



Grand Forks County

Grand Forks, North Dakota

Audit Report

For the Year Ended December 31, 2016

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

GRAND FORKS COUNTY
Grand Forks, North Dakota

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For the Year Ended December 31, 2016

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GRAND FORKS COUNTY
Grand Forks, North Dakota

COUNTY OFFICIALS

December 31, 2016

Gary Malm	Commissioner - Chairperson
Cynthia Pic	Commissioner - Vice-Chairperson
David Engen	Commissioner
Thomas Falck Jr.	Commissioner
Diane Knauf	Commissioner
Debbie Nelson	Director of Finance and Tax
Michele Thiel	Director of Human Resources
Robert Rost	Sheriff
Amber Gudajtes	Tax Equalization Director
David Jones	State's Attorney
Dave Godfread	Superintendent of Schools

STATE AUDITOR

JOSHUA C. GALLION
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, Grand Forks, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, Grand Forks, North Dakota, as of December 31, 2016 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 20 to the financial statements, prior period adjustments were necessary to properly restate capital assets and the beginning general fund balance for grant funds removed.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, the pension schedules, and the notes to the required supplementary information* on pages 34-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

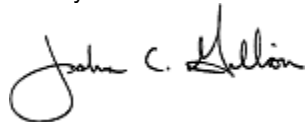
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand Forks County's basic financial statements. The *schedule of fund activity and schedule of expenditures of federal awards, as required by 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.

The *schedule of fund activity and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity and the schedule of expenditures of federal awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2017 on our consideration of Grand Forks County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grand Forks County's internal control over financial reporting and compliance.



Joshua C. Gallion
State Auditor

Fargo, North Dakota
May 30, 2017

GRAND FORKS COUNTY
Grand Forks, North Dakota
STATEMENT OF NET POSITION
December 31, 2016

	Primary		
	Government	Component Units	
	Governmental Activities	Water Resource District	Fair Association
ASSETS:			
Cash and investments	\$ 20,360,420.75	\$ 2,665,677.00	\$ 94,704.77
Investments	-	1,259,599.00	-
Accounts receivable	196,653.05	-	-
Interest receivable	-	11,064.00	-
Intergovernmental receivable	1,057,126.80	-	-
Special assessments receivable	-	1,188,473.00	-
Prepaid expenses	-	-	1,675.00
Other receivable	-	-	4,026.48
Taxes receivable	366,988.00	17,595.00	362.00
Unamortized Bond Discount	-	8,879.00	-
Long-Term Asset:			
Capital Assets not being depreciated:			
Land	505,895.00	551,814.00	85,420.27
Capital Assets net of accumulated depreciation:			
Infrastructure	47,110,425.49	-	-
Buildings	30,517,160.15	-	-
Leasehold improvements	-	-	348,018.36
Land Improvements	-	1,557,762.00	-
Office equipment	-	1,339.00	-
Equipment	2,473,029.11	-	36,412.88
Vehicles and equipment	-	268,121.00	-
Furniture	53,956.15	-	-
Vehicles	630,234.31	-	-
Total Capital Assets	<u>\$ 81,290,700.21</u>	<u>\$ 2,379,036.00</u>	<u>\$ 469,851.51</u>
Total Assets	<u>\$ 103,271,888.81</u>	<u>\$ 7,530,323.00</u>	<u>\$ 570,619.76</u>
DEFERRED OUTFLOW OF RESOURCES:			
Pension Items	<u>\$ 3,915,421.34</u>	<u>\$ 14,870.00</u>	<u>\$ -</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 117,399.24	\$ 17,069.00	\$ 200.00
Payroll withholdings	-	519.00	-
Salaries payable	9,599.19	-	-
Sales tax payable	441.02	-	-
Due to other governments	-	3,470.00	-
Deposit on proposed drains	-	13,976.00	-
Interest payable	48,166.61	3,464.00	854.73
Grants received in advance	-	91,582.00	-
Long-Term Liabilities:			
Due Within One Year:			
Capital leases payable	1,731,275.63	-	-
Special assessments payable	-	-	422.01
Loans payable	-	-	7,741.67
Bonds payable	1,885,000.00	145,000.00	-
Bond premium-unamortized	54,076.57	-	-
Compensated absences payable	165,290.05	-	-
Due After One Year:			
Special assessments payable	-	-	2,056.61
Loans payable	-	-	52,258.33
Bonds payable	11,065,000.00	1,060,000.00	-
Bond premium-unamortized	223,586.36	-	-
Compensated absences payable	1,487,610.45	-	-
Net Pension Liability	<u>14,320,823.01</u>	<u>51,615.00</u>	<u>-</u>
Total Liabilities	<u>\$ 31,108,268.13</u>	<u>\$ 1,386,695.00</u>	<u>\$ 63,533.35</u>
DEFERRED INFLOW OF RESOURCES:			
Taxes received in advance	\$ 3,571,554.84	\$ -	\$ -
Pension Items	1,381,331.00	9,249.00	-
Total Deferred Inflow of Resources	<u>\$ 4,952,885.84</u>	<u>\$ 9,249.00</u>	<u>\$ -</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 66,331,761.66	\$ 1,179,451.00	\$ 409,851.51
Restricted for:			
Debt service	366,924.14	133,347.00	-
Capital projects	110,728.17	-	-
General Government	1,093,339.34	-	-
Highways and bridges	1,303,220.07	-	-
Flood repair	19,351.35	-	-
Culture and recreation	60,196.47	-	-
Conservation of natural resources	167,553.50	-	-
Emergency	1,013,310.89	-	-
Drain maintenance	-	1,370,380.00	-
Unrestricted	<u>659,770.60</u>	<u>3,466,071.00</u>	<u>97,234.90</u>
Total Net Position	<u>\$ 71,126,156.19</u>	<u>\$ 6,149,249.00</u>	<u>\$ 507,086.41</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Fair Association
Primary Government:							
Governmental Activities:							
General government	\$ 7,461,464.87	\$ 1,017,761.12	\$ 773,006.60	\$ -	\$ (5,670,697.15)	\$ -	\$ -
Public safety	12,384,422.40	2,769,694.09	207,339.96	-	(9,407,388.35)	-	-
Highways and bridges	8,304,594.31	382,338.83	10,707,604.42	-	2,785,348.94	-	-
Flood repair	15,316.18	-	42,644.07	-	27,327.89	-	-
Health and welfare	8,091,729.04	-	2,277,858.19	-	(5,813,870.85)	-	-
Culture and recreation	4,099.72	-	-	-	(4,099.72)	-	-
Conser. of natural resources	846,322.04	2,697.96	81,136.84	-	(762,487.24)	-	-
Economic development	156,022.41	164,916.71	-	-	8,894.30	-	-
Other	144.97	-	-	-	(144.97)	-	-
Interest on long-term debt	416,011.10	-	-	-	(416,011.10)	-	-
Fiscal agent charges	6,728.21	-	-	-	(6,728.21)	-	-
Total Primary Government	\$ 37,686,855.25	\$ 4,337,408.71	\$ 14,089,590.08	\$ -	\$ (19,259,856.46)	\$ -	\$ -
Component Units:							
Water resource district	\$ 939,894.00	\$ 263,898.00	\$ -	\$ 927,274.00	\$ -	\$ 251,278.00	\$ -
Fair association	259,354.98	155,427.48	-	-	-	-	(103,927.50)
Total Component Units	\$ 1,199,248.98	\$ 419,325.48	\$ -	\$ 927,274.00	\$ -	\$ 251,278.00	(103,927.50)
General Revenues:							
Property Taxes:							
Property taxes; levied for general purposes					\$ 12,769,121.43	\$ 772,366.00	\$ 96,057.45
Property taxes; levied for special purposes					7,970,724.55	219,031.00	-
Property taxes; levied for debt service					1,736,985.94	-	-
Special Assessments Interest					-	17,745.00	-
Non Restricted Grants and Contributions					2,922,074.79	-	-
Interest Income					12,759.98	11,428.00	-
Miscellaneous Revenue					859,104.90	49,567.00	31,103.25
Total General Revenues					\$ 26,270,771.59	\$ 1,070,137.00	\$ 127,160.70
Change in Net Position					\$ 7,010,915.13	\$ 1,321,415.00	\$ 23,233.20
Net Position - January 1					\$ 65,732,999.49	\$ 4,827,834.00	\$ 483,853.21
Prior Period Adjustments					(1,617,758.43)	-	-
Net Position - January 1, as restated					\$ 64,115,241.06	\$ 4,827,834.00	\$ 483,853.21
Net Position - December 31					\$ 71,126,156.19	\$ 6,149,249.00	\$ 507,086.41

