ALN 21.027 – MATERIAL NONCOMPLIANCE**

**Condition**

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

**Recommendation**

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

**Current Status of Recommendation**

See finding 2022-004

**GRAND FORKS COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**2021-005 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – LACK OF CONTROL SURROUNDING SUSPENSION AND DEBARMENT – ALN 21.027 – MATERIAL WEAKNESS AND OTHER NONCOMPLIANCE**

**Condition**

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

**Recommendation**

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

**Current Status of Recommendation**

See finding 2022-005

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

**Condition**

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

**Recommendation**

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

**Current Status of Recommendation**

Corrective action taken, this finding has been removed.

**GRAND FORKS COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**Condition**

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

**Recommendation**

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

**Current Status of Recommendation**

Corrective action taken, this finding has been removed.

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

**Condition**

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

**Recommendation**

We recommend Grand Forks County ensure:

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

**Current Status of Recommendation**

Corrective action taken, this finding has been removed.

**GRAND FORKS COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**Condition**

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

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

**Recommendation**

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

**Current Status of Recommendation**

Corrective action taken, this finding has been removed.

**Date:** September 20, 2023  
**FROM:** Debbie Nelson, County Auditor  
**RE:** Grand Forks County – 2022 Corrective Action Plan

**Contact Person Responsible for Corrective Action Plan:** Debbie Nelson, County Auditor

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**2022-001 – Finding – Material Weakness**

**Condition**

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

**Corrective Action Plan**

We agree. Grand Forks County will review its procedures for the preparation of the financial statements to ensure accuracy is completed and accurate in accordance with GAAP.

**Anticipated Completion Date**

Fiscal Year 2023

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**2022-002 – Finding – Material Weakness – Water Resource District**

**Condition**

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

**Corrective Action Plan**

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

**Anticipated Completion Date**

Fiscal Year 2023

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**2022-003 – Finding – Material Weakness – Water Resource District**

**Condition**

During our audit, adjusting entries to the financial statement were proposed in order to properly reflect the financial statements in accordance with GAAP.

**Corrective Action Plan**

We agree. Grand Forks County will review its procedures for the preparation of the financial statements to ensure accuracy is completed and accurate in accordance with GAAP.



**Anticipated Completion Date**

Fiscal Year 2023

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**2022-004 – Finding**

**Condition**

We sampled 2 of 4 quarterly reports submitted that contained 2022 federal expenditures and tested for accuracy and to ensure the reports are submitted by their respective due date. We noted one report had expenses listed not in the correct project when compared to the supporting documentation. These expenses were corrected in the next quarters' report, but we also noted another project had expenses overstated in the same report. We also noted that the County had corrected this overstatement by year end.

**Corrective Action Plan**

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

**Anticipated Completion Date**

Fiscal Year 2023

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**2022-005 – Finding**

**Condition**

We noted during testing procurement, suspension, and debarment that the County doesn't have a procurement policy that follows Uniform Guidance. We also noted during testing for suspension and debarment that 3 of our 4 vendors tested were not reviewed to ensure they were not suspended or disbarred from federal funds.

**Corrective Action Plan**

We agree. A procurement policy is being drafted for approval by the Grand Forks County Commission.

**Anticipated Completion Date**

Fiscal Year 2023