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	General	Social Services	Road & Bridge	Highway Tax Distribution	Emergency Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and investments	\$ 12,255,869.15	\$ 1,742,283.95	\$ 1,660,771.37	\$ 939,753.81	\$ 1,139,882.80	\$ 2,621,859.67	\$ 20,360,420.75
Accounts receivable	196,653.05	-	-	-	-	-	196,653.05
Intergovernmental receivable	544,923.77	164,958.38	23,639.30	292,343.05	742.44	30,519.86	1,057,126.80
Taxes receivable	207,974.47	81,428.79	30,894.28	-	1,934.48	44,755.98	366,988.00
Total Assets	\$ 13,205,420.44	\$ 1,988,671.12	\$ 1,715,304.95	\$ 1,232,096.86	\$ 1,142,559.72	\$ 2,697,135.51	\$ 21,981,188.60
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 81,604.06	\$ 19,804.13	\$ -	\$ 13,891.05	\$ -	\$ 2,100.00	\$ 117,399.24
Sales tax payable	441.02	-	-	-	-	-	441.02
Salaries payable	6,280.90	-	-	3,318.29	-	-	9,599.19
Total Liabilities	\$ 88,325.98	\$ 19,804.13	\$ -	\$ 17,209.34	\$ -	\$ 2,100.00	\$ 127,439.45
Deferred Inflows of Resources:							
Taxes receivable	\$ 207,974.47	\$ 81,428.79	\$ 30,894.28	\$ -	\$ 1,934.48	\$ 44,755.98	\$ 366,988.00
Taxes received in advance	1,977,583.85	833,920.29	332,732.85	-	10,451.34	416,866.51	3,571,554.84
Total Deferred Inflows of Resources	\$ 2,185,558.32	\$ 915,349.08	\$ 363,627.13	\$ -	\$ 12,385.82	\$ 461,622.49	\$ 3,938,542.84
Fund Balances:							
Committed For:							
Park related projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,196.47	\$ 60,196.47
County improvements	-	-	-	-	-	941,683.51	941,683.51
Restricted For:							
General Government	-	-	-	-	-	151,655.83	151,655.83
Public safety	-	-	-	-	-	162,519.54	162,519.54
Highways and bridges	-	-	1,351,677.82	1,214,887.52	-	-	2,566,565.34
Flood repair	-	-	-	-	-	19,351.35	19,351.35
Health and welfare	-	1,053,517.91	-	-	-	170,941.00	1,224,458.91
Conservation of natural resources	-	-	-	-	-	229,805.25	229,805.25
Emergency	-	-	-	-	1,130,173.90	-	1,130,173.90
Debt service	-	-	-	-	-	386,531.90	386,531.90
Capital projects	-	-	-	-	-	110,728.17	110,728.17
Unassigned	10,931,536.14	-	-	-	-	-	10,931,536.14
Total Fund Balances	\$ 10,931,536.14	\$ 1,053,517.91	\$ 1,351,677.82	\$ 1,214,887.52	\$ 1,130,173.90	\$ 2,233,413.02	\$ 17,915,206.31
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,205,420.44	\$ 1,988,671.12	\$ 1,715,304.95	\$ 1,232,096.86	\$ 1,142,559.72	\$ 2,697,135.51	\$ 21,981,188.60

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2016

Total *Fund Balances* of Governmental Funds \$ 17,915,206.31

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Cost of Capital Assets	\$ 126,205,997.36	
Less: Accumulated Depreciation	<u>(44,915,297.14)</u>	81,290,700.22

Property taxes receivable 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. 366,988.00

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 3,915,421.34	
Deferred Inflows Related to Pensions	<u>(1,381,331.00)</u>	2,534,090.34

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:

Capital Leases Payable	\$ (1,731,275.63)	
General Obligation Bonds Payable	(12,950,000.00)	
Interest Payable	(48,166.61)	
Bond Premium-Unamortized Balance	(277,662.93)	
Compensated Absences	(1,652,900.50)	
Net Pension Liability	<u>(14,320,823.01)</u>	<u>(30,980,828.68)</u>

Total Net Position of Governmental Activities \$ 71,126,156.19

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General	Social Services	Road & Bridge	Highway Tax Distribution	Emergency Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 12,716,043.81	\$ 4,877,490.34	\$ 2,035,482.15	\$ -	\$ 122,623.66	\$ 2,631,511.96	\$ 22,383,151.92
Licenses, permits and fees	91,579.84	-	-	-	-	-	91,579.84
Intergovernmental	3,725,978.77	2,152,055.49	7,977,000.79	2,874,198.94	7,978.85	314,368.74	17,051,581.58
Charges for services	3,729,955.62	-	-	382,338.83	-	93,617.71	4,205,912.16
Interest income	12,355.36	-	-	-	-	404.62	12,759.98
Miscellaneous	354,304.26	-	-	31,436.88	-	473,363.76	859,104.90
Total Revenues	\$ 20,630,217.66	\$ 7,029,545.83	\$ 10,012,482.94	\$ 3,287,974.65	\$ 130,602.51	\$ 3,513,266.79	\$ 44,604,090.38
Expenditures:							
Current:							
General Government	\$ 6,169,462.00	\$ -	\$ -	\$ -	\$ -	\$ 303,259.50	\$ 6,472,721.50
Public safety	11,497,256.30	-	-	-	101,983.02	53,088.14	11,652,327.46
Highways and bridges	-	-	12,213,194.63	4,337,145.00	-	-	16,550,339.63
Flood repair	-	-	-	-	-	15,316.18	15,316.18
Health and welfare	-	7,856,327.50	-	-	-	12,215.31	7,868,542.81
Conserv. of natural resources	-	-	-	-	-	846,201.02	846,201.02
Economic development	156,022.41	-	-	-	-	-	156,022.41
Capital Outlay	245,277.98	-	-	-	-	82,400.00	327,677.98
Debt Service:							
Principal	-	-	-	219,553.78	-	1,835,247.90	2,054,801.68
Interest	-	-	-	70,333.82	-	408,170.31	478,504.13
Fiscal agent charges	-	-	-	-	-	6,728.21	6,728.21
Total Expenditures	\$ 18,068,018.69	\$ 7,856,327.50	\$ 12,213,194.63	\$ 4,627,032.60	\$ 101,983.02	\$ 3,562,626.57	\$ 46,429,183.01
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,562,198.97	\$ (826,781.67)	\$ (2,200,711.69)	\$ (1,339,057.95)	\$ 28,619.49	\$ (49,359.78)	\$ (1,825,092.63)
Other Financing Sources (Uses):							
Transfers in	\$ -	\$ -	\$ -	\$ 42,644.07	\$ -	\$ 1,570,687.17	\$ 1,613,331.24
Transfers out	-	-	-	-	-	(1,613,331.24)	(1,613,331.24)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ -	\$ 42,644.07	\$ -	\$ (42,644.07)	\$ -
Net Change in Fund Balances	\$ 2,562,198.97	\$ (826,781.67)	\$ (2,200,711.69)	\$ (1,296,413.88)	\$ 28,619.49	\$ (92,003.85)	\$ (1,825,092.63)
Fund Balance - January 1	\$ 10,296,973.44	\$ 1,880,299.58	\$ 3,552,389.51	\$ 2,511,301.40	\$ 1,101,554.41	\$ 2,325,416.87	\$ 21,667,935.21
Prior Period Adjustment	\$ (1,927,636.27)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,927,636.27)
Fund Balance - Jan. 1, as restated	\$ 8,369,337.17	\$ 1,880,299.58	\$ 3,552,389.51	\$ 2,511,301.40	\$ 1,101,554.41	\$ 2,325,416.87	\$ 19,740,298.94
Fund Balance - December 31	\$ 10,931,536.14	\$ 1,053,517.91	\$ 1,351,677.82	\$ 1,214,887.52	\$ 1,130,173.90	\$ 2,233,413.02	\$ 17,915,206.31

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ (1,825,092.63)

Amounts reported for governmental activities in the statement of activities are 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. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 10,899,818.26	
Current Year Depreciation Expense	<u>(3,418,216.38)</u>	7,481,601.88

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Loss on Disposals of Capital Assets		(14,461.68)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt repayment exceeded debt issuance.

Issuance of Debt - Special Assessments	\$ (144.97)	
Repayment of Debt - Bonds	1,835,000.00	
Repayment of Debt - Special Assessments	247.90	
Repayment of Debt - Capital Lease	<u>219,553.78</u>	2,054,656.71

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

Premium Amortization		54,076.57
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Increase in Compensated Absences	\$ (52,602.37)	
Decrease in Interest Payable	<u>8,416.46</u>	(44,185.91)

The Net Pension 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 Liability	\$ (4,210,463.01)	
Increase in Deferred Outflows of Resources Related to Pensions	3,252,119.20	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>168,984.00</u>	(789,359.81)

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. This consists of the decrease in taxes receivable.

93,680.00

Change in Net Position of Governmental Activities		<u><u>\$ 7,010,915.13</u></u>
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The notes to the financial statements are an integral part of this financial statement.

GRAND FORKS COUNTY
Grand Forks, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2016

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	<u>\$ 11,655,044.91</u>
<u>Liabilities:</u>	
Due to other governments/entities	<u>\$ 11,655,044.91</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Grand Forks County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. 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 government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of Grand Forks 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 criterion includes appointing a voting majority of an organization's governing body and (1) the ability of Grand Forks 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 Grand Forks County.

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

COMPONENT UNITS

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

Blended Component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Grand Forks County Building Authority - serves only Grand Forks 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 (courthouse remodeling and jail/correctional center construction), 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' columns in the basic financial statements include 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 - The County's governing board appoints a voting majority of the members of the Grand Forks County Water Resource District Board. The county has the authority to approve or modify the Water Resource District operational and capital budgets. The county also must approve the tax levy established by the Water Resource District.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Greater Grand Forks Fair Association - The County's governing board appoints a voting majority of the members of the Greater Grand Forks Fair Association Board. Although the county does not have the authority to approve or modify the Fair Board operational and capital budgets, the tax levy established by the fair board must be approved by the county's governing board. The fair board cannot buy, sell, lease and mortgage property in its own name and the county is legally obligated for the fair board'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, Grand Forks County and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made, if applicable, 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 taxes, interest and non-restricted grants and contributions, are presented as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements: The fund financial statements provide information about the county's funds including its fiduciary funds and blended component unit. 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 non-major 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.

Social Services Fund. This fund accounts for the costs of providing social service benefits and programs to needy residents of the county. The primary revenue sources in this fund are restricted grants and tax levy.

Road & Bridge Fund. This fund accounts for repair and improvement of county road and bridges financed primarily through a tax levy and state reimbursements.

Highway Tax Distribution Fund. This fund accounts for repair and improvement of highways that are legally restricted from state highway tax distribution revenue sources.

Emergency Fund. This fund accounts for amounts levied for County emergencies that may occur during any year. Emergency declarations need to be made before monies can be spent from this fund. The primary revenue source in this fund is a restricted tax levy.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

The county reports the following fund type:

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

D. Cash and Investments

Cash include amounts in demand deposits and money market accounts.

Cash and investments are combined on the balance sheet as investments are not designated by fund. The only investments of the primary government consist of certificates of deposit. The Water Resource District, a component unit, only invests in certificates of deposit.

Investments are stated at cost.

E. Capital Assets

PRIMARY GOVERNMENT:

Capital assets, which include property, plant, and equipment, 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 or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

General infrastructure assets acquired prior to January 1, 2002 consist of the road and bridge network assets that were acquired or received substantial improvements subsequent to January 1, 1980 and are reported at estimated historical cost using deflated replacement cost. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50 - 60
Vehicles	7
Office Equipment	10
Machinery and Equipment	5 - 20
Infrastructure	50 - 60

DISCRETELY PRESENTED COMPONENT UNITS:Grand Forks County Water Resource District:

Capital assets of the Grand Forks County Water Resource District, a discretely presented component unit of Grand Forks County, include property and equipment. Assets are reported in a discretely presented component unit column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital Assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 7 years for equipment and vehicles. Useful lives of land improvements are 50 years. Capital assets not being depreciated include land.

Greater Grand Forks Fair Association:

Capital assets of the Greater Grand Forks Fair Association include plant and equipment. Assets are reported in a discretely presented component unit column in the government-wide financial statements. Capital assets are defined by the Fair as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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:

Assets	Years
Equipment	5 - 10
Leasehold Improvements	20

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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 the 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. Vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

Vacation leave is earned as follows:

Years of Service	Hours per Month
1 through 3 years	8
4 through 7 years	10
8 through 12 years	12
13 through 18 years	14
19 years and above	16

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. Bond premiums and discounts, when significant, are amortized over the life of the bonds. Bond premiums and discounts when not significant are recognized in the year of issuance. Bond issuance costs are recognized in the current period in accordance with current standards.

In the fund financial statements, governmental fund types recognize bond issuance costs in the current period. Bond premiums when significant are amortized over the life of the bonds. Bond discounts are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as other financing uses.

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. Fund Balances / Net Position

GASB Statement No. 54 established fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

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

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Minimum Fund Balance Policy:

Grand Forks County established a 12.5% - 15% general fund carryover balance target to help with financial stability. The 12.5% - 15% 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.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (social services, county road and bridge, highway tax distribution, and emergency) are disclosed in more detail in Note 1B in the discussion of major funds.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Non-spendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the county auditor.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance. (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Grand Forks County did not have any non-spendable balances or assigned fund balances but did have committed balances reported in the balance sheet at December 31, 2016.

Restricted Fund Balances – consist of the following items at December 31, 2016:

Restricted fund balances are shown by primary function on the balance sheet for general government, debt service, public safety, highways & bridges, health & welfare, flood repair, conservation of natural resources, emergencies, and capital projects. Restricted fund balances are restricted by enabling legislation (primarily state law for various tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements and bond indentures).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
 - Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes social welfare/services and highways & bridges, as well as disaster type grants in FEMA funds, and other grant funds.
- (b) Committed fund balances (special revenue funds) – committed by governing board county commission action;
 - Committed in special revenue funds for park related projects (\$60,196) and county improvement projects (\$941,683).

Net Position:

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

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

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position in the statement of net position is also shown by primary and is restricted for debt service, capital projects, general government, highways and bridges, public safety, flood repair, health & welfare, culture & recreation, conservation of natural resources, and emergencies.

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for negative funds (highway fund). The unrestricted net position is available to meet the district's ongoing obligations.

J. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: DEPOSITS

In accordance with North Dakota Statutes, Grand Forks County maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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 any other state of the United States or such other securities approved by the banking board.

At year ended December 31, 2016, the Grand Forks County's carrying amount of deposits was \$30,739,717, and the bank balances of deposits totaled \$31,828,304. Of the bank balances \$2,000,957 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, 2016, the Grand Forks Water Resource District's carrying amount of deposits was \$3,921,249 and the bank balances of deposits totaled \$3,941,872. Of the bank balances, \$738,829 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, 2016, the Grand Forks Fair Board's carrying amount of deposits was \$94,705, and bank deposits totaled \$96,439, all of which was covered by Federal Depository Insurance.

Credit Risk:

The county and its component units may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2016, the county had certificates of deposit totaling \$100,669 and the water resource district had certificates of deposit totaling \$1,259,599.

The County's most recent bond rating received bond ratings from Moody's of Aa2 for the 2014 lease revenue refunding bonds.

Concentration of Credit Risk:

The county has a formal investment policy, while the component units do not have a formal investment policy. The county and its component units do not have a limit on the amount it may invest in any one issuer.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due for sheriff's fees, contract policing, and prisoner boarding fees. No allowance has been established for estimated uncollectible accounts receivable.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

NOTE 4: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various welfare, road and emergency management programs. These amounts consist of a mix of state and federal dollars.

NOTE 5: TAXES RECEIVABLE & SPECIAL ASSESSMENTS RECEIVABLE

The taxes receivable and special assessment receivable (Water Resource District) represent the past three years of delinquent uncollected taxes and special assessments. No allowance has been established for uncollectible taxes and special assessment receivables.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and 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.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

Uncertified Special Assessments:

Uncertified special assessments receivable (Water Resource District) represents a long-term receivable in the government-wide financial statements showing the amount of uncertified special assessments.

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2016:

Governmental Activities - County:	Balance Jan 1 (Restated)	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 505,895.00	\$ -	\$ -	\$ 505,895.00
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 46,698,502.68	\$ 12,075.85		\$ 46,710,578.53
Equipment	7,527,943.33	962,167.46	328,879.15	8,161,231.64
Furniture	874,316.73	-	-	874,316.73
Vehicles	2,827,383.07	144,078.21	144,770.88	2,826,690.40
Infrastructure	57,345,788.32	9,781,496.74		67,127,285.06
Total Capital Assets, Being Depreciated	\$ 115,273,934.13	\$ 10,899,818.26	\$ 473,650.03	\$ 125,700,102.36
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 15,210,081.86	\$ 983,336.52	\$ -	\$ 16,193,418.38
Equipment	5,109,512.96	907,568.72	328,879.15	5,688,202.53
Furniture	806,590.64	13,769.94	-	820,360.58
Vehicles	2,087,284.05	239,481.24	130,309.20	2,196,456.09
Infrastructure	18,742,799.60	1,274,059.97		20,016,859.57
Total Accumulated Depreciation	\$ 41,956,269.11	\$ 3,418,216.39	\$ 459,188.35	\$ 44,915,297.15
Total Capital Assets Being Depreciated, Net	\$ 73,317,665.02	\$ 7,481,601.87	\$ 14,461.68	\$ 80,784,805.21
Governmental Activities - Capital Assets, Net	\$ 73,823,560.02	\$ 7,481,601.87	\$ 14,461.68	\$ 81,290,700.21

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

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

Governmental Activities:	2016
General Government	\$ 734,653.94
Public Safety	580,730.58
Highways and Bridges	2,064,851.16
Health and Welfare	33,880.98
Conservation of Natural Resources	4,099.72
Total Depreciation Expense - Governmental Activities	\$ 3,418,216.38

DISCRETELY PRESENTED COMPONENT UNITS:

Grand Forks County Water Resource District:

The following is a summary of changes in capital assets for the Grand Forks County Water Resource District, a discretely presented component unit of Grand Forks County for the year ended December 31, 2016:

Governmental Activities - WRD:	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 551,814.00	\$ -	\$ -	\$ 551,814.00
<i>Capital assets, being depreciated:</i>				
Land Improvement	\$ 1,596,070.00	\$ 31,362.00	\$ -	\$ 1,627,432.00
Office Equipment	20,254.00	-	-	20,254.00
Vehicles and Equipment	508,118.00	120,063.00	97,736.00	530,445.00
Total Capital Assets, Being Depreciated	\$ 2,124,442.00	\$ 151,425.00	\$ 97,736.00	\$ 2,178,131.00
<i>Less accumulated depreciation for:</i>				
Land Improvement	\$ 37,271.00	\$ 32,399.00	\$ -	\$ 69,670.00
Office Equipment	18,567.00	348.00	-	18,915.00
Vehicles and Equipment	266,158.00	40,532.00	44,366.00	262,324.00
Total Accumulated Depreciation	\$ 321,996.00	\$ 73,279.00	\$ 44,366.00	\$ 350,909.00
Total Capital Assets Being Depreciated, Net	\$ 1,802,446.00	\$ 78,146.00	\$ 53,370.00	\$ 1,827,222.00
Governmental Activities-Capital Assets, Net	\$ 2,354,260.00	\$ 78,146.00	\$ 53,370.00	\$ 2,379,036.00

Depreciation expense totaling \$73,279 was charged to the conservation of natural resources function.

Greater Grand Forks Fair Association:

The following is a summary of changes in capital assets for the year ended December 31, 2016:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 85,420.27	\$ -	\$ -	\$ 85,420.27
<i>Capital assets, being depreciated:</i>				
Equipment	\$ 218,363.39	\$ 5,830.54	\$ -	\$ 224,193.93
Leasehold Improvements	560,824.59	152,807.84	-	713,632.43
Total Capital Assets, Being Depreciated	\$ 779,187.98	\$ 158,638.38	\$ -	\$ 937,826.36
<i>Less accumulated depreciation for:</i>				
Equipment	\$ 174,505.78	\$ 13,275.27	\$ -	\$ 187,781.05
Leasehold Improvements	338,556.59	27,057.48	-	365,614.07
Total Accumulated Depreciation	\$ 513,062.37	\$ 40,332.75	\$ -	\$ 553,395.12
Total Capital Assets Being Depreciated, Net	\$ 266,125.61	\$ 118,305.63	\$ -	\$ 384,431.24
Governmental Activities-Capital Assets, Net	\$ 351,545.88	\$ 118,305.63	\$ -	\$ 469,851.51

Depreciation expense totaling \$40,333 was charged to the culture and recreation function.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

NOTE 7: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions.

NOTE 8: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2016 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 9: SALARIES PAYABLE

Salaries payable consists of wages earned prior to December 31, 2016 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 10: GRANTS RECEIVED IN ADVANCE

Grants received in advance for the Water Resource District consists of funds received in the FEMA fund where the eligibility requirements have not been met at December 31, 2016.

NOTE 11: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2016 for the County and Water Resource District.

NOTE 12: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the amount for taxes received in advance in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes are measurable but not available. Taxes received in advance in the deferred inflows of resources in the government wide statement of net position consist of prepaid taxes collected prior to December 31, 2016 but not earned until January 2017 when they are properly apportioned.

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, this includes amounts related to pensions.

NOTE 13: LONG-TERM LIABILITIES

Primary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in long-term liabilities for Grand Forks County:

Governmental Activities - County:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bonds Payable	\$ 14,785,000.00	\$ -	\$ 1,835,000.00	\$ 12,950,000.00	\$ 1,885,000.00
Plus: Unamortized Bond Premium	331,739.50	-	54,076.57	277,662.93	54,076.57
Special Assessments Payable	102.93	144.97	247.90	-	-
Leases Payable	1,950,829.41	-	219,553.78	1,731,275.63	-
Compensated Absences *	1,600,298.13	52,602.36	-	1,652,900.49	165,290.05
Net Pension Liability	10,110,360.00	4,210,463.00	-	14,320,823.00	-
Total Governmental Activities - County	\$ 28,778,329.97	\$ 4,263,210.33	\$ 2,108,878.25	\$ 30,932,662.05	\$ 2,104,366.62

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

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Outstanding debt (excluding compensated absences) at December 31, 2016 consists of the following issues:

Bonds Payable:

\$1,825,000 2012 Lease Revenue Bonds, due in annual installments of \$155,000 to \$200,000 through May 2022; interest at 2.0%.	\$ 1,155,000
\$2,945,000 of 2008 Mortgage Revenue Bonds due in annual installments of \$240,000 to \$315,000 through March 2019 with interest at 2.25% to 4.0%.	915,000
\$2,645,000 of 2008 General Obligation Building Bonds due in annual installments of \$205,000 to \$285,000 through April 2019; interest at 3.25% to 3.8%.	825,000
\$1,040,000 General Obligation Refunding Bonds of 2013A due in annual installments of \$165,000 to \$180,000 through May 2019; interest at 2%.	535,000
\$8,960,000 Lease Revenue Refunding Bonds, Series 2013 due in annual installments of \$100,000 to \$1,170,000 through December 2025; interest at 2% to 3%.	8,660,000
\$3,345,000 Lease Revenue Refunding Bonds, Series 2014 due in annual installments of \$805,000 to \$860,000 through December 2017; interest at 2%.	<u>860,000</u>
Total Primary Government Bonds Payable	<u>\$ 12,950,000</u>

Bond Premium:

\$38,624.25 (2013A G.O Refunding Issue), \$345,395.15 (2013 Lease Center Bonds), and \$77,234.40 (2014 Lease Revenue Refunding Bonds) and in Bond Premium will be amortized over the life of the respective bond.	<u>\$ 277,663</u>
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Lease Payable:

\$2,617,750 Lease from Caterpillar for a twelve 770G Motor Graders. Payments are \$24,157 monthly through 2017; interest at 3.8%.	<u>\$ 1,731,276</u>
Total Primary Government Long-Term Debt (Excluding Compensated Absences and Net Pension Liability)	<u>\$ 14,958,939</u>

The annual requirements to amortize the outstanding debt, excluding compensated absences and net pension liability are as follows:

GOVERNMENTAL ACTIVITIES					
Year Ending Dec 31	Bonds Payable		Bond Premium	Capital Lease	
	Principal	Interest	Amortization	Principal	Interest
2017	\$ 1,885,000.00	\$ 361,933.13	\$ 54,076.58	\$1,731,275.63	\$ 52,141.07
2018	1,940,000.00	314,117.50	32,086.61	-	-
2019	1,975,000.00	254,115.00	32,086.61	-	-
2020	1,205,000.00	206,600.00	26,568.86	-	-
2021	1,240,000.00	172,350.00	26,568.86	-	-
2022 - 2026	4,705,000.00	344,750.00	106,275.41	-	-
Total	<u>\$ 12,950,000.00</u>	<u>\$ 1,653,865.63</u>	<u>\$ 277,662.93</u>	<u>\$1,731,275.63</u>	<u>\$ 52,141.07</u>

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Grand Forks County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in liabilities reported in long-term liabilities of governmental activities for the Grand Forks County Water Resource District:

Governmental Activities - WRD:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bonds Payable	\$ 1,345,000	\$ -	\$ 140,000	\$ 1,205,000	\$ 145,000
Less: Unamortized Bond Discount	(9,196)	-	(317)	(8,879)	(634)
Net Pension Liability	42,472	9,143	-	51,615	-
Total Governmental Activities - WRD	\$ 1,378,276	\$ 9,143	\$ 139,683	\$ 1,247,736	\$ 144,366

Outstanding governmental activities Water Resource District debt at December 31, 2016 is comprised of the following individual issues:

Special Assessment Bonds:

\$680,000 Refunding Improvement Bonds of 2002 due in one annual installment of \$60,000 in 2017; interest at 4.7%. \$ 60,000

\$375,000 Improvement Bond of 2010; due in annual installments of \$25,000 through 2026; interest at 2.2% to 3.2%. 250,000

\$950,000 Improvement Bond of 2015; due in annual installments of \$55,000 to \$70,000 through 2030; interest at 1.0% to 3.0% 895,000

Total Water Resource District Special Assessment Bonds \$ 1,205,000

Debt service requirements on long-term debt for governmental activities of the water resource district at December 31, 2016 are as follows:

GOVERNMENTAL ACTIVITIES - WRD			
Year Ending	Bonds Payable		Bond Disc.
Dec 31	Principal	Interest	Amortization
2017	\$ 145,000	\$ 29,465	\$ 634
2018	85,000	26,905	634
2019	85,000	25,445	634
2020	85,000	23,675	634
2021	85,000	21,905	634
2022 - 2026	445,000	75,135	3,170
2027 - 2030	275,000	16,725	2,539
Total	\$ 1,205,000	\$ 219,255	\$ 8,879

Greater Grand Forks Fair Association:

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in liabilities reported in long-term liabilities of governmental activities for the Greater Grand Forks Fair Association:

Governmental Activities - Fair:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	\$ -	\$ 60,000	\$ -	\$ 60,000	\$ 7,742
Special Assessments Payable	2,901	-	422	2,479	422
Totals	\$ 2,901	\$ 60,000	\$ 422	\$ 62,479	\$ 8,164

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Outstanding debt at December 31, 2016 consists of the following individual items:

Loan Payable:

\$60,000 Bank Loan taken out in 2016 due in annual installments of \$9,793 through 2023; interest at 3.4% \$ 60,000

Special Assessments:

\$10,804 in special assessments for the Grand Forks Fair Grounds in which principle payments of \$422 are paid to the City of Grand Forks at an average interest rate of 5%. 2,479

Total Fair Debt Payable \$ 62,479

Debt service requirements on Fair Association long-term debt at December 31, 2016 are as follows:

GOVERNMENTAL ACTIVITIES - FAIR				
Year Ending Dec 31	Bank Loan Payable		Special Assmts. Payable	
	Principal	Interest	Principal	Interest
2017	\$ 7,742	\$ 2,051	\$ 422	\$ 115
2018	7,991	1,802	422	92
2019	8,267	1,526	422	68
2020	8,549	1,244	422	44
2021	8,847	946	422	21
2022 - 2026	18,604	967	369	10
Total	\$ 60,000	\$ 8,536	\$ 2,479	\$ 350

NOTE 14: OPERATING LEASES

Grand Forks County is engaged in various operating leases which include copiers, postage machines, and printers. Total lease payments made during 2016 totaled \$5,968. The County departments are listed along with the piece of equipment that is being leased by that department in the following schedules.

GOVERNMENTAL ACTIVITIES		
Year Ending Dec 31	County Sheriff Marco Copier	County Social Services Mail Finance-Postage
2017	\$ 5,129	\$ 839
2018	-	839
2019	-	839
2020	-	839
Totals	\$ 5,129	\$ 3,357

NOTE 15: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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 after January 1, 2016 the Rule of 85 will be replaced with a 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. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition 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 and is subsequently reemployed, they have the option of repurchasing their previous service.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

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

At December 31, 2016, Grand Forks County reported a liability of \$14,320,823 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district'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, 2016, the Employer's proportion was 1.469409 percent, which was a decrease of .017446 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Employer recognized pension expense of \$1,774,439. At December 31, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 215,129.00	\$ 132,599.00
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	1,997,961.00	-
Changes of Assumptions	1,320,197.00	711,458.00
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	537,274.00
District Contributions Subsequent to the Measurement Date	382,134.34	-
Total	\$ 3,915,421.34	\$ 1,381,331.00

\$382,134 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, 2017.

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

2017	\$ 484,581.41
2018	484,581.39
2019	920,430.57
2020	590,129.89
2021	209,507.04

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	4.50% including inflation
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.60%
International Equity	21%	7.30%
Private Equity	5%	10.90%
Domestic Fixed Income	17%	1.49%
International Fixed Income	5%	(.45%)
Global Real Assets	20%	5.24%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County’s Proportionate Share of the Net Pension Liability	\$20,313,810.89	\$ 14,320,823.04	\$ 9,271,419.76

Pension Plan Fiduciary Net Position

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

NOTE 16: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Grand Forks County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF for automobile and general liability is limited to losses of two million dollars per occurrence. Public assets coverage is limited to \$4,946,334.

Grand Forks County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Grand Forks 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 Grand Forks 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.

Grand Forks County has worker’s compensation with the ND Workforce Safety and Insurance.

Grand Forks County pays annual premiums for flood insurance with the Harleysville insurance company and the Lexington Insurance Company. The County also pays an annual premium to the Hartford Steam Boiler Inspection and Insurance Company for the County boiler.

NOTE 17: CONDUIT DEBT

From time to time, the county has issued Community Development Block Grant Loans and Industrial Revenue Bonds to 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. 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 Financial Statements – Continued

As of December 31, 2016, there were no CDBG loans outstanding that had a balance at the end of the audit period.

As of December 31, 2016, there were ten Industrial Revenue Bond issuances which had a combined total of \$29,961,693.

As of the year ending December 31, 2016, Grand Forks 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, 2016, there were five Recovery Zone Facility bond issuances which had a combined total of \$38,358,000.

As of the year ending December 31, 2016, Grand Forks County is currently involved in a program that had issued Recovery Economic Development Bonds. Recovery Zone Economic Development Bonds are a new type of bond created by the American Recovery and Reinvestment Act (ARRA) passed by Congress in February 2009. They may be used to finance government projects with economic development outcomes.

As of December 31, 2016, there were two Recovery Zone Economic Development Bond issuances which had a combined total of \$28,420,000.

As of the year ending December 31, 2016, Grand Forks 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, 2016, there was one Qualified Zone Academy Bond issuance which totaled \$5,000,000.

As of the year ending December 31, 2016, Grand Forks County is currently involved in a program that had issued Qualified School Construction Bonds. Qualified School Construction Bond (QSCB) is a U.S. debt instrument created by Section 1521 of the American Recovery and Reinvestment Act of 2009. Section 54F of the Internal Revenue code covers QSCBs. QSCBs allow schools to borrow at nominal at zero percent for the rehabilitation, repair and equipping of schools. In addition, QSCB funds can be used to purchase land on which a public school will be built. The QSCB lender receives a Federal tax credit in lieu of receiving an interest payment. The tax credit rate is set by the IRS each day.

As of December 31, 2016, there was one Qualified School Construction Bond issuance which totaled \$6,230,000.

As of the year ending December 31, 2016, Grand Forks County is currently involved in a program that had issued Taxable Wellness Center Revenue Bonds. These bonds have been given to entities that do not have or wish to improve wellness centers within municipals.

As of December 31, 2016, there was one Taxable Wellness Center Revenue Bond issuance which totaled \$1,350,000.

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

NOTE 18: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2016:

	Transfers In	Transfers Out
Major Funds		
Highway Tax Distribution	\$ 42,644.07	\$ -
Nonmajor Funds:		
Special Revenue Funds		
FEMA 2011	-	42,644.07
Debt Service Funds		
Mortgage Revenue Bonds 2008	-	320,590.00
Lease Revenue Bonds 2005	-	1,250,097.17
Lease Revenue Bonds 2008	320,590.00	-
Lease Revenue Bonds 2013	360,798.71	-
Lease Revenue Bonds 2014	889,298.46	-
Total Transfers	\$ 1,613,331.24	\$ 1,613,331.24

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

NOTE 19: JOINT VENTURES

Under authorization of state statutes, Rush River Water Resource District joined Southeast Cass Water Resource District, North Cass Water Resource District, Maple River Water Resource District, and the water resource districts of Richland County, Grand Forks 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, 2016, which is the most current audited information available:

Total Assets	\$ 7,233,622
Total Liabilities	43,309
Net Position	<u>\$ 7,276,931</u>
Revenues	\$ 2,649,394
Expenses	3,125,522
Change in Net Position	<u>\$ (476,128)</u>

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

GRAND FORKS COUNTY

Notes to the Financial Statements – Continued

NOTE 20: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2016 has been restated as follows for Governmental Activities involving adjustments to the beginning balance of net capital assets for cost and depreciation of buildings and equipment, and to restate the beginning fund balance of the general fund to move EUL grant funds from the general fund.

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$ 65,732,999.49
Adjustments to restate the January 1, 2016 Net Position:	
Capital Assets Cost	324,837.15
Depreciation	(14,959.31)
PPA General Fund	(1,927,636.27)
Net Position January 1, as restated	\$ 64,115,241.06

NOTE 21: TAX ABATEMENTS

Grand Forks County and political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Grand Forks County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2016.

Grand Forks County will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business:

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40-57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the Grand Forks County Commission will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city/county services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City/County?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

Exemption Criteria:

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, Year 5 — 25%.

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$361,253

Public Charity Exemption:

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Exemption criteria:

Property exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$3,424,673

Single Family Residence:

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria -- 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 if all of the following conditions are met:

- a. The governing body of the city/county, for property within city/county limits, or the governing body of the county, for property outside city/county limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

2016 Reduction in Taxes:

Total Program Reduction in County Only Taxes – \$427,927

Childhood Services Exemption

Childhood Services (also adult daycare) are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(36)) and the guidelines stated below. The following criteria are only guidelines.

The governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under chapter 50-11.1 or used primarily as an adult day care center. However, this exemption is not available for property used as a residence

2016 Reduction in Taxes – Other Entities:

Total Program Reduction in taxes – \$33,923

Commercial and Residential:

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-05.2-03) and the guidelines stated below. The following criteria are only guidelines.

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city and county, for property within city limits and by the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city and county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city and county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$312,983

Solar, Wind, Geothermal - Structures:

Certain properties are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(27)) and the guidelines stated below. The following criteria are only guidelines.

Installations, machinery, and equipment of systems in new or existing buildings or structures, designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, or to store any of these, by utilization of solar, wind, or geothermal energy; provided, that if the solar, wind, or geothermal energy device is part of a system which uses other means of energy, only that portion of the total system directly attributable to solar, wind, or geothermal energy shall be exempt. Provided, however, that any exemptions granted by this subsection shall be valid for a five-year period following installation of any such system and apply only to locally assessed property. For the purposes of this subsection, solar or wind energy devices shall have the meaning provided in section 57-38-01.8 and geothermal energy device means a system or mechanism or series of mechanisms designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, by a method which extracts or converts the energy naturally occurring beneath the earth's surface in rock structures, water, or steam.

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$3,436

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 13,408,084	\$ 13,408,084	\$ 12,716,044	\$ (692,040)
Licenses, Permits and Fees	82,850	82,850	91,580	8,730
Intergovernmental	3,867,805	3,867,805	3,725,979	(141,826)
Charges for Services	2,966,138	2,966,138	3,729,956	763,818
Interest Income	18,000	18,000	12,355	(5,645)
Miscellaneous	191,650	191,650	354,304	162,654
Total Revenues	<u>\$ 20,534,527</u>	<u>\$ 20,534,527</u>	<u>\$ 20,630,218</u>	<u>\$ 95,691</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 7,283,483	\$ 7,353,639	\$ 6,169,462	\$ 1,184,177
Public Safety	11,970,050	12,001,300	11,497,256	504,044
Economic Development	181,019	181,019	156,022	24,997
Capital Outlay	800,000	800,000	245,278	554,722
Total Expenditures	<u>\$ 20,234,552</u>	<u>\$ 20,335,958</u>	<u>\$ 18,068,018</u>	<u>\$ 2,267,940</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 299,975</u>	<u>\$ 198,569</u>	<u>\$ 2,562,200</u>	<u>\$ 2,363,631</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ (597,000)	\$ -	\$ 597,000
Net Change in Fund Balances	<u>\$ 299,975</u>	<u>\$ (398,431)</u>	<u>\$ 2,562,200</u>	<u>\$ 2,960,631</u>
Fund Balance - January 1	\$ 10,296,973	\$ 10,296,973	\$ 10,296,973	\$ -
Prior Period Adjustment	(1,927,636)	(1,927,636)	(1,927,636)	-
Fund Balance - January 1, as restated	<u>\$ 8,369,337</u>	<u>\$ 8,369,337</u>	<u>\$ 8,369,337</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 8,669,312</u>	<u>\$ 7,970,906</u>	<u>\$ 10,931,537</u>	<u>\$ 2,960,631</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 5,126,057	\$ 5,126,057	\$ 4,877,490	\$ (248,567)
Intergovernmental	1,901,000	1,901,000	2,152,055	251,055
Total Revenues	\$ 7,027,057	\$ 7,027,057	\$ 7,029,545	\$ 2,488
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 8,183,816	\$ 8,183,816	\$ 7,856,328	\$ 327,488
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,156,759)	\$ (1,156,759)	\$ (826,783)	\$ 329,976
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 597,000	\$ 597,000	\$ -	\$ (597,000)
Net Change in Fund Balances	\$ (559,759)	\$ (559,759)	\$ (826,783)	\$ (267,024)
Fund Balance - January 1	\$ 1,880,300	\$ 1,880,300	\$ 1,880,300	\$ -
Fund Balance - December 31	\$ 1,320,541	\$ 1,320,541	\$ 1,053,517	\$ (267,024)

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD & BRIDGE FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,136,113	\$ 2,136,113	\$ 2,035,482	\$ (100,631)
Intergovernmental	9,889,581	9,889,581	7,977,001	(1,912,580)
Total Revenues	<u>\$ 12,025,694</u>	<u>\$ 12,025,694</u>	<u>\$ 10,012,483</u>	<u>\$ (2,013,211)</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	<u>\$ 12,511,138</u>	<u>\$ 12,485,472</u>	<u>\$ 12,213,195</u>	<u>\$ 272,277</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (485,444)</u>	<u>\$ (459,778)</u>	<u>\$ (2,200,712)</u>	<u>\$ (1,740,934)</u>
Fund Balance - January 1	<u>\$ 3,552,390</u>	<u>\$ 3,552,390</u>	<u>\$ 3,552,390</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 3,066,946</u>	<u>\$ 3,092,612</u>	<u>\$ 1,351,678</u>	<u>\$ (1,740,934)</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 2,811,476	\$ 2,811,476	\$ 2,874,199	\$ 62,723
Charges for Services	401,406	401,406	382,339	(19,067)
Miscellaneous	10,523	10,523	31,437	20,914
Total Revenues	\$ 3,223,405	\$ 3,223,405	\$ 3,287,975	\$ 64,570
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 5,258,720	\$ 4,748,720	\$ 4,627,033	\$ 121,687
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,035,315)	\$ (1,525,315)	\$ (1,339,058)	\$ 186,257
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 42,644	\$ 42,644
Net Change in Fund Balances	\$ (2,035,315)	\$ (1,525,315)	\$ (1,296,414)	\$ 228,901
Fund Balance - January 1	\$ 2,511,301	\$ 2,511,301	\$ 2,511,301	\$ -
Fund Balance - December 31	\$ 475,986	\$ 985,986	\$ 1,214,887	\$ 228,901

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE
EMERGENCY FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 127,617	\$ 127,617	\$ 122,624	\$ (4,993)
Intergovernmental	8,420	8,420	7,979	(441)
Total Revenues	<u>\$ 136,037</u>	<u>\$ 136,037</u>	<u>\$ 130,603</u>	<u>\$ (5,434)</u>
<u>Expenditures:</u>				
Current:				
General Government	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 101,983</u>	<u>\$ 28,017</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,037</u>	<u>\$ 6,037</u>	<u>\$ 28,620</u>	<u>\$ 22,583</u>
Fund Balance - January 1	<u>\$ 1,101,554</u>	<u>\$ 1,101,554</u>	<u>\$ 1,101,554</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,107,591</u>	<u>\$ 1,107,591</u>	<u>\$ 1,130,174</u>	<u>\$ 22,583</u>

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

GRAND FORKS COUNTY
Grand Forks, North Dakota

PENSION SCHEDULES
For the Year Ended December 31, 2016

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

	2016	2015	2014
District's proportion of the net pension liability (asset)	1.469409%	1.486855%	1.557809%
District's proportionate share of the net pension liability (asset)	\$ 14,320,823	\$ 10,110,360	\$ 9,887,747
District's covered-employee payroll	\$ 14,808,175	\$ 13,246,075	\$ 13,122,653
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

*Complete data for this schedule is not available prior to 2014.

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

	2016	2015	2014
Statutorily required contribution	\$ 1,054,342	\$ 943,121	\$ 934,333
Contributions in relation to the statutorily required contribution	\$ (1,054,342)	\$ (943,121)	\$ (934,333)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 14,808,175	\$ 13,246,075	\$ 13,122,653
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

GRAND FORKS COUNTY
Grand Forks, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The county commission adopts an “appropriated budget” on the modified accrual basis of accounting.
- 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: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2016 as follows:

Fund	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$ 20,831,552.00	\$ 101,406.00	\$ 20,932,958.00
County Road & Bridge	12,511,138.00	(25,666.00)	12,485,472.00
Highway Tax Distribution	5,258,720.00	(510,000.00)	4,748,720.00
<u>Nonmajor Special Revenue Funds:</u>			
FEMA 2011	-	16,000.00	16,000.00
Asset Forfeiture	3,000.00	1,000.00	4,000.00
Recorder-Technology Fund	40,000.00	45,000.00	85,000.00
<u>Nonmajor Debt Service Fund:</u>			
Capital Construction	1,925,700.00	1,800.00	1,927,500.00

GRAND FORKS COUNTY

Notes to the Supplementary Information - Continued

NOTE 3: PENSIONS - CHANGES OF ASSUMPTIONS

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

GRAND FORKS COUNTY
Grand Forks, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BASIS
For the Year Ended December 31, 2016

	Balance 1-1-2016	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-2016
Major Funds:							
General Fund (1000)	\$ 8,173,909.70	\$ 20,667,257.54	\$ -	\$ -	\$ -	\$ 18,517,851.33	\$ 10,323,315.91
County Road & Bridge (2140)	3,793,838.51	10,018,764.23	-	-	-	12,484,564.22	1,328,038.52
Highway Tax Distribution (2150)	2,191,719.34	3,353,187.94	42,644.07	-	-	4,647,797.54	939,753.81
Social Services (2210)	1,709,906.10	7,053,239.91	-	-	-	7,854,782.35	908,363.66
Emergency Fund (2910)	1,099,752.59	131,661.89	-	-	-	101,983.02	1,129,431.46
Total Major Funds	\$ 16,969,126.24	\$ 41,224,111.51	\$ 42,644.07	\$ -	\$ -	\$ 43,606,978.46	\$ 14,628,903.36
Nonmajor Funds:							
Special Revenue Funds:							
County Reserve (2120)	\$ 941,683.51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 941,683.51
FEMA 2009 (2161)	14,096.25	-	-	-	-	-	14,096.25
FEMA 2010 (2162)	2,746.11	-	-	-	-	-	2,746.11
FEMA 2011 (2163)	17,825.17	42,644.07	-	-	42,644.07	15,316.18	2,508.99
Crime Prevention Fund (2505)	-	1,333.33	-	-	-	-	1,333.33
Grand Forks Narcotics Task Force (2520)	6,153.20	15,764.00	-	-	-	8,174.10	13,743.10
Keys Grant JABG - 2001 (2542)	9,588.64	-	-	-	-	-	9,588.64
Victims Reparation Program (2550)	10,161.43	60.00	-	-	-	-	10,221.43
Veteran Service (2920)	101,983.05	191,980.79	-	-	-	215,700.70	78,263.14
NDSU Extension (2960)	73,280.55	529,511.95	-	-	-	545,264.65	57,527.85
Weed Control (2970)	136,552.05	328,524.58	-	-	-	300,936.37	164,140.26
Asset Forfeiture (2990)	85,679.97	32,798.80	-	-	-	3,776.00	114,702.77
Adult Drug Court (2991)	11.64	-	-	-	-	-	11.64
GFCSS Client Opportunity (6010)	96,810.36	6,003.98	-	-	-	12,215.31	90,599.03
County Recorder Technology Fund (7001)	178,941.13	56,497.50	-	-	-	81,682.80	153,755.83
County Park (8012)	60,196.47	-	-	-	-	-	60,196.47
Hazardous Chemicals (8027)	7,485.36	4,525.00	-	-	-	4,204.45	7,805.91
Contract Policing (8094)	8,761.56	35,080.28	-	-	-	40,709.59	3,132.25
Total Nonmajor Special Revenue Funds	\$ 1,751,956.45	\$ 1,244,724.28	\$ -	\$ -	\$ 42,644.07	\$ 1,227,980.15	\$ 1,726,056.51
Debt Service Funds:							
GO Bonds 1999 COB (4002)	\$ 362,760.75	\$ 1,848,229.42	\$ -	\$ -	\$ 1,250,097.17	\$ 677,308.14	\$ 283,584.86
Mortgage Revenue Bonds 1998 (4003)	50,875.18	332,487.24	-	-	320,590.00	1,900.00	60,872.42
Special Assessments (5000)	13,042.44	10,956.66	-	-	-	247.90	23,751.20
Lease Revenue Bonds 2008 (off-book)	-	0.28	320,590.00	-	-	320,590.28	-
Lease Revenue Bonds 2013 (off-book)	-	0.87	360,798.71	-	-	360,799.58	-
Lease Revenue Bonds 2014 (off-book)	-	2.06	889,298.46	-	-	889,300.52	-
Total Nonmajor Debt Service Funds	\$ 426,678.37	\$ 2,191,676.53	\$ 1,570,687.17	\$ -	\$ 1,570,687.17	\$ 2,250,146.42	\$ 368,208.48
Capital Projects Funds:							
Parking Ramp Maintenance (2989)	\$ 108,274.11	\$ 84,854.06	\$ -	\$ -	\$ -	\$ 82,400.00	\$ 110,728.17
Total Nonmajor Governmental Funds	\$ 2,286,908.93	\$ 3,521,254.87	\$ 1,570,687.17	\$ -	\$ 1,613,331.24	\$ 3,560,526.57	\$ 2,204,993.16
Total Governmental Funds	\$ 19,256,035.17	\$ 44,745,366.38	\$ 1,613,331.24	\$ -	\$ 1,613,331.24	\$ 47,167,505.03	\$ 16,833,896.52
Agency Funds:							
County Fair (2410)	\$ 272.52	\$ 999.10	\$ -	\$ -	\$ -	\$ 1,252.92	\$ 18.70
Extension Office Special (7015)	97,195.37	55,091.57	-	-	-	59,796.34	92,490.60
State Tax (8001)	682.74	299,143.36	-	-	-	257,604.22	42,221.88
Airport Authority (8019)	533.96	282,686.38	-	-	-	225,772.53	57,447.81
Economic Development (2950)	808.44	355,298.39	-	-	-	311,317.09	44,789.74
Health District (2965)	194,420.28	472,673.39	-	-	-	490,218.00	176,875.67
County Library Services (8007)	1,455.69	708,818.58	-	-	-	617,836.00	92,438.27
Fines-State School Fund (8003)	-	2,000.00	-	-	-	1,250.00	750.00
Domestic Violence (8004)	1,050.00	16,730.00	-	-	-	16,835.00	945.00
Historical Society (2310)	169.94	77,828.09	-	-	-	68,696.04	9,301.99
Senior Citizens (2350)	678.94	533,187.75	-	-	-	491,644.93	42,221.76
Garrison Diversion (8005)	682.78	314,210.34	-	-	-	272,670.81	42,222.31
Water Resource District (8006)	1,987.64	884,063.78	-	-	-	769,500.97	116,550.45
Red River Joint Board (8008)	1,364.46	631,351.81	-	-	-	548,271.13	84,445.14
Ambulance Fund (8010)	4,094.22	1,898,020.41	-	-	-	1,648,781.19	253,333.44

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GRAND FORKS COUNTY
Grand Forks, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BASIS
For the Year Ended December 31, 2016

CONTINUED	Balance 1-1-2016	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-2016
<u>Agency Funds:</u>							
State Aid (8011)	\$ -	\$ 3,100,698.09	\$ -	\$ -	\$ -	\$ 3,100,698.09	\$ -
Paid Under Protest (8014)	8,840.22	-	-	-	-	8,507.32	332.90
Prepaid Taxes (8015)	257.72	60,896.24	-	-	-	60,852.85	301.11
Bond Money (8018)	950.00	71,585.83	-	-	-	72,085.83	450.00
GF County Bonds (8020)	9,550.00	166,802.00	-	-	-	170,302.00	6,050.00
AFLAC-Flexible Spending (8028)	46,606.16	177,106.21	-	-	-	158,205.19	65,507.18
Electric Tax (8029)	-	-	-	-	-	145,760.17	(145,760.17)
Homestead Credit (8030)	-	751,191.41	-	-	-	751,191.41	-
Disabled Veterans Credit (8031)	-	550,491.03	-	-	-	550,491.03	-
12% Property Tax Relief (8032)	-	10,044,206.13	-	-	-	10,044,206.13	-
Telecommunications Tax (8036)	-	667,387.14	-	-	-	667,387.14	-
Road & Bridge Townships (8041)	-	440,940.05	-	-	-	440,940.05	-
State Game & Fish Tax (8045)	-	15,891.83	-	-	-	15,891.83	-
Waterfowl Protection (8046)	-	9,943.00	-	-	-	9,943.00	-
ND State Land Department (8054)	-	257.66	-	-	-	257.66	-
GFC Soil Conservation District (8063)	614.42	238,959.50	-	-	-	199,977.35	39,596.57
BRIC-OEA Grant (8077)	1,927,636.27	4,659,861.37	-	-	-	5,565,560.65	1,021,936.99
Sheriff's Trust (8082)	9,688.35	57,543.10	-	-	-	62,470.07	4,761.38
Social Service Special Depository (8086)	32,450.64	158,903.32	-	-	-	162,314.57	29,039.39
HIDA-Special Deposit (8087)	292.60	1,727.94	-	-	-	1,930.41	90.13
Game and Fish (8088)	247,104.00	35,362.50	-	-	-	279,812.00	2,654.50
GF City Unpaid Specials (8090)	25,368.30	209,166.10	-	-	-	194,579.61	39,954.79
Payroll Deductions	7,831.68	11,407,470.51	-	-	-	11,410,813.79	4,488.40
Total Cities	3,124,747.65	27,696,824.39	-	-	-	27,093,964.76	3,727,607.28
Total Parks	977,646.67	7,873,198.11	-	-	-	7,744,762.44	1,106,082.34
Total Townships	251,554.26	1,032,843.66	-	-	-	1,014,079.48	270,318.44
Total School Districts	3,738,934.96	24,761,309.31	-	-	-	24,350,484.87	4,149,759.40
Total Drains	101,117.94	330,257.56	-	-	-	300,569.65	130,805.85
Total Fire Districts	64,882.43	316,701.79	-	-	-	301,358.78	80,225.44
Total Agency Funds	\$ 10,881,471.25	\$ 101,369,628.73	\$ -	\$ -	\$ -	\$ 100,660,845.30	\$ 11,590,254.68
Total Primary Government	\$ 30,137,506.42	\$ 146,114,995.11	\$ 1,613,331.24	\$ -	\$ 1,613,331.24	\$ 147,828,350.33	\$ 28,424,151.20

GRAND FORKS COUNTY
Grand Forks, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u>			
<u>Passed Through State Department of Human Services:</u>			
Foster Grandparent Program	94.011	None	\$ 8,136
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
<u>Passed Through State's Department of Health:</u>			
Violence Against Women Forumula Grants	16.588	None	\$ 18,545
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed Through State Department of Human Services:</u>			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.041	None	\$ 1,040
Promoting Safe and Stable Families	93.556	None	22,114
Temporary Assistance for Needy Families	** 93.558	S070	446,960
Child Support Enforcement	93.563	None	54,820
Low-Income Home Energy Assistance	93.568	None	140
Child Care and Development Block Grant	93.575	None	5,642
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	None	39,372
Children's Justice Grants to States	93.643	None	256
Stephanie Tubbs Jones Child Welfare Services Program	93.645	None	19,251
Foster Care-Title IV-E	93.658	None	445,415
Adoption Assistance	93.659	None	8,089
Medical Assistance Program	93.778	None	24,916
Maternal and Child Health Services Block Grant to the States	93.994	None	6,728
National Family Caregiver Support, Title III, Part E	93.052	None	2,400
Total U.S. Department of Health and Human Services			\$ 1,077,143
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Passed Through State Department of Emergency Services:</u>			
Boating Safety Financial Assistance	97.012	None	\$ 4,898
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	13,514
Emergency Management Performance Grants	97.042	None	92,372
Homeland Security Grant Program	97.067	None	8,452
Total U.S. Federal Management Agency			\$ 119,236
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
<u>Passed Through State Highway Department:</u>			
National Safety Priority Program	20.616	None	\$ 10,641
Total Expenditures of Federal Awards			\$ 1,233,701

** - Major program

Continued on next page.....

GRAND FORKS COUNTY
Grand Forks, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

CONTINUED.....

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Grand Forks County under programs of the federal government for the year ended December 31, 2016. The information in the 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 the operations of Grand Forks County, it is not intended to and does not present the financial position or changes in net position of Grand Forks County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

STATE AUDITOR

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grand Forks County, Grand Forks, North Dakota as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Grand Forks County's basic financial statements, and have issued our report thereon dated May 30, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

GRAND FORKS COUNTY

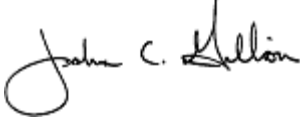
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grand Forks County's financial statements are free 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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.



Joshua C. Gallion
State Auditor

Fargo, North Dakota
May 30, 2017

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

Independent Auditor’s Report

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

Report on Compliance for Each Major Federal Program

We have audited Grand Forks County’s compliance with the types of compliance requirements described in the *OMB Uniform Guidance 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, 2016. 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.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Grand Forks County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

GRAND FORKS COUNTY

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

Report on Internal Control Over Compliance

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

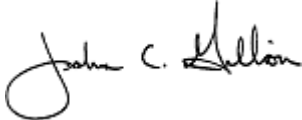
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Grand Forks County as of and for the year ended December 31, 2016, and have issued our report thereon dated May 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Joshua C. Gallion
State Auditor

Fargo, North Dakota
May 30, 2017

GRAND FORKS COUNTY
Grand Forks, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	Unmodified
Governmental Activities	Unmodified
Aggregate discretely presented component units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

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

Federal Awards:

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with CFR §200.516?	_____ Yes	_____ <u>X</u> No
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Identification of major programs:

CFDA Numbers	Name of Federal Program Or Cluster
93.558	Temporary Assistance for Needy Families

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

No matters reported.

Section III - Federal Award Findings and Questioned Costs

No matters reported.

STATE AUDITOR

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Grand Forks County, North Dakota for the year ended December 31, 2016, and have issued our report thereon dated May 30, 2017. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE

As stated in our engagement letter dated May 1, 2017, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Grand Forks County’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grand Forks County’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grand Forks County’s internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on each of Grand Forks County’s major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance.

As part of obtaining reasonable assurance about whether Grand Forks County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Also, in accordance with Uniform Guidance, we examined, on a test basis, evidence about Grand Forks County’s compliance with the types of compliance requirements described in the Uniform Guidance applicable to each of its major federal programs for the purpose of expressing an opinion on Grand Forks County’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Grand Forks County’s compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Grand Forks County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

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

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated May 30, 2017.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

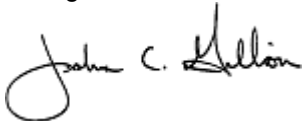
We encountered no significant difficulties in dealing with management in performing and completing our audit.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

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



Joshua C. Gallion
State Auditor

Fargo, North Dakota
May 30, 2017

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www.nd.gov/auditor/

or by contacting the
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